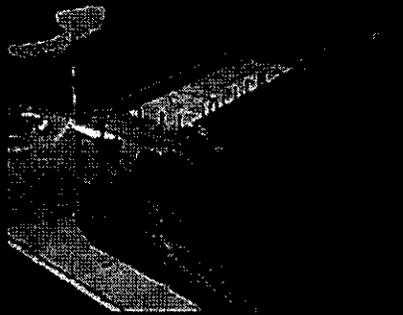


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Feasibility Study for a Potential New Conference Center in Homer, Alaska



Presented to the:
City of Homer, Alaska
July 9, 2005



Conventions, Sports & Leisure International





July 9, 2005

Ms. Anne Marie Holen
Special Projects Coordinator
City of Homer
491 East Pioneer Avenue
Homer, Alaska 99603

Dear Ms. Holen:

We have completed a feasibility analysis of a potential new conference center ("Center") in Homer's "Town Center." The attached report presents our research, analysis and findings and is intended to assist the City of Homer, Alaska ("City") in evaluating the viability of new Center development.

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

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

Ms. Anne Marie Holen
Page 2 of 2

This report has been prepared for the internal use of the City and should not be relied on by any other party. The report has been structured to assist City representatives in evaluating the market feasibility of potential Center development in Homer, and should not be used for any other purpose.

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

Very truly yours,

CSL International

CSL International

Table of Contents

Executive Summary	
I. Introduction	1
II. Local Market Conditions Analysis	4
III. Analysis of Competitive/Comparable Facilities & Communities	11
IV. Analysis of Market Potential	32
V. Building Program and Development Options Analysis.....	53
VI. Analysis of Event Levels and Costs & Benefits	58
Appendix A. Telephone Survey of State Organizations	
Appendix B. Supplemental Methodology Information	
Appendix C. Key Market, Financial & Economic Assumptions	



- Executive Summary -

This summary highlights the key findings of the feasibility study of a potential new conference center ("Center") in Homer. Conventions, Sports and Leisure International ("CSL") was engaged by the City of Homer ("City") to conduct a feasibility study of the proposed Center. The full report should be reviewed in its entirety to gain an understanding of the study methods, limitations and implications.

This summary is presented in the following sections:

- Introduction.
- Local market conditions.
- Competitive/comparable facilities and communities.
- Market potential.
- Building program and development options.
- Event levels and costs & benefits.

Introduction

The envisioned Homer conference center would act as an economic generator and a public resource for the local community, hosting conventions, conferences, tradeshow, public/consumer shows, meetings and other events of both a non-local and local nature. An important goal of the facility would be to retain and attract events to the area that presently cannot be accommodated by existing facilities in the community.

The development of Homer's Town Center has been discussed in the community for some time. The City and other community constituents are interested in identifying viable "anchors" for the overall project. As there has been recent discussion concerning the possibility of a new conference center serving as such an anchor, this study was commissioned to explore the market, financial and economic viability of the conference center project serving such a role.

Local Market Conditions

The strength of the local market, in terms of its socioeconomic attributes, can provide an indication of a community's ability to accommodate large numbers of convention, conference, tradeshow, public/consumer show and other event attendees. A community's hospitality infrastructure in terms of hotels, restaurants, entertainment and other such factors contribute heavily to the potential success of a conference facility. Likewise, the transportation accessibility of a community and its geographic proximity to bases of population also influence its ability to attract event activity and attendees.



Key strengths of Homer as it relates to supporting a new conference center include its: (1) small and specialized nature of existing event facilities, (2) picturesque location, (3) seasonal tourist amenities, (4) year-round outdoor recreational activities, (5) historic, cultural & arts attractions, and (6) driving proximity to Anchorage and other Kenai Peninsula markets.

Noted weaknesses include its: (1) number of quality hotel rooms, (2) limited size of largest hotel properties, (3) dispersed nature of hotel inventory, (4) air accessibility limitations, (5) drive time to and from Anchorage is relatively substantial, (6) number of visitor amenities and attractions, (7) seasonal nature of tourism and therefore also infrastructure operations, and (8) small resident population.

Competitive/Comparable Facilities and Communities

A review of the various physical characteristics of competitive and comparable facilities and the socioeconomic composition of their host communities was conducted. Twelve competitive/regional facilities located in Alaska were analyzed, along with 14 comparable facilities located throughout the country in similar sized communities.

The analysis of competitive facilities reveal a mix of facility types located throughout Alaska—some traditional stand-alone convention/conference centers and some hotel-based conference facilities. All of the stand-alone facilities (i.e., not having operations tied to a hotel property, etc.) operate with an annual deficit requiring public subsidy. In general, most Alaskan facilities accommodate mostly local and state events and tend to operate with lower utilization levels than other comparable facilities located throughout the remainder of the country.

The comparative analysis of socioeconomic and demographic statistics associated with both competitive and comparable markets (that house competitive/comparable facilities) suggest that the success of a potential Homer conference center will rest partially on its ability to attract events and attendees from its "secondary" driving markets (i.e., within 200 miles).

Market Potential

Relative to its population size, Homer presently possesses a number of event facilities (Best Western Bidarka Inn, Homer High School, Lands End Resort) that are capable of hosting flat floor events, such as meetings, conferences and banquets. However, there are a number of issues that constrain the ability of these facilities to effectively accommodate traditional meetings and conferences (i.e., substandard or non-traditional space [i.e., Elks Lodge], other primary uses/tenants [i.e., High School & Ice Rink], lack of proximate hotel rooms [i.e., Islands & Oceans], etc.).



Interest levels from meeting planners from state association and SMERF organizations in using a potential Homer conference center are generally considered to be "moderate" with 45 percent of surveyed responses being of positive response, while 39 percent of respondents indicated they would "definitely not" utilize a potential facility in Homer. However, given the low population of these state groups and the rotation policies employed by many, facility utilization by these groups would be expected to annually contribute a relatively small to moderate number of facility utilization days.

Further, given the geographic location of Alaska (and consistent with the event profiles at other comparable Alaska facilities), it is not expected that groups located outside Alaska would contribute a significant amount of use days at a Homer conference center. As such, to achieve utilization levels consistent with or higher than the average comparable facility, a new Homer facility would have to generate a strong majority of its events from the local market. In general, the analysis of local Homer market conditions does not suggest that this would be likely. Overall utilization levels of a potential new Homer conference center facility would be expected to be lower than the average comparable facility, but generally consistent with other comparable Alaska communities (with facilities), such as Sitka, Ketchikan and Valdez.

Building Program and Development Options

An evaluation of the supportable facility program components and potential development scenarios was performed for a potential new Homer conference center. Analysis results indicate that a new conference center could attract a certain level of unmet market demand in the Homer area. In order to accommodate the majority of this demand, certain facility space parameters would have to be met. However, based on the level of market demand measured for such a product, it is considered unlikely that a new stand-alone conference center (i.e., publicly-owned, not attached to a hotel or other facility, etc.) could generate utilization levels consistent with or higher than the average comparable facility reviewed.

This being said, certain communities are willing to invest in convention/conference facilities that would be expected to carry excess capacity due to their importance in generating new economic activity for the local community, as well as providing a gathering place for residents. For instance, existing facilities in Sitka, Ketchikan and Valdez are generally considered "underutilized" facilities (relative to other comparable facilities located throughout the nation), but they are serving important roles in their local communities.



Conference center development options include:

- Option 1: Stand-alone Conference Center
 - Up to 10,000 multipurpose space & 3,000 breakout meeting space
 - High public sector cost (development, ongoing subsidy, capital repair)
- Option 2: Public/Private Partnership with Hotel (existing or new)
 - Public sector incentives to expand & improve existing hotel conference space or develop new hotel/conference center with a greater amount of conference space than might be otherwise planned
 - Smaller public sector investment
 - Loss of public sector control over bookings and operations
- Option 3: Joint Use Build-out with Another Public Project
 - Explore possibility of integrating a greater amount of meeting space into planned public projects (i.e., new City Hall, Library, Museum, etc.)
 - Could allow for a cost effective alternative, as well as providing public sector control over bookings, marketing and use.
- Option 4: Do Nothing

Event Levels and Costs & Benefits

The analysis suggests that a new conference center in Homer will generate a measurable amount of “new” economic spending and tax revenue in the local community. It will work to increase visitation levels and associated spending in the community, as well as providing local residents with a community resource in which to hold and attend events. Additionally, as is outlined in the report, there will also be a number of non-quantifiable, “intangible” benefits for the local community resulting from the operations of a new center. However, a stand-alone, public project will likely require substantial annual operating subsidies, along with initial construction and annual reserve funding.

A number of quantifications of estimated development scenario costs and benefits are provided within the related chapter in this report.

However, based on our understanding of the City’s objectives with respect to the Town Center project and the need for an “anchor” in the area, it is believed that public/private partnership with an existing or new hotel developer should be explored, with a preference for a Town Center proximate site. Based on analysis results, this type of project could provide the most advantageous mix of public benefits to public costs, while also fulfilling the need for a Town Center “activity anchor”.

Should preliminary planning work and discussion with developers suggest little partnering interest or too high of public investments costs, further planning and exploration of a joint use project in Town Center should be pursued.



I. Introduction

Conventions, Sports and Leisure International (“CSL”) was retained by the City of Homer, Alaska (“City”) to conduct a feasibility study to evaluate the potential development of a conference center (“Center”) in Homer’s Town Center. This report outlines the key findings associated with the analysis of local market conditions, competitive/regional facilities and communities, industry trends/characteristics, market potential, supportable facility program, event levels, financial operations, preliminary construction costs, economic impacts, funding alternatives and ownership/management options.

The envisioned Homer conference center would act as an economic generator and a public resource for the local community, hosting conventions, conferences, tradeshow, public/consumer shows, meetings and other events of both a non-local and local nature. An important goal of the facility would be to retain and attract events to the area that presently cannot be accommodated by existing facilities in the community.

The development of Homer’s Town Center has been discussed in the community for some time. The Town Square Project was launched in 1998 as a “citizen-based effort to envision and create, through inclusive community planning, an area within the Central Business District of Homer that will be a magnet for the community, provide for business development, instill a greater sense of pride in the downtown area, make Homer more pedestrian-friendly, and contribute to a higher quality of life.” The City and other community constituents are interested in identifying viable “anchors” for the overall project. As there has been recent discussion concerning the possibility of a new conference center serving as such an anchor, this study was commissioned to explore the market, financial and economic viability of the conference center project serving such a role.

Key components of the study process consisted of the following:

- Experience with more than 350 similar conference and event facility feasibility studies.
- Local market visit and site tours.
- In-person interviews/meetings with more than 30 local Homer individuals.
- Research and analysis of local market conditions and regional trends.
- Analysis of facility data from 26 identified competitive/regional and comparable facilities and interviews with facility management.



- Comparative analysis of socioeconomic data from competitive/regional and comparable facility markets.
- 35 completed interviews with meeting planners of state groups representing more than 60 events.

The overall purpose of this study is to evaluate the feasibility of a potential new Homer conference center. Oftentimes, conclusions as to project "feasibility" can be assessed in various ways, including:

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

When evaluating the feasibility of a public assembly facility, such as a conference center, communities throughout the country have differed in the specific criteria that best reflects the definition of "feasible" for their community. For instance, one community may focus more on the ability of the project to be operationally self-supportive (i.e., generate an annual financial operating profit), rather than the intangible *public good*. The research, data, information and analysis provided through this study is intended to allow the City



and other community constituents to draw their own informed conclusions concerning the *feasibility* of a potential conference center in Homer.

This report consists of the following sections:

- *Local Market Conditions Analysis* – provides information regarding the socioeconomic attributes and visitor industry resources of the Homer area. The analysis provides an indication of the community's ability to successfully accommodate conventions, tradeshow, conferences, meetings and other events.
- *Analysis of Competitive/Comparable Facilities & Communities* – provides a comparison of various physical characteristics and resources of competitive/regional facilities, as well as their host markets.
- *Analysis of Market Potential* – provides an analysis of findings associated with surveys of event planners of potential state users representing market potential for a new Homer conference center, as well as conclusions concerning potential among other event segments.
- *Building Program and Development Options Analysis* – presents an analysis of the market supportable level of sellable space, by space component, as well as key market requirements necessary to accommodate potential convention, conference, tradeshow and other market demand in Homer. Alternate development scenarios, including potential public/private partnerships, are also discussed.
- *Event Levels and Cost & Benefits Analysis* – presents an analysis quantifying the estimated event levels and primary costs and benefits associated with the potential project. A financial operating analysis of characteristics of a potential Homer conference center and a preliminary analysis including order-of-magnitude construction costs are also provided. An analysis of estimated quantifiable and non-quantifiable economic impacts is also presented.



II. Local Market Conditions Analysis

The strength of the local market, in terms of its socioeconomic attributes, can provide an indication of a community's ability to accommodate large numbers of convention, conference, tradeshow, public/consumer show and other event attendees. A community's hospitality infrastructure in terms of hotels, restaurants, entertainment and other such factors contribute heavily to the potential success of a conference facility. Likewise, the transportation accessibility of a community and its geographic proximity to bases of population also influence its ability to attract event activity and attendees. CSL conducted an analysis of these attributes as they relate to the Homer market area. The analysis of existing Homer market conditions addresses the following areas:

- Homer overview.
- Local lodging inventory.
- Existing event facilities.
- Local market issues and conclusions.

Homer Overview

Situated on AK-1, Sterling Highway, Homer is a seaside community located on the scenic Kenai Peninsula overlooking Kachemak Bay and the Kenai Mountains. Homer Spit is a long, narrow finger of land extending more than four miles into Kachemak Bay and is a signature geographic feature of the community. Commercial fishing and summer tourism are presently two of the most important sectors in Homer's economy.

Exhibit II-1 presents a summary of the approximate distance (in terms of driving miles) to Homer from key Alaskan cities.

Exhibit II-1
Driving Distance to Homer from Key Alaskan Cities

Destination	Road Miles
Soldotna	75
Kenai	81
Seward	168
Anchorage	225
Fairbanks	580
Juneau	1,072

Source: Mapquest.



Located approximately 225 road miles south of Anchorage, Homer is accessible by air, water and land, with flight, ferry and bus departures scheduled daily. Kenai, Seward and Soldotna are all within 170 drive miles of Homer and are all connected by major roadways. The Fairbanks area lies north of Anchorage by way of Alaskan Interstates AK-1 and AK-3, and is approximately 580 drive miles from Homer.

Exhibit II-2 below presents a summary of key demographic characteristics estimated for Homer, its surrounding region, the state of Alaska and a United States benchmark.

Exhibit II-2 Homer Demographics Comparison

Demographic Variable	Homer City	50-Mile Ring	100-Mile Ring	200-Mile Ring	State of Alaska	U.S.
Population (1990)	3,533	11,808	40,581	322,226	550,043	248,709,873
Population (2000)	3,946	14,577	49,481	385,153	626,932	281,421,906
Population (2004 est.)	4,367	15,317	51,611	410,842	654,052	292,936,668
% Change (1990-2004)	23.6%	29.7%	27.2%	27.5%	18.9%	17.8%
Population (2009 proj.)	4,867	16,232	54,377	443,829	689,701	307,115,866
% Change (2004-2009)	11.4%	6.0%	5.4%	8.0%	5.5%	4.8%
Avg. Household Income (1990)	\$48,138	\$50,235	\$50,843	\$52,013	\$49,586	\$38,453
Avg. Household Income (2000)	\$52,909	\$51,372	\$55,813	\$64,966	\$62,475	\$56,644
Avg. Household Income (2004 est.)	\$56,392	\$55,378	\$61,371	\$71,759	\$68,977	\$63,301
% Change (1990-2004)	17.1%	10.2%	20.7%	38.0%	39.1%	64.6%
Avg. Household Income (2009 proj.)	\$59,798	\$59,675	\$67,874	\$79,600	\$76,473	\$71,731
% Change (2004-2009)	6.0%	7.8%	10.6%	10.9%	10.9%	13.3%
Median Age (2004, in years)	41.0	40.4	38.1	34.7	34.2	36.0

Source: U.S. Census data, Claritas Inc., 2005.

As shown in the exhibit, the population of the city of Homer was approximately 4,000 in 2000. While future projections based on U.S. Census estimate city of Homer population to reach approximately 4,400 and 4,900 in 2004 and 2009, respectively, the Alaska Department of Labor recently estimated 2004 population at approximately 5,300.

The estimated population increases to over 15,000 when considering a geographic area within a 50-mile radius of Homer. The estimated population within 100 miles of Homer is approximately 52,000, while the 200-mile ring includes the relatively large population residing in Anchorage and the surrounding area, pushing the population estimate to approximately 411,000.



Population growth in Homer and the surrounding area, over the past 15 years, has been higher than that of overall state of Alaska, as well as the United States. Current statistics suggest that this trend will continue into the foreseeable future.

While population growth trends remain relatively strong, the average household income in Homer has not kept pace with the average Alaskan city, nor the average U.S. city. In 1990, the average household income in Homer was approximately \$48,000, nearly \$10,000 higher than the average U.S. household income. However, currently, Homer's average household income is estimated to approximate \$56,000, \$7,000 less than the average U.S. household income.

Homer offers a number of historical, cultural and natural attractions. Many of these attractions preserve and showcase the important history, unique cultural influences and natural beauty of the area. Originally drawing population from gold seekers, coal miners and homesteaders in the 1800's, Homer's economy has now grown relatively reliant on the commercial harvest and processing of fish, which has distinguished Homer as the commercial and transportation outlet for the entire south central region of Alaska.

Although known for its world class halibut and salmon fishing opportunities, Homer also offers many other outdoor activities including:

- Sightseeing and nature viewing
- Camping
- Hiking
- Kayaking
- Bicycling
- Beachcombing
- Sailing
- Tours showcasing marine and land wildlife

The Homer Spit is a strong asset for Homer and the surrounding area, housing a number of unique shops, galleries, restaurants and entertainment venues that attract a large number of visitors during the summer months.

There are a number of other important attractions and amenities in the area. Specifically, the Pratt Museum is the only natural history museum on the Kenai Peninsula. The museum's exhibits typically focus on art, natural history, native cultures, homesteading, fishing, marine ecology and other areas of local interest.

The Islands and Ocean Visitor Center is an interpretive, educational and research facility dedicated to the understanding and conservation of the marine environment. The new, state-of-the-art facility, located near Homer's Town Center, is operated as a partnership between the Alaska Maritime National Wildlife Refuge and the Kachemak Bay Research



Reserve. As will be subsequently discussed, the facility also integrates a limited amount of meeting space.

Other local Homer attractions include the Russian Village a number of annual summer festivals and cultural events.

Tourism in Homer has grown significantly in recent decades, due in large part to the attractiveness of these attractions and activities, as well as the natural beauty and relatively convenient accessibility of the area.

Local Lodging Inventory

The hospitality infrastructure is often an important determinant in the selection of a conference center and destination by non-local events, such as conventions, conferences and meetings. The characteristics and quantity of quality hotel properties can work to govern the number and types of non-local events attracted to communities.

There are approximately 35 hotels, motels and lodges in the greater Homer area, in addition to over 100 seasonal cabins and B&Bs. The largest property within Homer is the Land's End Resort which currently offers 62 guestrooms, in addition to a spa, restaurant and meeting/banquet space. The property currently has plans to add 18 more guestrooms by May 2005. As will be subsequently discussed, the property presently functions as Homer's primary meeting/conference facility. Although the Land's End Resort is the largest Homer lodging facility with consideration as a "full-service" property, its relatively small number of total sleeping rooms and its non-proximate location to the Town Center could limit its ability to serve as a "headquarters hotel" for a potential Homer conference center.

Other hotel properties located in Homer include the Ocean Shores Motel, Best Western Bidarka Inn and other smaller and/or seasonal properties. Overall, Homer's lodging inventory is relatively diverse and dispersed geographically throughout the town. Additional discussion concerning hotel requirements by potential non-local events and related issues will be discussed in a subsequent chapter.

Existing Event Facilities

The number of potentially competitive event facilities in the local market is an important consideration with respect to the overall viability of any potential conference facility. As such, a review of existing meeting, conference and event venues in the Homer area was conducted. This effort included in-person visits to several of these facilities at the outset of the study, as well as interviews with facility management.



Homer currently has a number of small conference/meeting and specialized event facilities. Exhibit II-3 presents a summary of primary existing Homer area event facilities.

**Exhibit II-3
Existing Homer Area Event Facilities**

Facility	Largest Contiguous Flat Floor Area (Sq Ft)	Maximum Banquet Capacity (in persons)	Total Flat Floor Sellable Area (Sq Ft)
Alaska Islands & Ocean Visitor Center (1)	500	40	1,000
Best Western Bidarka Inn	2,000	140	2,800
Heritage RV Park	750	60	750
Homer Elks Lodge	3,200	220	3,200
Homer High School (2)	10,000 (est.)	650	n/a
Homer Ice Rink	15,000	1,000	15,000
Land's End Resort	2,900	200	3,825

(1) Figures do not include a 120-seat auditorium.

(2) Figures do not include the 400-seat Mariner Theatre.

n/a: not available

Source: Industry publications, facility website information, conversations with facility management, 2005.

As presented in the exhibit, a variety of event facilities exist in the Homer area, most catering to specific niches. Depending on the facility type and focus, events accommodated include meetings, conferences, banquets, receptions, small exhibit events, spectator events and other flat floor events. While there are a variety of types of facilities, the area presently lacks a traditional convention/conference facility of the type that is being considered through this study effort.

As previously mentioned, the Land's End Resort generally represents the area's primary conference facility, offering more than 3,800 square feet of banquet and meeting space. Based on conversations with management, the facility primarily hosts local functions, such as wedding receptions, banquets, meetings and social events. While the facility does accommodate some conferences and meetings held by non-local groups, the relatively small size of the facility's meeting and banquet space (in addition to the number of hotel rooms within the property) effectively limits its ability to attract many mid and large-sized state and regional events.



In terms of total square footage, the new Homer Ice Rink represents the area's largest facility. However, ice events are expected to comprise the vast majority of use days. While some ice rink facilities of this nature across the country utilize a portable floor covering to host certain flat floor events (on the ice surface), the Homer Ice Rink does not presently have such a capability. Further, even under a situation where such a covering would be available in the future, it is likely that there would be limitations in the number of dates that would be available for flat floor events, such as public/consumer shows, exhibitions and conferences. Additionally, most state conventions, conferences and meetings tend to prefer the finish, functionality and amenities of more traditional convention and conference venues.

Homer High School also is presently rented to groups for meetings, conferences and special events. Most of these events tend to be local in nature. The gymnasium offers an estimated 10,000 square feet, which can accommodate roughly 650 people and the Mariner Theatre seats approximately 400. There are also other smaller areas within the school that have been rented out on occasion. While the Theatre represents an attractive and functional venue for performing arts, speakers, concerts and school functions, the other areas within the School pose some of the same challenges as the with respect to attracting and accommodating traditional conventions, conferences and meetings, as do some of the other existing venues in Homer (i.e., date availability, limited traditional event amenities and functionality, lack of nearby hotel rooms, etc.).

As previously mentioned, the Islands and Ocean Center is a new, state-of-the-art interpretive educational and research facility. It possesses several small meeting rooms that are both used internally and rented to outside groups. Additionally, it possesses a 120-seat auditorium (with tiered-level flooring). The size and availability of the overall space offerings at the facility limit its ability to effectively accommodate conventions, conferences and banquets.

The remaining local facilities consist of smaller meeting venues associated with hotel properties that offer banquet and/or meeting space. In general, the size of the event space limits their ability to host groups larger than 220 persons. While many of these facilities have been serving Homer and its local residents and groups well over the years, most of these facilities lack the traditional finish, functionality and space requirements demanded by many non-local groups with conventions, conferences and meetings.



Local Market Issues and Conclusions

Based on the analysis performed and with regard to local market conditions, key strengths and weaknesses of Homer, as they relate to a potential conference center, are summarized below.

Strengths

- Picturesque location
- Seasonal tourist amenities (i.e., Homer Spit boardwalk of shops, restaurants, entertainment)
- Year-round outdoor recreational activities (i.e., fishing, camping, hiking, kayaking, sailing, etc.)
- Historic, cultural & arts attractions (i.e., Pratt Museum, Islands & Oceans, Summer Music Festival, various art galleries, etc.)
- Driving proximity to Anchorage and other Kenai Peninsula markets

Weaknesses

- Number of quality hotel rooms
- Limited size of largest hotel properties
- Dispersed nature of hotel inventory
- Air accessibility
- While within driving proximity of Anchorage, drive time is significant
- Number of visitor amenities and attractions (i.e., entertainment options, restaurants, etc.)
- Seasonal nature of tourism
- Small resident population



III. Analysis of Competitive/Comparable Facilities & Communities

This chapter provides a review of the various physical characteristics of competitive and comparable facilities and the socioeconomic composition of their host communities. The information detailed herein will assist in the evaluation of the convention and conference facilities that could provide primary competition to a potential Homer conference center. Numerous factors are considered by association, corporate and other types of event planners in determining the ability of a community to be suitable for convention, conference, meeting and other events. This chapter identifies and comparatively evaluates a number of these key factors associated with competitive and comparable facilities and their host communities.

Competitive/Regional Facilities and Host Communities

Initially, a review of convention and conference venues located within the state of Alaska was conducted. Based on industry data and discussions with facility and convention & visitor organization representatives, the table below presents the 12 facilities in eight markets throughout the state that were identified for this analysis. These competitive facilities represent venues that could potentially be competitive with a potential Homer conference center with respect to one or more key event segments (i.e., state/regional associations, SMERF [social, military, educational, religious, fraternal] groups, corporate events, etc.).

<u>Market</u>	<u>Facility</u>
Anchorage, AK	William A. Egan Civic and Convention Center
Anchorage, AK	Hilton Anchorage
Anchorage, AK	Sheraton Anchorage Hotel
Fairbanks, AK	The Carlson Center
Fairbanks, AK	Pioneer Park
Fairbanks, AK	Westmark Hotel Fairbanks
Girdwood, AK	Alyeska Prince Hotel
Juneau, AK	Centennial Hall Convention Center
Ketchikan, AK	Ted Ferry Civic and Convention Center
Soldotna, AK	Soldotna Sports Center
Valdez, AK	Valdez Convention and Civic Center
Sitka, AK	Sitka Harrigan Centennial Hall



Interviews were conducted with management of the aforementioned competitive/regional facilities to obtain information concerning the characteristics of facility space, usage and functionality.

The Egan Convention Center in Anchorage and the Carlson Center in Fairbanks represent convention centers that are generally comparable to many similar venues in small to mid-sized cities located throughout the country. A primary objective of facilities of this nature is to attract conventions, conferences and tradeshow with high levels of non-local attendees/exhibitors and associated hotel room nights. As an example, the Egan Convention Center typically hosts several hundred events per year, including approximately 20 conventions and 20 tradeshow. Even in a market as large as Anchorage, the majority of these convention and tradeshow events represent in-state groups (primarily association, corporate and SMERF events). This is believed to be heavily influenced by Alaska's geographic location relative to the lower 48 states.

Four other facilities reviewed in the competitive/regional set represent hotel conference centers (i.e., Hilton Anchorage, Sheraton Anchorage, Westmark Hotel Fairbanks, and Alyeska Prince Hotel). These facilities also host a wide variety of events, including corporate meetings/conferences/banquets, association conferences/meetings, wedding receptions and other such events.

With the exception of the Soldotna Sports Center (which is primarily a spectator/ice venue), most of the remaining facilities are located in smaller markets and represent multipurpose civic/convention facilities. Based on interviews with facility management, most of these smaller market facilities possess much more limited usage than traditional convention facilities located in Anchorage, Fairbanks and in other larger cities throughout the country. Examples include:

- Ketchikan – The Ted Ferry Civic and Convention Center only hosts on average five large events per year, 40 events that have durations longer than one day and only 25 percent of all events could be considered “non-local”(i.e., majority of event attendees residing outside the local area).
- Sitka – The Harrigan Centennial Center is host to a generally high number of small local events and activities, with only five percent being considered “non-local.”
- Soldotna – The majority of events hosted by the Soldotna Sports Center are ice-related, with only approximately 20 events annually representing flat floor events such as tradeshow, consumer shows and conferences. It is estimated that approximately 25 percent of these flat floor events could be considered “non-local”.



Of the interviewed facilities that were willing to share financial operating information, all generate a relatively large annual operating deficit. Recent year financial operating deficits that were reported include:

- Harrigan Centennial Hall, Sitka (\$330,000)
- Ted Ferry Civic & Convention Center, Ketchikan (\$275,000)
- Valdez Convention & Civic Center, Valdez (\$270,000)

The large majority of stand-alone convention centers located throughout the country operate at a financial operating deficit, requiring some form of ongoing subsidy for operations (i.e., City General Fund transfers, hotel/motel tax, sales tax, etc.). On a per square footage basis, the operating deficits indicated above are consistent with or slightly larger than other comparable facilities reviewed for this and other similar studies. It is believed that this is influenced by lower than average event levels and utilization at these small market facilities.

Additional discussion concerning the potential financial operations and related event and operational issues surrounding a potential new Homer conference center will be discussed in a subsequent chapter of this report.

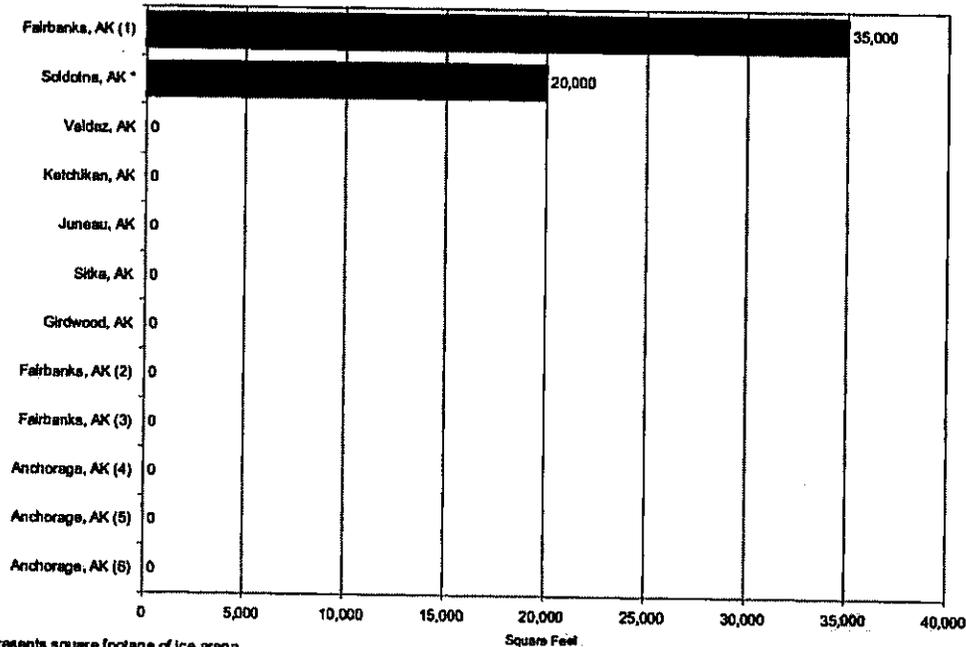
Exhibit Space

There are two types of exhibit space offered at traditional convention and conference centers: prime space and gross space. Prime space refers to the dedicated exhibition area that is column-free or with minimal columns, has high ceilings, utility grids and other such amenities. Additionally, most prime exhibit space offered in convention centers throughout the country incorporate a concrete floor surface (rather than carpet, for instance). Gross space refers to the total area that can be used for exhibits and includes surrounding areas such as lobbies, meeting space, ballrooms and other such space. Throughout the remaining analyses, any mention of exhibit space will be referring to prime exhibit space.

Exhibit III-1, presented on the following page, provides a comparison of total (prime) exhibit space offered at the competitive and regional facilities reviewed.



**Exhibit III-1
Comparison of Total Exhibit Space – Competitive/Regional Facilities**



* Represents square footage of ice arena
 (1) The Carlson Center
 (2) Westmark Hotel Fairbanks
 (3) Pioneer Park
 (4) Sheraton Anchorage Hotel
 (5) Hilton Anchorage
 (6) William A. Egan CC
 Source: Facility management and industry publications, 2004.

As presented, only two of the competitive/regional facilities reviewed incorporate prime exhibit space. The remaining facilities incorporate a mix of other spaces, including ballrooms, breakout meeting rooms and multipurpose space. It is important to note that many of these facilities accommodate light exhibits and “table-top” exhibits in these other facility areas. As an example, the Egan Civic & Convention Center’s primary hall is a multipurpose, carpeted hall (defined for purposes of this study as “ballroom/multipurpose space”) that has the flexibility to accommodate a wide variety of functions, including exhibits, general assemblies, banquets and meetings.

The Carlson Hotel in Fairbanks incorporates the largest amount of exhibit space (of the two with exhibit space), with approximately 35,000 square feet. The flat floor area within the ice arena of the Soldotna Sports Center offers approximately 20,000 square feet of exhibit space, but as previously mentioned, use of this space for traditional exhibit activities has been relatively limited in the past due to date availability and other functional/operational constraints.

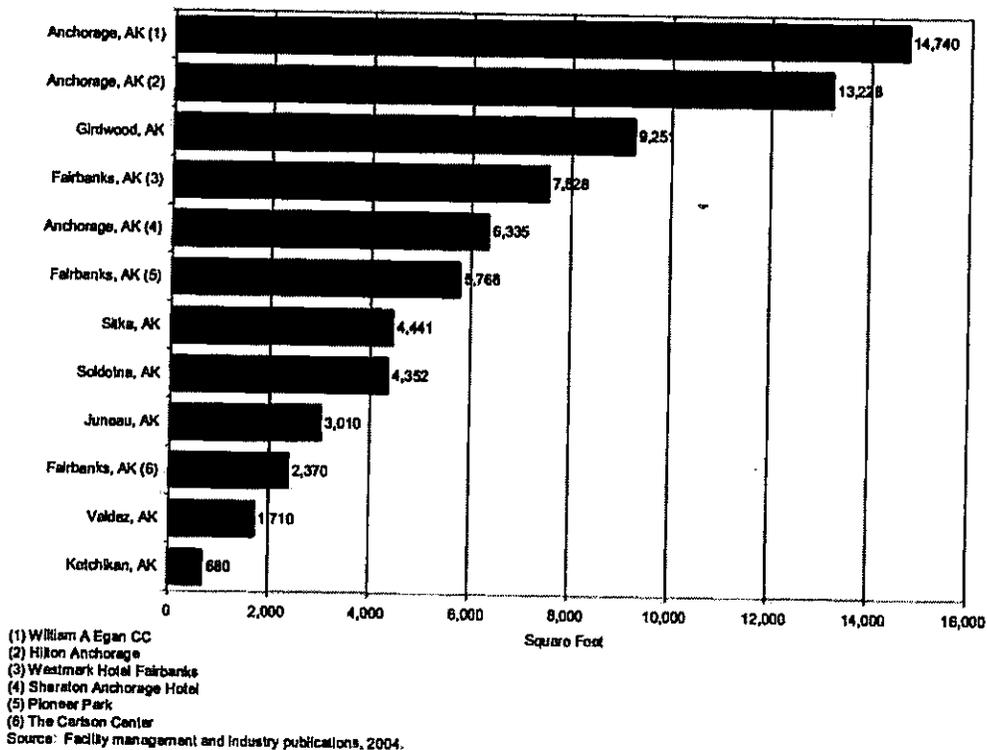


Meeting and Ballroom/Multipurpose Space

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

Exhibit III-2 compares the square feet of meeting space offered at the competitive/regional facilities reviewed.

**Exhibit III-2
Comparison of Total Meeting Space – Competitive/Regional Facilities**



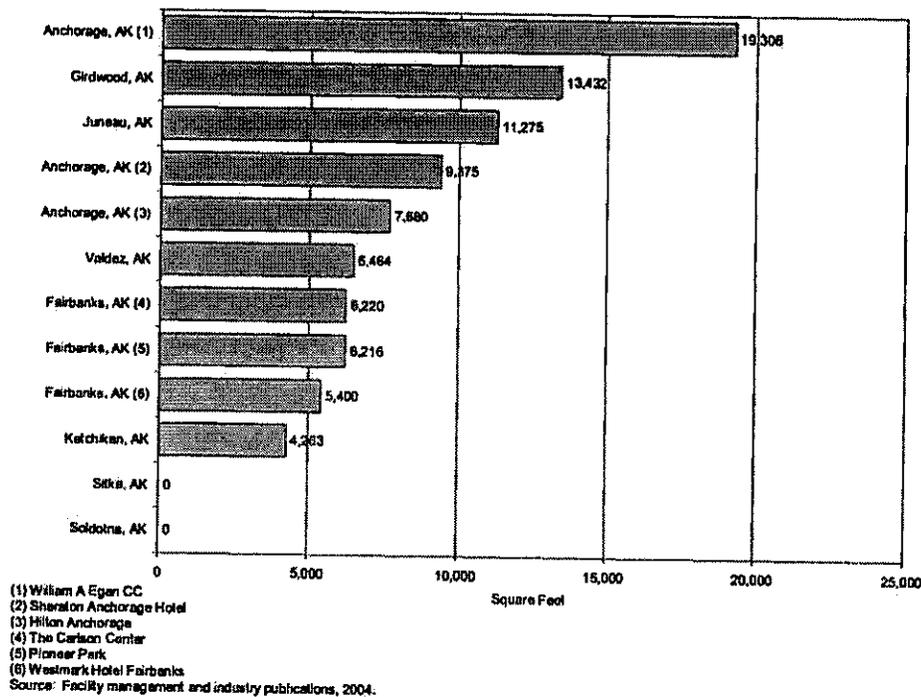
As shown in the exhibit, the level of meeting space is broadly distributed among the centers, ranging from 14,700 square feet at the William A. Egan Civic and Convention Center in Anchorage to 700 square feet of meeting space at the Ted Ferry Civic and Convention Center in Ketchikan. Half of the facilities incorporate 5,000 square feet or

less, of breakout meeting space. Among the facilities reviewed, an average of approximately 6,100 square feet of meeting space is provided, while the median is approximately 5,100 square feet.

Typically the most flexible of facility spaces, ballroom/multipurpose space is an important characteristic that event planners review when selecting a potential facility. Planners have increasingly placed a premium on such space in their selection of host cities. Development of dedicated, state-of-the-art ballroom space has taken place in many recently-built centers, while many older centers do not offer dedicated ballroom/multipurpose space. Civic, exhibition or public show-focused facilities tend to have more limited offerings of such space.

Exhibit III-3 compares the square footage of ballroom/multipurpose space offered among the competitive/regional facilities.

**Exhibit III-3
Comparison of Total Ballroom/Multipurpose Space – Competitive/Regional Facilities**



As presented, the William A. Egan Civic and Convention Center in Anchorage offers the most ballroom/multipurpose space with approximately 19,300 square feet. Of the ten facilities offering such space, approximately 9,000 square feet is offered on average and the median square footage is approximately 7,100. Two facilities offer no dedicated

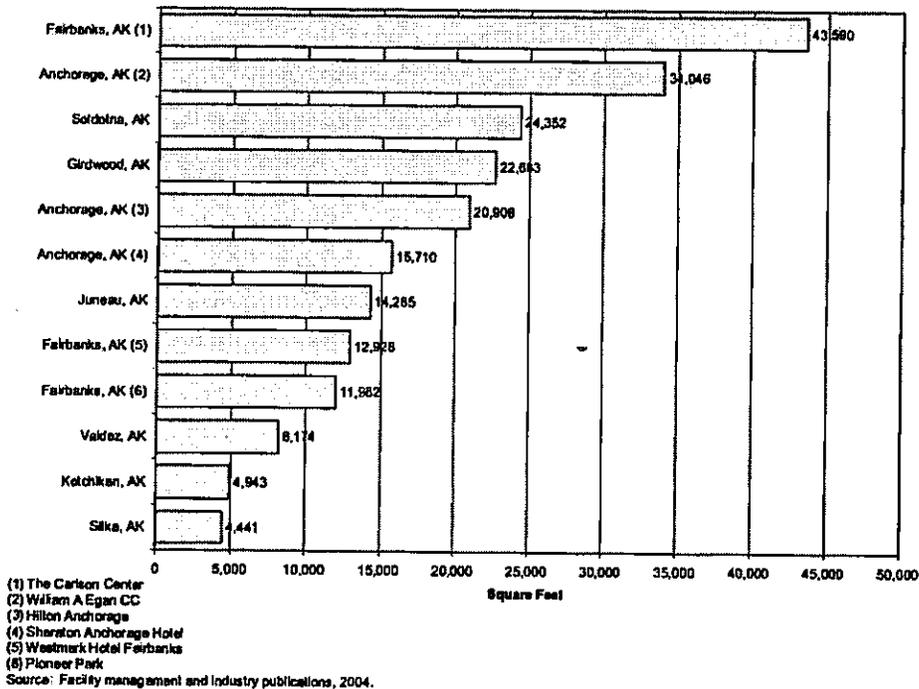


ballroom/multipurpose space. As will be shown in a subsequent chapter, interviews with state and regional event planners indicate that a significant percentage require or prefer a dedicated ballroom/multipurpose space for food functions and certain assemblies.

Total Sellable Space

Exhibit III-4 details the rankings of the competitive/regional facilities set analyzed in terms of total sellable space (which includes exhibit, meeting and ballroom/multipurpose space).

**Exhibit III-4
Comparison of Total Sellable Space – Competitive/Regional Facilities**



As outlined above, the amount of total sellable space offered at the competitive/regional facilities reviewed varies widely, averaging nearly 18,200 square feet. The largest facility in terms of total sellable space is Fairbanks’ Carlson Center, with nearly 43,600 total sellable square feet. The Sitka Harrigan Centennial Hall offers the least total sellable space, with approximately 4,400 square feet.



The characteristics and mix of the sellable space offerings within each of these selected competitive/regional facilities underscores the importance of offering a sufficient *volume* and *mix* of functional facility spaces for convention, conference and meeting events

Demographic and Socioeconomic Market Characteristics

A component in assessing the potential success of a new conference center in Homer is the demographic and socioeconomic profile of the local market. The strength of a market in terms of its ability to draw events, attendees and visitors is measured in part by the size of the market area population and its spending characteristics. To gain an understanding of the relative strength of the Homer market area, it is useful to compare various demographic and socioeconomic characteristics among the competitive/regional markets supporting similar venues.

For this analysis, the market demographics of the Homer area and the markets hosting the competitive/regional facilities that were selected for review have been evaluated using 50-, 100- and 200-mile concentric rings around the midpoint of each market. The primary market has been defined as the population within 50-miles of the respective facility, while the secondary markets have been defined as the area within 100- and 200-miles of each facility. For comparative purposes, the 50-mile, 100-mile and 200-mile radii are presented in this analysis. It is important to note that these mileage measurements do not refer to "driving miles", but rather "geographic miles".

Anchor Point and Seldovia represent the communities within a 50-mile radius of Homer's center. Homer's 100-mile ring captures the communities of Kenai, Soldotna and Seward, and its 200-mile ring captures all of the Kenai Peninsula and the Anchorage metropolitan area. Taken together, these market areas represent a significant extended population base from which to potentially draw events and attendees to a Homer conference center. As the majority of events hosted in comparable conference center facilities throughout the country represent events that are local in nature and/or events that draw from a close driving proximity, the population within driving distance to Homer will be an important determinant in the utilization and attendance profile of any new conference facility.



Population

Exhibit III-5 shows the population within a 50-, 100- and 200-mile radius of each of the competitive/regional markets' center of town, and the county population for which the market resides within.

Exhibit III-5
Comparison of Total Population – Competitive/Regional Markets

<u>Market</u>	<u>County Population</u>	<u>50-mile Population</u>	<u>100-mile Population</u>	<u>200-mile Population</u>
Anchorage, AK	274,500	340,667	382,627	407,343
Girdwood, AK	274,500	336,005	386,229	406,204
Fairbanks, AK	86,100	86,787	92,337	99,511
Soldotna, AK	51,800	35,539	378,912	416,210
Juneau, AK	30,900	32,355	45,843	52,489
Ketchikan, AK	13,300	15,759	21,056	34,442
Homer, AK	51,800	15,317	51,611	410,842
Sitka, AK	8,900	9,437	46,073	70,148
Valdez, AK	10,200	6,752	85,898	407,344
Average (Excluding Homer)	93,775	107,913	179,872	236,711

Sorted by 50-mile population

Source: Claritas Inc., U.S. Census data, Sales & Marketing Management, 2004.

As shown, the population within a 50-mile radius of the markets analyzed ranged from a low of 6,800 in Valdez, to a high of 340,700 in Anchorage. The overall average population within a 50-mile radius (excluding Homer) approximates 108,000. This compares to 15,300 for Homer. Within a 100-mile radius, the population ranges from a low of 21,000 in Ketchikan, to a high of 386,200 in Girdwood and a market average (excluding Homer) of 179,900. The population within 100 miles of Homer is approximately 51,600. Within a 200-mile radius, the population ranges from 416,200 in Soldotna to 34,400 in Ketchikan. Nearly 410,800 people reside within 200 miles of Homer. The overall average population within a 200-mile radius approximates 236,700.

Overall, Homer ranks below the average for all measurements of population with the exception of the 200-mile radius. This suggests that the success of any new Homer conference center will be, at least, partially dependent on its ability to draw events and attendees from its secondary market (i.e., from Anchorage). From this perspective, it is believed that Homer's proximity to Anchorage could be considered more advantageous than other geographically-isolated Alaskan cities, such as Sitka and Ketchikan.



Households

Similar to population, the number of households in a specific market can impact the attractiveness of facility development in relation to potential events and attendance levels at a new event facility. Exhibit III-6 shows the number of households within a 50-, 100- and 200-mile radius of the competitive/regional markets.

**Exhibit III-6
Comparison of Total Households – Competitive/Regional Markets**

<u>Market</u>	<u>50-mile Households</u>	<u>100-mile Households</u>	<u>200-mile Households</u>
Anchorage, AK	122,631	138,376	148,128
Girdwood, AK	121,073	139,712	147,671
Fairbanks, AK	31,614	33,607	36,519
Soldotna, AK	13,163	137,627	150,578
Juneau, AK	12,194	17,474	20,133
Ketchikan, AK	6,057	8,159	13,257
Homer, AK	6,004	19,365	148,442
Sitka, AK	3,561	17,442	26,901
Valdez, AK	2,646	29,669	148,054
Average (Excluding Homer)	39,117	65,258	86,405

Sorted by 50-mile households
Source: Claritas Inc., 2004.

The number of households within a 50-mile radius of the respective markets ranges from a low of approximately 2,600 in Valdez, to a high of nearly 122,600 in Anchorage. The overall average number of households (excluding Homer) within a 50-mile radius is approximately 39,100. As the number of households typically closely correlates with population, the ranking of communities within each of the ring measurements is generally consistent with that measured under the previous population exhibit.



Disposable Income

Average disposable income reflects total earned income in a community divided by its number of households. This statistical figure can be valuable when evaluating consumer capacity and propensity to expend personal income on goods and services and, ostensibly, attending or producing certain events/activities at public assembly facilities, such as a conference center. Exhibit III-7 presents the average disposable incomes within a 50-, 100- and 200-mile radius of the competitive/regional markets.

Exhibit III-7
Comparison of Disposable Income – Competitive/Regional Markets

<u>Market</u>	<u>50-mile Income</u>	<u>100-mile Income</u>	<u>200-mile Income</u>
Juneau, AK	\$63,127	\$60,519	\$59,288
Girdwood, AK	\$61,622	\$60,449	\$59,720
Anchorage, AK	\$61,462	\$60,416	\$59,681
Valdez, AK	\$57,125	\$64,563	\$59,634
Sitka, AK	\$56,823	\$60,688	\$57,378
Fairbanks, AK	\$54,582	\$54,199	\$53,061
Soldotna, AK	\$52,721	\$60,394	\$59,767
Ketchikan, AK	\$52,609	\$50,916	\$52,724
Homer, AK	\$46,908	\$51,515	\$59,803
Average (Excluding Homer)	\$57,509	\$59,018	\$57,657

Sorted by: 50-mile income
Source: Claritas Inc., 2004.

As shown above, the average disposable income within a 50-mile radius of Homer is approximately \$46,900. Within a 50-mile radius, the average disposable income of the competitive/regional markets (excluding Homer) is \$57,500. Likewise, within a 100-mile radius, Homer's average disposable income is estimated at approximately \$51,500, an amount lower than the average market. When the radius is extended to 200 miles, the average disposable income for the competitive/regional markets (excluding Homer) slightly decreases to approximately \$57,700, which is roughly \$2,000 less than Homer's 200-mile disposable income of \$59,800.



Demographic and Socioeconomic Summary

Exhibit III-8 summarizes the comparative demographic and socioeconomic statistics reviewed under this analysis.

Exhibit III-8
Summary of Demographic Data – Competitive/Regional Markets

Demographic Variable	HOMER	Rank (out of 9)	Market Average	Market High	Market Low
County Population	51,800	4	93,775	274,500	8,900
50-Mile Analysis					
Population	15,317	7	107,913	340,667	6,752
Households	6,004	7	39,117	122,631	2,646
Average Disposable Income	\$46,908	9	\$57,509	\$63,127	\$46,908
100-Mile Analysis					
Population	51,611	6	179,872	386,229	21,056
Households	19,365	6	65,258	139,712	8,159
Average Disposable Income	\$51,515	8	\$59,018	\$64,563	\$50,916
200-Mile Analysis					
Population	410,842	2	236,711	416,210	34,442
Households	148,442	2	86,406	150,578	13,257
Average Disposable Income	\$59,803	1	\$57,657	\$59,803	\$52,724

Note: Market averages exclude Homer figures.
Source: Claritas Inc.; Sales and Marketing Management.

In general, Homer ranks in the bottom portion of the competitive/regional facility markets in a number of demographic and socioeconomic characteristics with respect to its primary geographic market (i.e., within a 50-mile radius ring around the town center). Homer's ranking improves slightly under the 100-mile analysis, while rising to one of the leading markets when considering the 200-mile ring.

As previously mentioned, the results of this analysis suggest that the success of a potential Homer conference center will rest partially on its ability to attract events and attendees from its secondary market (i.e., 200-mile ring). Importantly, the results of the survey of event planners (as presented in the subsequent chapter) address the willingness of potential event planners and their groups' delegates to travel from Anchorage and other surrounding areas to Homer for a potential future event.



Comparable Facilities and Host Communities

In addition to the analysis of competitive/regional event facilities and host communities, an analysis was conducted considering comparable facilities in similarly-sized market located throughout the country. The intent of this type of analysis is to evaluate the physical and operational characteristics of conference/convention facilities located in similar markets, with the intent of being able to draw certain inferences concerning a potential new Homer conference facility.

The facilities selected as comparable facilities were chosen due to similarities with one or more aspects of the proposed Homer facility and/or the Homer community. In particular, many of the facilities are located in smaller markets in relatively geographically isolated areas. Operational data was obtained and analyzed from these facilities and host communities to assist in the understanding of the operational characteristics of similar facilities. The selected facilities are listed below.

<u>Market</u>	<u>Facility</u>
Bloomington, IN	Bloomington Convention Center
Brookings, SD	Swiftel Center
Decatur, IL	Decatur Civic Center
Dubuque, IA	Five Flags Civic Center
Florence, SC	Florence City-County Civic Center
Grand Junction, CO	Two Rivers Convention Center
Helena, MT	Helena Civic Center
Lebanon, MO	Cowan Civic Center
Montrose, CO	Montrose Pavilion
New Bern, NC	New Bern Riverfront Convention Center
Quincy, IL	Oakley-Lindsay Civic Center Complex
Statesville, NC	Statesville Civic Center
Watertown, SD	Watertown Event Center
West Plains, MO	West Plains Civic Center

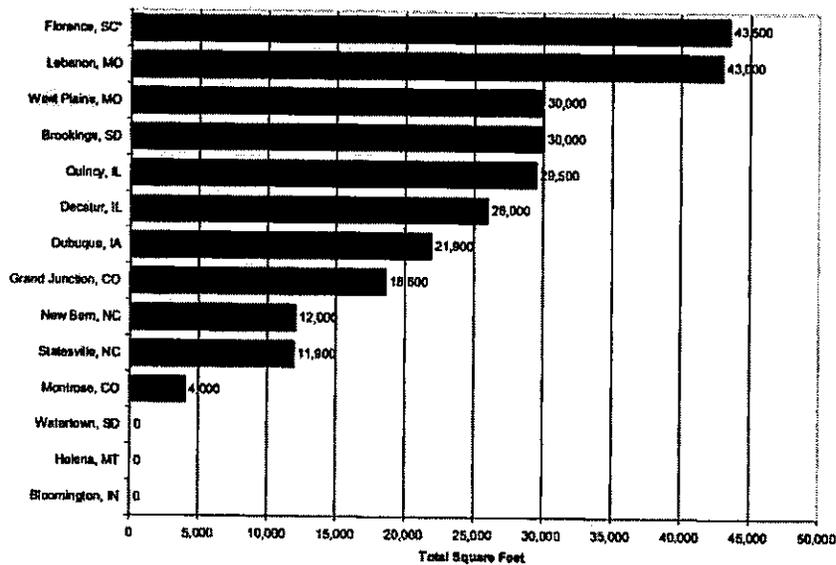
A commonality noted with the vast majority of the facilities analyzed is the *flexibility* and *functionality* of their space offerings. The facilities are a mix of "civic-oriented" and "convention-oriented" buildings, catering to a wide variety of local and non-local events. Nearly all the facilities offer flexible, subdividable exhibit space, in addition to other functional areas, such as breakout meeting rooms and ballroom/banquet/multipurpose rooms.



Exhibit Space

Exhibit III-9 provides a comparison of total prime exhibit space offered at the comparable facilities reviewed under this analysis.

**Exhibit III-9
Comparison of Total Exhibit Space – Comparable Facilities**



* Florence facility includes 29,000 sq ft of arena flat space
Source: Facility management and industry publications, 2004.

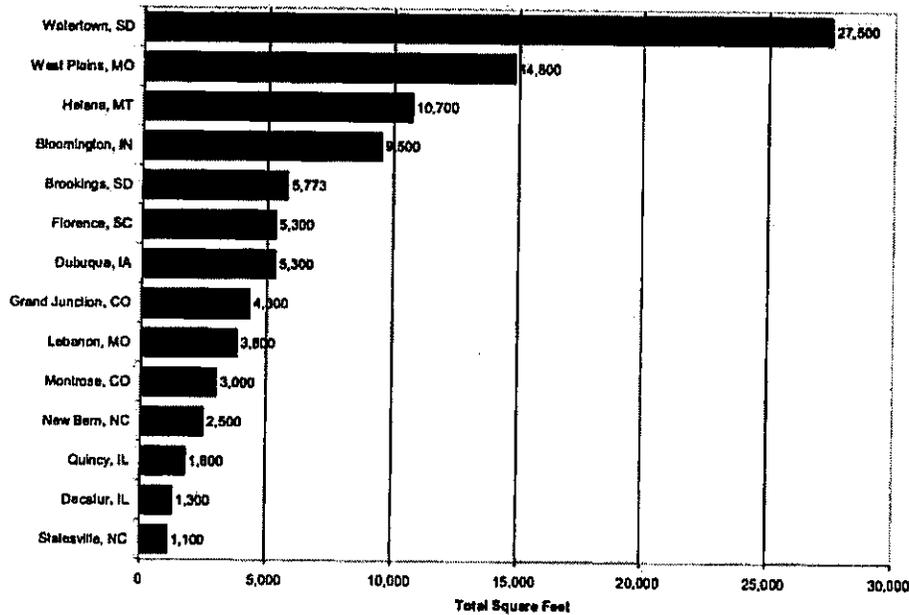
As presented, the Florence City-County Civic Center hosts the largest amount of exhibit space among the comparable facilities with approximately 43,500 square feet, which includes a 29,000 square foot arena flat space. Unlike the competitive facilities in which only two facilities offered exhibit space, most all of the selected comparable facilities integrate dedicated exhibit space. The average exhibit space offered by the facilities with exhibit space is 24,600 square feet.



Meeting/Ballroom Space

Exhibit III-10 compares the square footage of breakout meeting space offered at the comparable facilities.

**Exhibit III-10
Comparison of Total Meeting Space – Comparable Facilities**



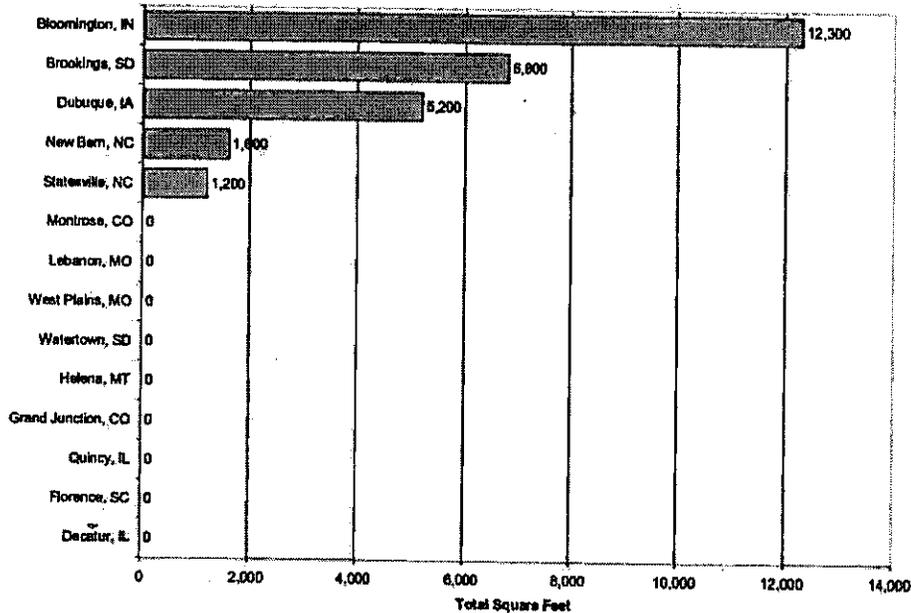
Source: Facility management and industry publications, 2004.

As shown in the exhibit, the level of breakout meeting space is widely distributed among the centers, ranging from 1,100 square feet at the Statesville Civic Center in North Carolina to 27,500 square feet of meeting space at the South Dakota Watertown Event Center. Among facilities reviewed, an average of approximately 6,900 square feet of meeting space is provided, while the median is approximately 4,800 square feet.



Exhibit III-11 compares the square footage of ballroom/multipurpose space offered among the comparable facilities.

**Exhibit III-11
Comparison of Total Ballroom/Multipurpose Space – Comparable Facilities**



Source: Facility management and industry publications, 2004.

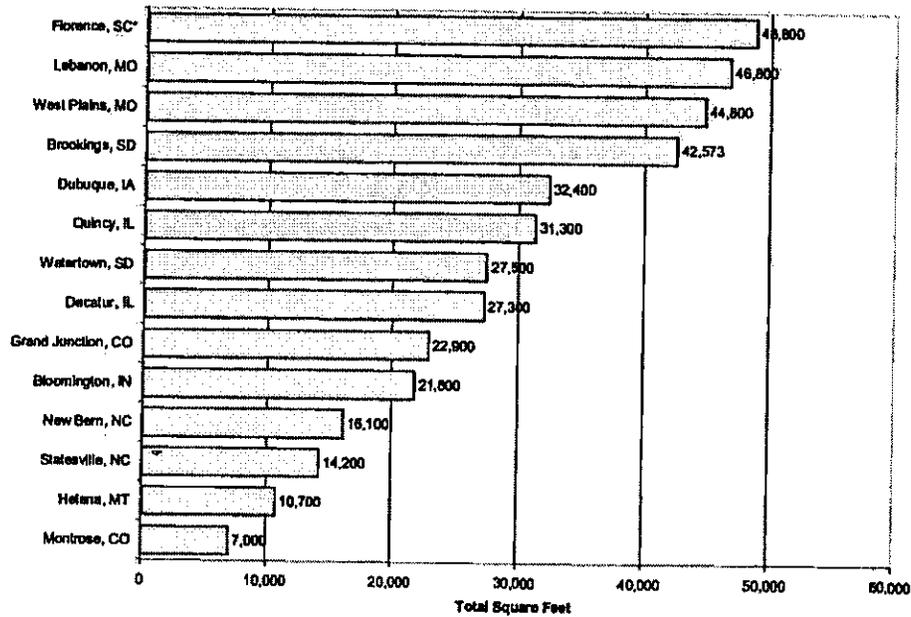
As shown in the exhibit, only five of the comparable facilities reviewed offer ballrooms or other similar multipurpose space. Offering the most such space is the Bloomington Convention Center in Indiana, with approximately 12,300 square feet. Of the five facilities offering ballroom/multipurpose space, approximately 5,400 square feet is integrated on average and the median square footage is approximately 5,200. Nine facilities offer no dedicated ballroom/multipurpose space. As will be shown in a subsequent chapter, interviews with state event planners indicate that a significant percentage require or prefer a dedicated ballroom or similarly-upscale multipurpose space for food functions and certain assemblies.



Total Sellable Space

Exhibit III-12 lists the comparable facilities analyzed in terms of total sellable space (which includes exhibit, meeting and ballroom/multipurpose space).

**Exhibit III-12
Comparison of Total Sellable Space – Comparable Facilities**



* Florence facility includes 20,000 sq ft of arena flat space
Source: Facility management and industry publications, 2004.

The amount of total sellable space offered at the selected comparable facilities reviewed widely ranges. The facility offering the smallest amount of total sellable space is the Montrose Pavilion, located in Montrose, Colorado, with only 7,000 square feet. The largest facility in terms of total sellable space is the Florence City-County Civic Center in Florence, South Carolina, with approximately 48,800 total sellable square feet, which includes a 29,000 square foot flat floor arena space. The average and median of the selected facilities dedicated sellable space is 28,200 and 27,400 square feet, respectively.



Demographic and Socioeconomic Market Characteristics

As with the competitive/regional markets, a similar comparative analysis was conducted concerning the demographic and socioeconomic characteristics of the selected comparable markets.

Population

Exhibit III-13 shows the population within a 50-, 100- and 200-mile radius of each of the comparable markets' center of town, and the county population for which the market resides within.

**Exhibit III-13
Comparison of Total Population – Comparable Markets**

<u>Market</u>	<u>County Population</u>	<u>50-mile Population</u>	<u>100-mile Population</u>	<u>200-mile Population</u>
Statesville, NC	134,800	2,600,046	5,989,367	16,851,073
Bloomington, IN	121,900	1,560,481	5,106,439	23,006,093
Decatur, IL	109,800	843,873	2,458,190	22,186,638
Florence, SC	128,600	695,913	4,404,309	13,810,617
New Bern, NC	91,500	608,920	1,894,640	9,498,292
Lebanon, MO	32,800	438,657	1,530,451	10,144,474
Dubuque, IA	89,900	329,255	2,972,449	19,702,810
Quincy, IL	67,200	248,341	2,070,957	11,235,253
West Plains, MO	37,400	188,756	1,298,430	10,035,181
Grand Junction, CO	125,000	162,145	321,156	3,532,727
Brookings, SD	28,600	142,701	639,816	5,693,192
Helena, MT	57,500	110,396	418,909	897,951
Watertown, SD	25,900	103,815	559,211	5,114,469
Montrose, CO	36,500	82,276	411,242	4,419,281
Homer, AK	51,800	15,317	51,611	410,842
Average (Excluding Homer)	77,671	542,059	2,148,255	11,152,004

Sorted by 50-mile population

Source: Claritas Inc., U.S. Census data, Sales & Marketing Management, 2004.

Within the 50-mile population figures, Statesville, North Carolina has highest with roughly 2,600,000 residents, comparing to Homer's 50-mile population of 15,300. Other than "county population", Homer's population statistics are lower than each of the selected comparable markets possessing conference facilities. More than anything else, this low ranking is largely a function of the unique geographic and demographic profile of Alaska and its communities. In general, it is difficult to identify other areas within the country



that match these characteristics. Nevertheless, this information (in conjunction with the acknowledgment of nearby competitive venues affecting each of these markets) provides indications of the relationship between population and event/attendee levels of local events at conference/convention facilities that should be considered.

Households

Similar to population, and as mentioned in the competitive facilities analysis, the number of households a market possesses impacts the attractiveness of the market and facility in relation to its capability of hosting potential events. Exhibit III-14 presents the number of households within a 50-, 100- and 200-mile radius of the comparable markets. Homer is again smaller than each of the comparable facilities and their respective primary and secondary markets, with 6,000 households in their 50-mile ring (primary market), compared to the average of the comparable markets (not including Homer) with 227,000 households.

**Exhibit III-14
Comparison of Total Households – Comparable Markets**

<u>Market</u>	<u>50-mile Households</u>	<u>100-mile Households</u>	<u>200-mile Households</u>
Statesville, NC	1,020,398	2,369,042	6,621,416
Bloomington, IN	609,327	2,005,643	8,833,124
Decatur, IL	336,540	965,693	8,383,624
Florence, SC	261,873	1,684,629	5,361,891
New Bern, NC	232,789	733,239	3,661,883
Lebanon, MO	174,247	603,676	3,969,874
Dubuque, IA	127,552	1,173,943	7,402,129
Quincy, IL	95,970	806,015	4,399,692
West Plains, MO	78,705	520,236	3,904,851
Grand Junction, CO	63,619	126,201	1,329,601
Brookings, SD	55,698	249,385	2,203,737
Helena, MT	44,895	169,717	355,612
Watertown, SD	41,195	221,293	1,983,199
Montrose, CO	33,100	162,221	1,687,922
Homer, AK	6,004	19,365	148,442
Average (Excluding Homer)	226,851	842,210	4,292,754

Sorted by 50-mile households
Source: Claritas Inc., 2004.



Disposable Income

Exhibit III-15 presents the average disposable incomes within a 50-, 100- and 200-mile radius of the comparable markets.

**Exhibit III-15
Comparison of Disposable Income – Comparable Markets**

<u>Market</u>	<u>50-mile Income</u>	<u>100-mile Income</u>	<u>200-mile Income</u>
Statesville, NC	\$47,473	\$43,937	\$41,889
Homer, AK	\$46,908	\$51,515	\$59,803
Decatur, IL	\$44,970	\$43,254	\$50,796
Montrose, CO	\$43,417	\$46,980	\$55,504
Bloomington, IN	\$43,288	\$46,444	\$47,066
Grand Junction, CO	\$41,434	\$47,275	\$56,642
Brookings, SD	\$40,568	\$41,394	\$49,773
Dubuque, IA	\$40,310	\$44,470	\$51,748
Watertown, SD	\$38,607	\$41,304	\$49,790
New Bern, NC	\$38,606	\$39,682	\$44,118
Helena, MT	\$37,701	\$38,000	\$37,918
Quincy, IL	\$36,982	\$45,522	\$45,656
Lebanon, MO	\$36,442	\$37,994	\$43,975
Florence, SC	\$35,632	\$44,329	\$43,433
West Plains, MO	\$31,501	\$35,751	\$42,670
Average (Excluding Homer)	\$39,781	\$42,595	\$47,213

Sorted by: 50-mile income
Source: Claritas Inc., 2004.

As shown in the exhibit, while ranking low on the list of competitive/regional markets, Homer ranks near the top of comparable markets in terms of average disposable income. Relative to these markets reviewed, this is a positive indication of the capacity and propensity of local residents to expend money on discretionary activities, such as attending entertainment, recreation and leisure events and activities.



Demographic and Socioeconomic Summary

Exhibit III-16 summarizes the comparative demographic and socioeconomic statistics reviewed under this analysis.

**Exhibit III-16
Summary of Demographic Data – Comparable Markets**

Demographic Variable	HOMER	Rank (out of 15)	Market Average	Market High	Market Low
County Population	51,800	10	77,671	134,800	25,900
50-Mile Analysis					
Population	15,317	15	542,059	2,600,046	15,317
Households	6,004	15	226,851	1,020,398	6,004
Average Disposable Income	\$46,908	2	\$39,781	\$47,473	\$31,501
100-Mile Analysis					
Population	51,611	15	2,148,255	5,989,367	51,611
Households	19,365	15	842,210	2,369,042	19,365
Average Disposable Income	\$51,515	1	\$42,595	\$51,515	\$35,751
200-Mile Analysis					
Population	410,842	15	11,152,004	23,006,093	410,842
Households	148,442	15	4,292,754	8,833,124	148,442
Average Disposable Income	\$59,803	1	\$47,213	\$59,803	\$37,918

Note: Market averages exclude Homer figures.
Source: Claritas Inc.; Sales and Marketing Management.

Overall, the comparative demographic and socioeconomic analysis indicates that, relative to other small markets housing convention/conference facilities, Homer may have some challenges with respect to attracting events and attendees from the surrounding area within practical driving proximity. This being said, the overall analysis also recognizes the unique conditions present in Alaska and some of its communities. Along the same lines, the number of competitive event venues located throughout Alaska appears generally proportional to its population and the visitation patterns of host communities. All these types of factors (along with the results of surveys of event planners of potential events, that will be discussed in the next chapter of this report) will bear on the overall evaluation of market demand for a potential new Homer conference center.



IV. Analysis of Market Potential

The purpose of this chapter is to provide an analysis of the estimated market demand for a potential conference center in Homer. To form a basis for the analysis, detailed telephone interviews were completed with event planners representing key events that could potentially use a new Homer conference center. This survey-based technique provides an understanding of potential user needs, their willingness to use a new Homer facility, as well as overall perceptions of Homer as a potential host community for their event(s).

The market analysis has also been supplemented with data from previous studies, operating results from competitive/comparable facilities and our review of local market conditions and visitor amenity infrastructure in Homer. In the following chapter of this report, the appropriate size and configuration of a potential new conference center (as well as alternate development scenarios) and estimated event levels will be assessed, focusing closely on these characteristics.

Additionally, some background information concerning characteristics and trends of the convention, conference and meeting industry is also presented.

Industry Events and Facilities

The convention, meeting and public assembly event industries are diverse and dynamic and consist of a wide variety of events, many of which focus around a collection or gathering of individuals for the purpose of entertainment/recreation and/or face-to-face communication and the transmission of ideas/information. Typical industry event segments include:

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



events that rotate among various destinations within a particular region, similar to conventions, while others are fixed in specific cities each year.

- Consumer Shows – Exhibit-based shows are typically open to the general public and generally draw from the local area. These events tend to charge a nominal fee for entry and typically include events such as home & garden shows, boat shows, auto shows, gun shows, antique shows, career fairs, etc.
- SMERF (Social, Military, Educational, Religious, Fraternal) – Events include reunion-type meetings and conventions of groups and members, educational conferences and other such events. These events tend to be more sensitive to cost aspects than association and corporate groups.
- Meetings/Banquets – Events include functions hosted by local service clubs (such as Rotary, Shriners, and Elks) intended to share information, generate interest and spur membership. Other private events include local corporate meetings/training, exams, wedding receptions, anniversary/birthday parties and private banquets.
- Spectator Events – Ticketed and non-ticketed spectator events, both athletic and non-athletic entertainment and educational events. These events are most often held in arena/stadium-type facilities with plenary seating. Typical events include professional and amateur sports, high school and collegiate sports, concerts, family shows, motor shows and speaking engagements. Many of non-sporting spectator events generally require plenary seating, as well as a stage and sound equipment.

Exhibit IV-1, on the following page, illustrates a summary of industry event types along with their primary purposes, key facility requirements, the typical facility used to house the given event and some typically observed attendee characteristics.

**Exhibit IV-1
Summary of Industry Event Types**

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

A variety of types of public assembly facilities exist in communities across the country that accommodate some or all of these types of events. Certain events tend to possess very specific facility and community requirements. Exhibit IV-2, on the following page, illustrates differences in the physical characteristics and event profiles of traditional event facilities.



**Exhibit IV-2
Typical Public Assembly Facility Characteristics**

	Convention Center	Conference Center	Expo Center	Community/Civic Center	Spectator Arena
Type of Space	Exhibit, Meeting, Ballroom	Meeting, Ballroom	Exhibit, Limited Meeting	Multipurpose Space	Spectator Seating, Flat Floor Space
Typical Events	Conventions, Trade Shows, Meetings, Banquet, Public Shows	Conferences, Meetings, Banquets	Public Shows, Trade Shows, Miscellaneous	Local Meetings & Banquets, Recreation, Other Events	Spectator and Other Events
Typical Ancillary Characteristics	Adjacent Headquarters Hotel	Adjacent Headquarters Hotel	Parking, Accessibility, Visibility	Parking, Accessibility, Visibility	Parking, Accessibility, Visibility
Economic Impact Generating Ability	High	Moderate	Limited to Moderate	Limited to Moderate	Limited to Moderate

- Convention centers, under the traditional model, typically incorporate exhibit, meeting and ballroom space. Usually located in medium to large-sized cities, convention centers tend to focus on attracting out-of-town economic impact-generating events such as conventions and tradeshows. It is imperative that convention-quality hotel inventory is located close to the center. Convention centers also tend to host a large number of secondary events, such as corporate meetings, public shows and banquets.
- Conference centers tend to represent smaller facilities than convention centers, usually possessing both flexible and dedicated meeting space, in addition to banquet space. Most traditional conference centers do not incorporate prime exhibit space and instead focus on accommodating local and non-local corporate meetings/conferences along with other local event activity such as private receptions and banquets. Many conference centers are situated within hotel facilities. Conference centers are often broken into several categories related to their type/focus: executive, corporate, resort and college/university.
- Expo centers, or exposition/exhibition centers, traditionally consist of large exhibit-focused structures possessing limited or no breakout meeting and banquet space. Expo facilities tend to be lower cost facilities (i.e., construction cost per gross square foot) than convention and conference centers. Most of the events accommodated by traditional expo centers are local in nature and include events such as public/consumer shows and other large flat floor using events.



- Community/civic centers tend to vary widely in terms of their physical and operational characteristics. Many centers offer multipurpose space that can accommodate a wide variety of events. The large majority of event activity represents events and attendees from the local area and, as such, adjacent/nearby hotel inventory does not tend to be a primary concern for most events. Communities tend to develop these types of facilities for the good and benefit of the local community rather than for economic impact generating purposes.
- Spectator arenas are plenary seating venues that primarily accommodate spectator events such as sporting events, concerts, family shows and circuses. Some spectator venues have the capability to configure the arena floor and/or retract some or all of its seating areas to accommodate certain types of flat floor events such as graduations, public shows, and recreation activities.

In a number of smaller communities across the country, successful assembly facilities have been developed that are multipurpose in nature, integrating a number of the characteristics of one or more of the facilities described above. As a result, these facilities are able to accommodate the widest variety of events, thereby maximizing their overall usage.

Telephone Survey Results

Given Homer's geographic location, its local market characteristics and the event profiles of other existing Alaskan convention/conference facilities, it is believed that the primary non-local event markets for a potential Homer conference center would predominately be events hosted by in-state groups (as opposed to national groups). Additionally, as will be discussed in the subsequent chapter, local events (as in nearly all convention/conference facilities) would be expected to contribute the largest share of facility utilization. While local events tend to be the largest users of facilities, they generate little new economic impact for host communities (as opposed to the room nights and new spending generated by non-local event attendees and exhibitors). As such, estimation of the market demand associated with non-local state groups is normally of particular interest for communities evaluating new convention/conference center development.

In order to test the potential state event market, a detailed telephone survey was conducted with meeting planners of 35 state groups, representing more than 60 recurring events. Surveyed groups included professional associations, SMERF (social, military, education, religious, fraternal) groups and other miscellaneous rotating events.



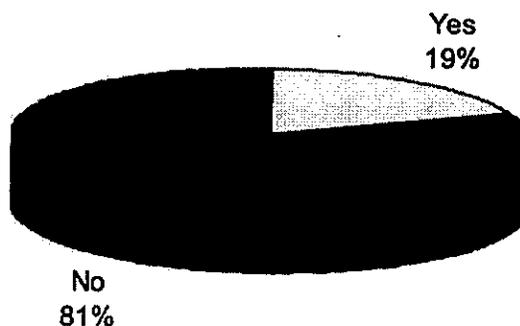
The identified population of these state groups is approximately 100 (producing roughly 200 events annually). Relative to other states in the country, this estimated population of state groups in Alaska with recurring, rotating events represents an amount significantly lower than are located in most other states throughout the nation. In general, the population of these groups is often directly correlated to both the resident and corporate population of host states.

Event Quantity and Past Use

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

A portion of the survey research concentrated on previous use of Homer as a site for events. It was found, as illustrated in Exhibit IV-3, that 19 percent of the state organizations had used Homer as a site for an event at some time in the past. Of these past users, a large percentage indicated using local Homer hotel meeting facilities, such as the Lands End Resort and the Best Western Bidarka Inn.

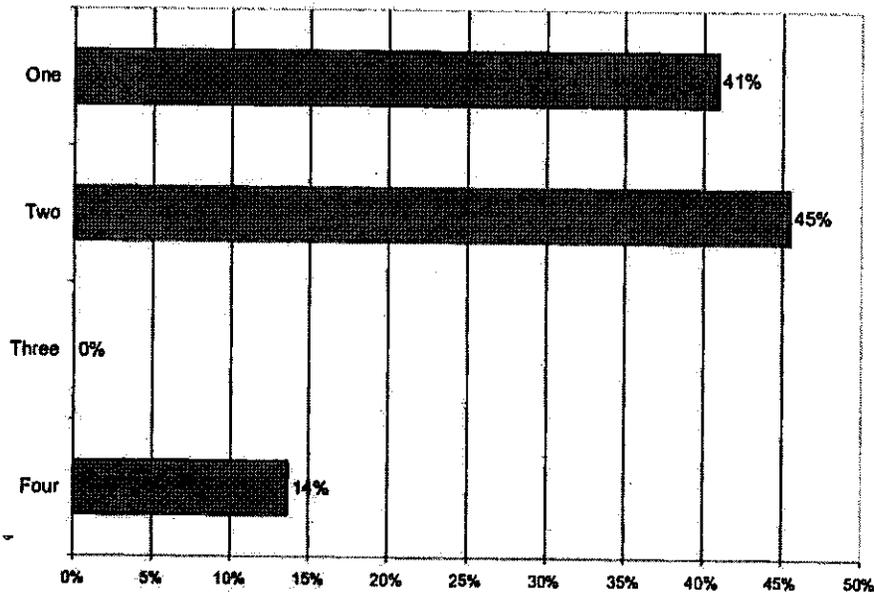
**Exhibit IV-3
Past Use of Homer Meeting Facilities**



Source: CSL State Organization Survey, 2005

As presented in Exhibit IV-4, survey respondents were asked how many recurring off-site events their organizations produce annually.

**Exhibit IV-4
Total Number of Events Produced Annually – State Organizations**



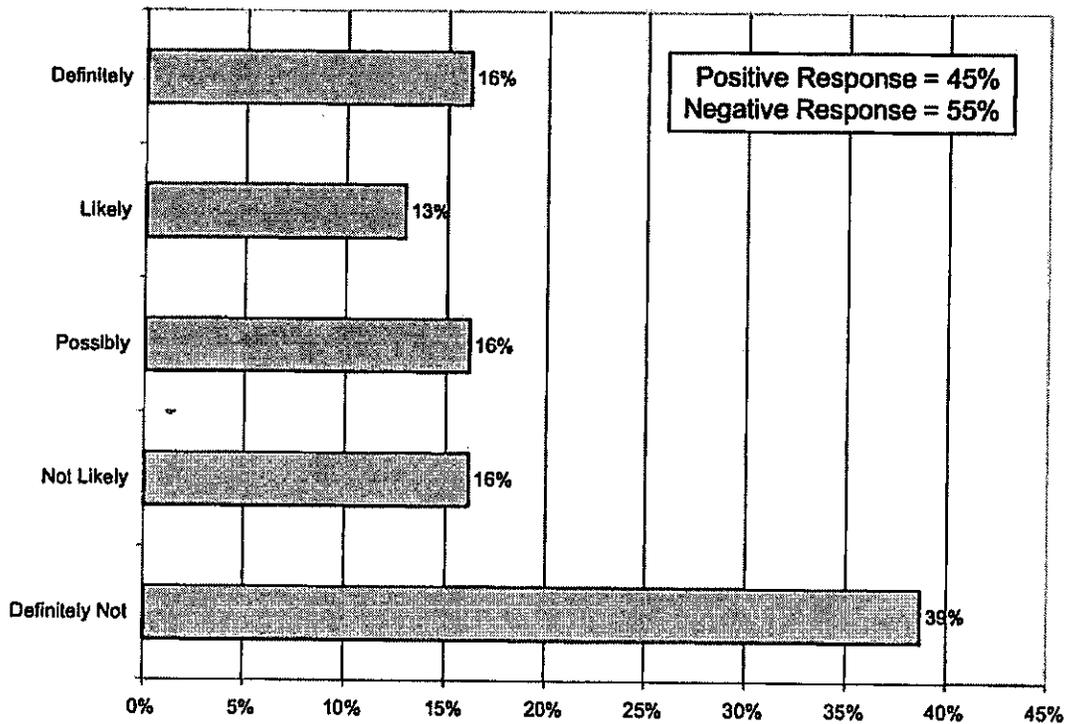
Source: CSL State Organization Survey, 2005

As shown, survey results indicate that nearly 41 percent of the state organizations produce one recurring off-site event annually, while 45 percent hold two events annually. Fourteen percent hold as many as four events each year. Secondary events, beyond the typical primary annual event held by all the respondents, tend to be smaller events that are important, nonetheless, to host communities through their generation of room nights and economic impacts.

Interest in Utilizing a Potential Homer Conference Center

State organization planners were asked to indicate the likelihood of their organization using a new conference center in Homer, assuming it and the hotel inventory meets the needs of their event(s). Responses related to state groups surveyed are presented in Exhibit IV-5.

Exhibit IV-5
Likelihood of Utilizing a Potential Homer Facility – State Organizations



Source: CSL State Organization Survey, 2005

Based on survey results, the positive response percentage (“definitely use,” “likely use” and “possibly use”) by state organizations with an annual event approximates 45 percent. Of this positive response, 16 percent of respondents indicated that their group would “definitely use” a Homer conference center, assuming the facility meets their needs of their event, while 13 percent would “likely use” such a facility. Overall, this level of interest in using a potential new Homer conference center is considered to be “moderate”. Positive response percentages concerning state groups above 60 percent would be considered “strong”, while percentages lower than 30 to 35 percent are generally considered to be “weak”. However, as will be subsequently discussed, the population of these states groups



must be considered along with these types of interest responses when estimated event demand.

Reasons for a Lack of Interest in Homer

Event planners who indicated that they would not likely use a potential Homer conference center were asked to expand on their reasons. While many of the stated reasons for not likely rotating to Homer for a future event varied, many respondents indicated the perceived difficulty in travel to Homer and specific rotation policies that would prevent their group from holding an event in Homer. Some commonly-heard responses from event planners who did not indicate interest in using a potential Homer conference center include:

- “Our events are always held in Fairbanks or Anchorage.”
- “Our attendees need to be able to fly into the location the event is held.”
- “A heavy majority of our membership base resides in Anchorage.”
- “Groups need to attend legislation events in Juneau.”
- “Homer is too far away to effectively accommodate transportation for all our membership.”
- “There aren’t enough entertainment options and restaurants in Homer to suit our membership.”
- “The hotels in Homer are not large enough and of a quality to accommodate our group.”

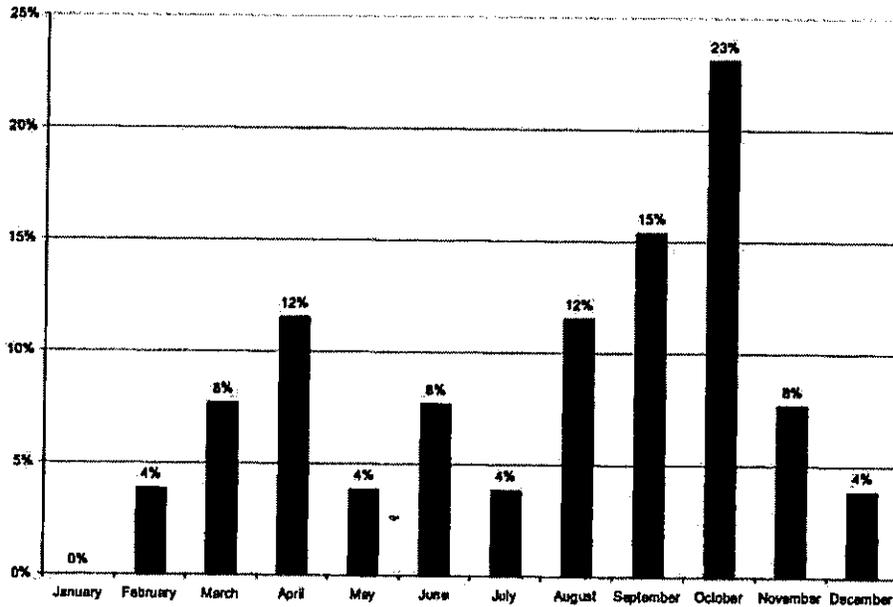
Facility Usage

Rotating events typically have specific preferences and/or requirements regarding the months in which their event can occur. Likewise, organization planners typically employ a particular rotational policy that allows the event to return to a specific location only after a certain period of time.



Exhibit IV-6 presents the seasonality patterns for those state events that represent the potential market demand for a potential Homer conference center.

Exhibit IV-6 Event Seasonality – State Organizations

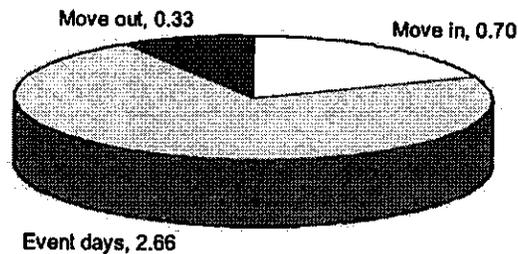


Note: Of those respondents with a positive interest in Homer
Source: CSL State Organization Survey, 2005

Of the interviewees responding with a positive interest toward a potential Homer facility, it was found that event seasonality tends to peak in the fall months, with the highest month of activity being October, when 23 percent of the events representing Homer's market typically are held. A secondary peak occurs in April, containing 12 percent of positive responses. These seasonality patterns have important implications on the ability of Homer community to accommodate non-local event attendees, particularly during peak tourism months of summer. However, a relatively strong percentage of potential event activity could occur in the "shoulder" periods and off-season months.

It was also found that the average number of days the facility would be used, per event, among those expressing a positive interest in Homer, is approximately 3.7 days. Exhibit IV-7 shows the distribution of average estimated move-in, move-out and meeting days indicated by positive respondents.

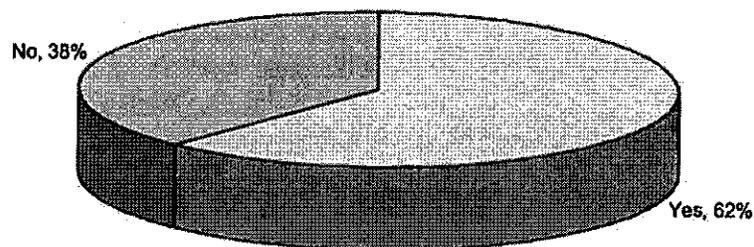
Exhibit IV-7
Average Utilization Days – State Organizations



Note: Of those respondents with a positive interest in Homer
Source: CSL State Organization Survey, 2005

As shown in Exhibit IV-8, 62 percent of the state organizations who expressed a positive interest in Homer require a dedicated ballroom/multipurpose space for food functions. Based on survey results, such space is often used multiple times during the course of an event. Importantly, ballroom/multipurpose space can often be used to fulfill certain “meeting space” requirements, as well as general assemblies.

Exhibit IV-8
Requirement of a Ballroom/Multipurpose Area – State Organizations



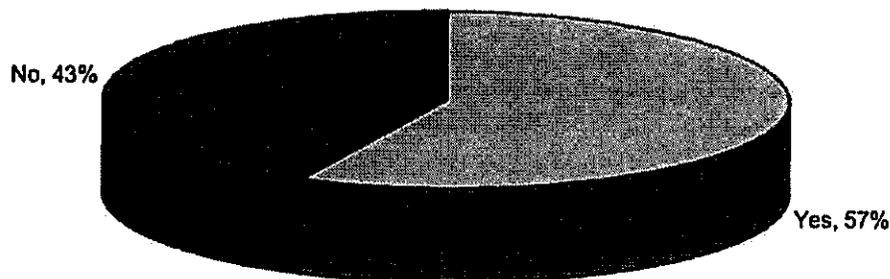
Note: Of those respondents with a positive interest in Homer
Source: CSL State Organization Survey, 2005

Hotel Requirements

As discussed throughout this report, one of the most important aspects in attracting conferences, conventions and tradeshows is the availability of committable, convention-quality hotel rooms. "Convention-quality" is a term that varies based on the particular community and type of group considered. The attendees of many state organizations (particularly SMERF groups) tend to be willing to use a significant diversity of a local area's existing hotel/motel products. However, some state groups (potentially some state associations) will likely require one or more full-service hotel properties. For purposes of this analysis, "full service" refers to hotels that offer on-site food and beverage and include some level of meeting and banquet space. As such, the Land's End Resort presently represents Homer's only full service hotel.

The non-local event market share captured in any community cannot expand beyond what the area hotels can accommodate. Since many groups have specific requirements related to a headquarters hotel being located either adjacent to or in close proximity of a host facility, survey respondents were questioned regarding their group's specific hotel requirements. Exhibit IV-9 presents a summary of these results.

Exhibit IV-9
Requirements of a Headquarters Hotel – State Organizations



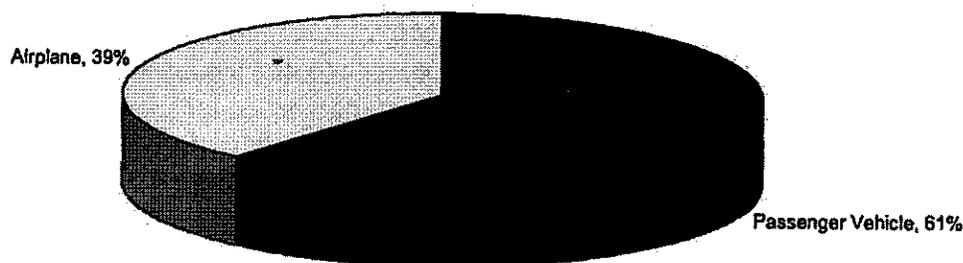
Note: Of those respondents with a positive interest in Homer
Source: CSL State Organization Survey, 2005

As shown on the previous page, approximately 57 percent of state organization survey respondents with a positive interest in Homer indicated that their group's primary event requires a headquarters hotel within close proximity to the host facility. This data suggests that there will be important implications should a new conference center development not be located near either an existing or new hotel.

Method of Transportation

Positive survey respondents were also questioned as to their group's attendees expected mode of transportation to Homer, as shown in Exhibit IV-10. Specifically, the question related to what percentage of their group's delegates would be expected to travel to Homer via airplane versus passenger vehicle. The average planner indicated that 61 percent would be expected to travel via passenger vehicle and 39 percent would travel via airplane.

Exhibit IV-10
Method of Expected Transportation – State Organizations

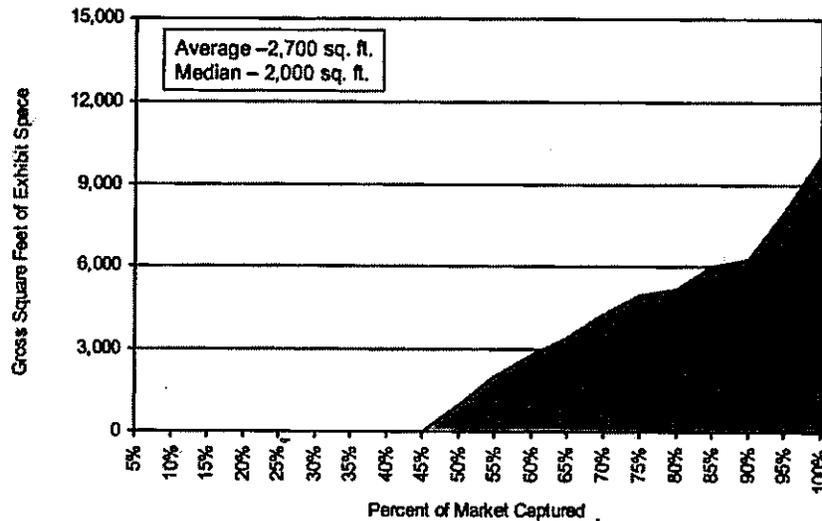


Note: Of those respondents with a positive interest in Homer
Source: CSL State Organization Survey, 2005

Facility Space Requirements

To further evaluate space requirements, state organization planners with a positive interest in Homer were asked to estimate the average exhibit space requirements associated with their events. Responses are summarized in Exhibit IV-11 below.

**Exhibit IV-11
Total Exhibit Space Required – State Organizations**



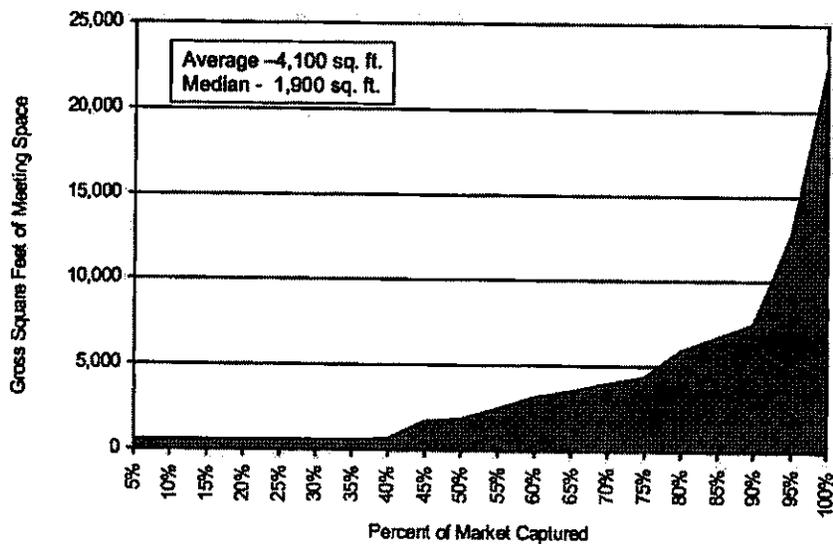
Note: Of those respondents with a positive interest in Homer
Source: CSI State Organization Survey, 2005

As shown in the exhibit, 55 percent of Homer's potential state organization event market requires exhibit space. As will be subsequently discussed, all also require some level of breakout meeting space and/or ballroom/multipurpose space. In order to capture between 85 and 90 percent of Homer's event market, approximately 6,000 square feet of traditional exhibit space is required. It is important to note that many of these groups requiring exhibit space could potentially use ballroom/multipurpose space to accommodate their exhibit functions. However, if a ballroom/multipurpose space is used to accommodate exhibit activities, additional space will likely be necessary to accommodate other typical concurrent functions such as general assemblies, food functions and breakout meetings.



Breakout meeting space is a significant portion of a “complete” conference center. State organization event planners were also asked to estimate the average meeting space levels for their events. Because meeting room space can be used for many different purposes, actual square footage requirements can vary considerably. Responses are summarized below in Exhibit IV-12.

Exhibit IV-12
Total Meeting Space Required – State Organizations



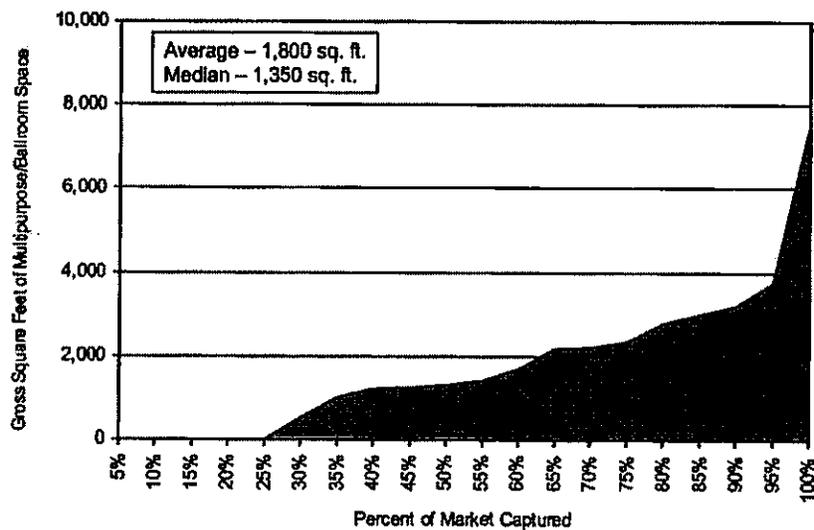
Note: Of those respondents with a positive interest in Homer
 Source: CSL State Organization Survey, 2005

As shown, in order to capture between 85 and 90 percent of Homer’s market, just over 7,000 square feet of breakout meeting space is required. It is important to note that other facility space, such as ballroom/multipurpose space, can often be used to accommodate meeting space requirements.



Event planners were also asked to estimate the average amount of ballroom space used for their events. Exhibit IV-13 illustrates that between 85 and 90 percent of the potential market requires 3,000 square feet of ballroom/multipurpose space or less to accommodate their events.

Exhibit IV-13
Total Ballroom/Multipurpose Space Required – State Organizations



Note: Of those respondents with a positive interest in Homer
Source: CSL State Organization Survey, 2005

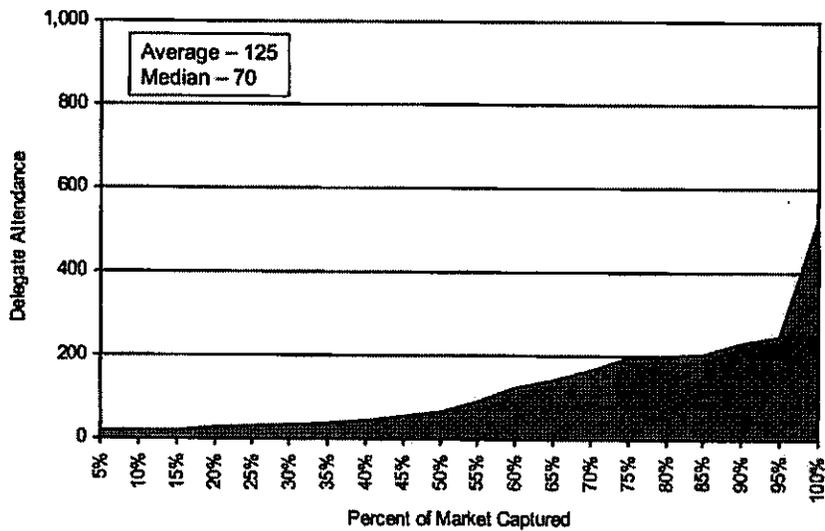
When sizing the ballroom or multipurpose room, several factors should also be considered (in addition to the direct space requirements noted above):

- Ability to host concurrent events and activities.
- Local banquet and other event use.
- Synergies with meeting and exhibit space.
- Revenue potential from large food events.
- The significant importance of quality food service.

Delegate Attendance

Event planners were asked to estimate the average delegate attendance levels for their events. These figures exclude spouses and guests of the event's delegates. Responses are summarized in Exhibit IV-14.

**Exhibit IV-14
Total Delegate Attendance – State Organizations**



Note: Of those respondents with a positive interest in Homer
Source: CSL State Organization Survey, 2005

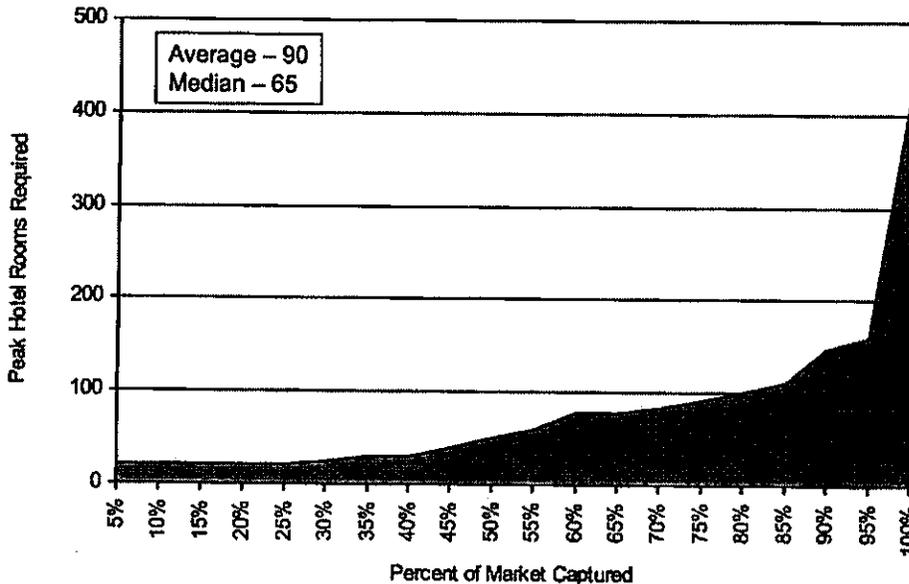
As shown in the exhibit, 85 percent of the potential state organization market consists of events with 200 or fewer delegates. It is important to note that the economic effects of state and regional conventions/conferences (as well as other non-local events) extend beyond the number of event “delegates”. There can be a significant amount of exhibitors, delegate spouses/guests and representatives of the sponsoring organization in the community at the time of the event. These are in addition to the delegate attendance noted above and were considered in the subsequently economic impact analysis.



Hotel Room Requirements

Committable, quality hotel room inventory is required to support the majority of state organization event activity. Exhibit IV-15 details a summary of peak night hotel room demand related to Homer's potential state organization conference event market.

**Exhibit IV-15
Total Hotel Rooms Required – State Organizations**



Note: Of those respondents with a positive interest in Homer
Source: CSL State Organization Survey, 2005

In order to capture 85 percent of the potential market with a positive interest in rotating an event to the Homer area, more than 100 committable, quality hotel rooms will be required. In order to capture 95 percent of the potential market, approximately 170 committable, quality hotel rooms would be required. "Committable rooms" refer to the room block(s) that one or more hotel properties will be required to "block", or set aside and reserve in advance, for the future event. Depending on the season and time of week, hotel operators tend to be willing to block out varying percentages of their total inventory. During busy, peak periods, certain hotel operators may be unwilling to commit a substantial percentage of their inventory of rooms, while in off-peak periods, they may be willing to block the vast majority of their inventory.

As mentioned in a previous chapter, Homer has 35 existing hotel properties and 100 B&Bs, with the largest facility, Land's End & Resort, offering 62 rooms. However, should

a new conference be located in Homer's Town Center (i.e., a non-proximate location to Land's End), a certain percentage of potential events may not be willing to use the Land's End as a "headquarters" hotel property. As such, the Heritage Hotel, located on Pioneer Avenue and offering 34 rooms, represents the only existing hotel property with the Town Center area. This increases the need for additional quality hotel rooms proximate to Town Center and the potential conference center site to maximize capture of potential non-local event activity. Without such nearby headquarter hotel support, the ability of a new Homer conference center to attract non-local conferences and meetings will be negatively impacted.

Additionally, it is also important to consider the strong preference for hotel rooms in a limited number of properties within close proximity of the conference center. Furthermore, it is important to note that most conference center facilities typically are able to accommodate multiple events concurrently. As such, conference center hotel demand is often a function of one or more events that are accommodated at the facility.

Importantly, room night impacts associated with a conference center extend beyond just the headquarter hotel and nearby properties. As hotel rooms are blocked (committed) for a convention, conference or large meeting, other non-event-related transient and group hotel demand is "compressed" outward to other hotel properties throughout the community.

General Selection Criteria for Destinations

State organizations' primary selection criteria when considering potential destinations and facilities for event rotation varies among organizations. Some common primary criteria for considering a potential destination and facility, as indicated by state organizations expressing a positive interest in Homer, include:

- "Destination needs to offer enough meeting space under one roof to accommodate our membership."
- "Must be supported by members of the community."
- "Willingness of facility and staff to accommodate the event, including space and amenities."
- "Accessibility, location and ease to get to."
- "The destination has to be of interest to our members and offer recreational amenities."
- "Location must be accessible and reasonably priced."



Overall Impressions of Homer as an Event Destination

Positive state organization event planners were asked for their overall impressions of Homer as a potential site for their organization's event(s), their responses included:

- "Wonderful city!"
- "Homer has a lot to offer, many different land and water activities to accommodate our organization."
- "Needs more hotel rooms under one roof, logistical nightmare to hold meetings there."
- "Beautiful destination, but they don't have enough meeting space in one location."
- "Great place, but don't know if people would travel there for a meeting."
- "Homer is one of my favorite places; I don't see why we wouldn't use Homer."
- "Lack of well-funded organization (CVB) to promote the area – plenty of lodging units, but no meeting facilities."
- "It is a long way for our event; we may have trouble getting people to come down. However, it may be a good chance for people to get away."
- "Great! We had a wonderful time in Homer the last time we were there."

Overall Market Demand Conclusions

Relative to its population size, Homer presently possesses a number of event facilities (Best Western Bidarka Inn, Homer High School, Lands End Resort) that are capable of hosting flat floor events, such as meetings, conferences and banquets. However, there are a number of issues that constrain the ability of these facilities to effectively accommodate traditional meetings and conferences (i.e., substandard or non-traditional space [i.e., Elks Lodge], other primary uses/tenants [i.e., High School & Ice Rink], lack of proximate hotel rooms [i.e., Islands & Oceans], etc.).

Interest levels from meeting planners from state association and SMERF organizations in using a potential Homer conference center are generally considered to be "moderate" with 45 percent of surveyed respondents being of positive response, while 39 percent of responses indicated they would "definitely not" utilize a potential facility in Homer. However, given the low population of these state groups and the rotation policies employed by many, facility utilization by these groups would be expected to annually contribute a relatively small to moderate number of facility utilization days.



Further, given the geographic location of Alaska (and consistent with the event profiles at other comparable Alaska facilities), it is not expected that groups located outside Alaska would contribute a significant amount of use days at a Homer conference center. As such, to achieve utilization levels consistent with or higher than the average comparable facility, a new Homer facility would have to generate a strong majority of its events from the local market. In general, the analysis of local Homer market conditions does not suggest that this would be likely. Overall utilization levels of a potential new Homer conference center facility would be expected to be lower than the average comparable facility, but generally consistent with other comparable Alaska communities (with facilities), such as Sitka, Ketchikan and Valdez.



V. Building Program & Development Options Analysis

Based on the results of the analysis of local market conditions, competitive/comparable facilities and host communities, and event market potential, an evaluation of the supportable facility program components and potential development scenarios was performed for a potential new Homer conference center.

As discussed in the previous chapter, analysis results indicate that a new conference center could attract a certain level of unmet market demand in the Homer area. In order to accommodate the majority of this demand, certain facility space parameters would have to be met. However, based on the level of market demand measured for such a product, it is considered unlikely that a new stand-alone conference center (i.e., publicly-owned, not attached to a hotel or other facility, etc.) could generate utilization levels consistent with or higher than the average comparable facility reviewed. This being said, certain communities are willing to invest in convention/conference facilities that would be expected to carry excess capacity due to their importance in generating new economic activity for the local community, as well as providing a gathering place for residents. For instance, existing facilities in Sitka, Ketchikan and Valdez are generally considered "underutilized" facilities (relative to other comparable facilities located throughout the nation), but they are serving important roles in their local communities.

The purpose of this chapter and the following chapter is to outline potential development options and estimate associated costs and benefits of each in order for the City and other potential partners to make its own decisions regarding the project.

Based on the analysis conducted, four general development options have been developed. They include:

- Option 1: Stand-alone Conference Center
- Option 2: Public/Private Partnership with Hotel (existing or new)
- Option 3: Joint Use Build-out with Another Public Project
- Option 4: Do Nothing



Option 1: Stand-alone Conference Center

In order to accommodate the majority of measured event demand and reasonably maximize its ability to attract economic impact-generating, non-local events, a potential new Homer conference center would have to meet certain space requirements. The supportable components of a new conference center in Homer are estimated to include:

- Up to 10,000 square feet of multipurpose space, subdivisible with a ceiling height of at least 18 to 20 feet, carpeted multipurpose flooring, moderate to upscale finish.
- 3,000 square feet of breakout meeting space, subdivisible, lower ceiling space with moderate to upscale finish.

The above space figures do not include service, support, circulation and other non-sellable areas of typical facilities. Additionally, in order to capture a significant level of the measured non-local event potential, the facility will need to be located in relatively close proximity (i.e., within walking distance) to one or more quality hotel properties. As such, since the Heritage Hotel (with 34 existing guestrooms) effectively represents the only hotel in or near Town Center (the target area for a potential new conference center), either additional rooms will need to be added or a new proximate hotel will need to be developed. Without such hotel support, the conference center will be limited in its ability to attract non-local events and utilization levels and economic impact generation will be negatively impacted.

Given that the vast majority of stand-alone convention/conference centers located throughout the country operate at an annual financial deficit, such a development would most likely need to be a largely publicly-funded project that is owned and operated by the public sector (i.e., City of Homer). A number of convention/conference center facilities throughout the nation are publicly-owned, but managed by private management firms. However, given the small size of the potential facility and expected low utilization levels, it is not believed that a potential private management contract would be deemed attractive by traditional private management firms, nor would any potential contract terms likely be advantageous for the City.

The subsequent chapter will outline estimated event levels, upfront and ongoing costs and benefits associated with this development scenario.

Option 2: Public/Private Partnership with Hotel (existing or new)

Most hotels offer some level of meeting and banquet space. In fact, certain hotels in mid and large-sized cities offer greater levels of conference space than some stand-alone convention centers. Integrating conference space allows hotels to penetrate into various



group segments that they might not otherwise be able to compete for without conference space. Rather than generating a significant amount of additional direct income for the hotel, the presence of the conference space is often intended to generate added room night demand. Additionally, operating synergy (i.e., sharing overhead and personnel costs between the conference space and hotel components), complete control over bookings and rates, and the provision of in-house services (i.e., food and beverage, telecommunications, audiovisual, etc.) can combine to make the hotel/conference center a profitable venture (assuming demand for the hotel and conference center exist).

Based on conversations with management, the Land's End Resort generates limited income from conference and meeting events. This is believed to be a function of both the limited amount of conference space integrated into the property and relatively low demand levels within the marketplace (among local and state groups small enough to use such space). The conference space at the Land's End is important to the facility's overall operations as it generates some additional room nights for the hotel and helps support its on-site food and beverage operation. However, similar to many other privately-owned facilities of its nature, it likely does not make financial sense (from a profitability standpoint) for the owner to invest significant capital to expand and improve its conference facilities to a level consistent with the market supportable program (outlined under Option 1).

In order to create a conference center "solution" for the local Homer community, a public/private partnership may be a possibility. This would take the form of a public sector (i.e., City) incentive for an existing hotel operator to expand and improve existing conference space or for a developer to build a new hotel and design a larger amount of conference space in the project than they might otherwise have. The overall investment (upfront and ongoing) by the public sector would most likely be significantly lower under this scenario than a publicly-owned and operated, stand-alone conference center. Such costs will be outlined in the subsequent chapter.

Such a project would be owned and operated privately (by the hotel owner/operator). Importantly, private ownership/operation of the conference center will minimize or eliminate any ongoing public sector funding obligations (i.e., subsidization of annual operations, capital improvements, etc.). However, under this situation, the public sector effectively loses much, if not all, control over facility bookings and operating policies. Conversely, under the publicly-owned model, the public sector can wholly determine booking policies and priorities to protect the needs of the community. In general terms, the greater the public sector contribution in any public/private partnership of this nature, the greater leverage it could have in terms of influencing certain key aspects of the project (such as facility design, bookings and operating policies) to protect and benefit the community and its residents.

Given the quality of product, number of existing guestrooms and conference and support facilities, the existing Land's End property initially appears as a logical candidate for such



a development partnership. However, as the facility is not located near Town Center, a partnership with the owners of the Heritage Hotel or a potential developer of a new hotel may be more desirable avenues for the City to explore, given its focus on developing Town Center. Nevertheless, it may still be of benefit to “keep all options open” relative to dialogue with local hotels or potential hotel developers. If one hotel becomes the only focus of all negotiation, the City’s leverage may be substantially reduced. On the other hand, the City could designate a “Town Center hotel” as a preferred option, while still considering other alternatives. This would allow the community to weigh all partnering possibilities with the aim of creating a conference center “solution” for Homer that offers the greatest level of community benefits relative to public sector investment.

If the City wishes to pursue consideration of this development scenario, a series of key steps are recommended for consideration:

1. It is suggested that a formal Request for Statements of Interest be issued to a list of state and regional hotel developers. This Request should include detail on the envisioned concept and general parameters for type of property, number of sleeping rooms and level of meeting and banquet space. These parameters are critical in protecting the public sector’s interest in the project. However, the lower the public sector contribution, the smaller the leverage the public sector will have in influencing design parameters.
2. Upon receiving responses, the public sector could assess responses and, if necessary, begin considering what types of additional incentives may be offered (i.e., free land, tax incentives, upfront capital contribution, etc.).
3. Next, the public sector could either issue a formal RFP (Request for Proposals) for hotel development or begin negotiating with strong, interested candidates identified through the previous process.

Option 3: Joint Use Build-out with Another Public Project

Alternately, as the amount of conference space deemed to be supportable in Homer is relatively small, it may be possible to develop all or some subset of this type of space jointly, as a part of another public project. It is understood that the City wishes to identify a viable anchor, or anchors, for a Town Center development project. There are presently discussions occurring with respect to several potential new public projects, including a new City Hall and new library. Both of these projects, wherever they are ultimately located, will attract regular local traffic, thereby “activating” their immediate surroundings. Integrating conference/meeting space as a part of these projects will increase the amount of activity in and around their facilities. This could be viewed positively in the context of the “activation” of a new Town Center. Further, under these options, the City would have full control of conference space bookings, marking and use. As will be subsequently



discussed, it is possible that operational synergy and shared overhead could minimize the incremental costs of annually operating such space.

Based on recent discussions with City officials, it is believed that a new City Hall project (as opposed to a new library) in Town Center would be a more likely candidate for a joint use project. Additionally, the City may wish to consider other non-public candidates for a joint use Town Center project. The most attractive opportunities will obviously be projects that will draw significant levels of local and non-local traffic to the site. An example of which would be a museum, such as a new Pratt Museum. However, since the facility would not be owned by the City, considerations will have to be made with respect to the impacts on conference/meeting space booking and marketing priorities.

Option 4: Do Nothing

Ultimately, the City may determine that public sector costs of any of these conference center development scenarios outweigh the incremental benefits to the Homer community and, therefore, elect not to proceed with any future planning.



VI. Analysis of Event Levels and Costs & Benefits

The purpose of this chapter is to estimate annual event levels and the associated costs and benefits of the various development scenarios outlined in the previous chapter. Consideration of costs include order-of-magnitude potential construction costs, estimated annual operating costs and the potential amount of public sector participation that could be required. Analyzed benefits generally include both quantifiable and non-quantifiable economic impacts that may be generated for the Homer community under each development scenario.

Based on recent discussions with City and other project representatives, it has been suggested that Options 2 and 3 (as outlined in the previous chapter) represent the primary areas of focus under the remaining analysis tasks, in this chapter and subsequent chapters.

Summary of Methodology

This section provides information concerning the methodology used to analyze estimated costs and benefits of various development options for a potential new Homer conference center.

Event Levels

The level of potential event activity for a new conference center under each of the key development scenarios has been estimated. These estimates are based on the results of the analysis of market demand, supportable building program parameters and the general development scenarios previously outlined. As a number of specifics pertaining to the development scenarios (particularly under the public/private partnership and joint use situations of Options 2 and 3) are difficult to define with certainty, these estimates must be considered as preliminary. As such, their utility largely relates to assisting in development of a basis for estimating costs and benefits, which in turn allows for comparison of results among various development scenarios.

Financial Operations

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



As with all new public assembly facilities, an initial startup period is assumed before event levels are anticipated to stabilize. For purposes of this analysis, the fourth full year of operation represents a stabilization of operations, which is presented (where applicable) in terms of 2005 dollars. In addition, certain revenue and expense assumptions were developed utilizing comparable and competitive facility data and industry experience with similar projects, along with consideration of the unique attributes of the Homer regional area marketplace and specific conditions envisioned for the proposed facility.

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

Additional descriptions of terms and discussion of financial operating analysis methodology is provided in Appendix B, presented at the conclusion of this report.

Preliminary Construction Costs

Construction costs tend to vary widely among comparable convention/conference center projects. Many variables exist that influence actual realized construction costs, including type of facility, size, components, level of finish, integrated amenities, costs of goods and services in the local market, location and topography of the site, ingress/egress issues and other such aspects. Further, cost can be even more variable under situations where an existing facility is expanded or improved, or a joint use project is developed.

Where applicable, we have commented herein on estimated preliminary hard construction costs. The figures represent order-of-magnitude estimates based on industry standard per-unit data adjusted for conditions in the Homer area. Detailed architectural concept, design and costing analysis would be required to specifically estimate construction costs for any new conference center project.

Economic Impacts

The annual operations of an event facility, such as a conference center, typically provide some level of new economic benefit to an area. Typically, and for purposes of this report, quantifiable effects are characterized in terms of *economic impacts*, conveyed through measures of incremental levels of direct spending, total output (direct plus indirect/induced spending), personal income and employment (i.e., full and part-time jobs supported throughout the local economy by the new economic activity).

The impact of an event facility is maximized when out-of-town attendees spend money in a community while attending a facility event. This spending by out-of-town attendees represents *new money* to the community hosting the event (i.e., direct spending). This new



money then creates *multiplier effects* as the initial spending is circulated throughout the local economy (i.e., indirect/induced spending).

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

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

Additional descriptions of terms and discussion of economic impact analysis methodology is provided in Appendix B, presented at the conclusion of this report.

Option 1: Stand-Alone Conference Center

While we have been directed to primarily focus our efforts in this analysis around development Option 2 (public/private partnership with hotel) and Option 3 (joint use build-out with another public project), we believe it is useful to present a discussion concerning some of the potential costs and benefits that could be associated with a stand-alone conference center (under Option 1).

Estimated Event Levels

Based on the various analyses conducted for this study, including the supportable facility program and hotel requirements outlined in the previous chapter, the following exhibit presents a summary of estimated number of events, event days and utilization days for a new Homer conference center under development Option 1.

<u>Event Type</u>	<u>Number of Events</u>	<u>Event Days</u>	<u>Utilization Days</u>
State Convention & Conferences	10	27	37
Other Conferences	3	8	11
Public/Consumer Shows	5	13	25
Meetings/Banquets/Other Events	40	40	40
Total	58	87	113



As shown in the exhibit on the previous page, a potential Homer conference center, under the stand-alone model, is estimated to accommodate 58 events, comprising 113 utilization days in a stabilized year of operations (assumed to occur by the fourth year of operation). Ten of these events are assumed to represent the non-local state convention and conference events that would generate the majority of the new economic impact to the Homer community.

Potential Costs

As a conference center under this development scenario would be publicly-owned and operated, it is estimated that the vast majority of construction and ongoing costs will need to be borne by the City. There may be some small opportunities for private sector involvements to assist in defraying some project costs through sponsorships, exclusive facility use agreements, upfront service provider fees and/or private donations.

Based on the analysis of estimated financial operations, the following exhibit presents a summary of the potential operating revenues and expenses that a new conference center under Option 1 could generate (in a stabilized year of operation, in 2005 dollars).

Operating Revenues:	
Rental Revenue	\$72,000
Food and Beverage Revenue (net)	15,000
Other Revenue	<u>25,000</u>
Total Operating Revenues	\$112,000
Operating Expenses:	
Salaries, Wages, Benefits Expense	\$185,000
Other Expenses	<u>130,000</u>
Total Operating Expenses	\$315,000
Net Operating Deficit (before debt service & reserve funding)	(\$203,000)

As shown in the exhibit, upon stabilization of operations, a potential stand-alone Homer conference center would be estimated to generate an annual operating deficit of approximately \$200,000, before any debt service and capital repair/replacement reserve payments. This level of operating deficit is consistent with other comparable facilities, including those in Alaskan communities such as Valdez, Sitka and Ketchikan.

In terms of potential construction costs of such a facility, based on a review of a variety of comparable small to mid-sized community convention/conference center projects (*new* facility construction), facility hard construction costs (i.e., excluding site acquisition,



preparation and other soft costs) have generally ranged between approximately \$170 and \$300 per gross square foot (in 2005 dollars). For purposes of this analysis and in efforts to adjust these figures for the unique conditions in Homer, it is preliminarily estimated that order-of-magnitude hard construction costs could approximate \$250 per gross square foot of facility space. Based on the market supportable program of 13,000 square feet of sellable space (i.e., "net" space), it is estimated that "gross" facility space could approximate 26,000 square feet. Applying the aforementioned per square foot cost estimate, hard construction costs for a new Homer conference center could approximate \$6.5 million.

Potential Benefits

The following exhibit presents a summary of estimated economic and fiscal impacts associated with a new stand-alone, publicly-owned conference center under Option 1.

Direct Spending By Industry:	
Hotel	\$520,000
Restaurant	536,000
Entertainment	114,000
Retail	211,000
Local Transit	65,000
Other Industries	<u>179,000</u>
Total Direct Spending	\$1,625,000
Total Indirect/Induced Spending	<u>\$995,000</u>
Total Economic Output	\$2,620,000
Tax Revenue:	
City Sales Tax Revenue	\$87,000
Borough Tax Revenue	\$49,000
Personal Income	\$1,058,000
Employment (full & part-time jobs)	41

As shown, upon stabilization of operations, the annual operations of a potential new Homer conference center (under this stand-alone scenario) is estimated to generate approximately \$1.6 million in direct spending and \$2.6 million in total economic output, supporting 41 full and part-time jobs in the local economy. This level of spending is estimated to generate approximately \$87,000 and \$49,000 in City and Borough sales tax revenue, respectively.



Beyond these quantifiable benefits (i.e., economic impacts), the effects of attracting non-local event attendees to the Homer area could impact numerous industries, enhance economic activity throughout the community and improve the quality of life for local residents. Primary visitor industries, including hotels, restaurants, retail establishments, local transportation and related industries can benefit directly from the potential conference center. Indirect effects can benefit various support industries, including the wholesale, distribution, manufacturing and other industries, as well as local residents.

Potential qualitative benefits for the area include:

- Reduction in Lost Local Impact – The limitations in Homer’s existing conference and meeting facility inventory suggests that some amount of event activity produced by *local area groups* may be leaving the community to be held elsewhere where suitable facilities exist (i.e., in surrounding regional cities). To the extent that these Homer-based groups must relocate outside of the local community (despite an interest in hosting events within Homer), the spending related to these events effectively represents “lost” economic activity for the local area. Should a new conference center be developed in Homer, it is possible that many of these “local” events could be recaptured. These potential impacts have not been quantified.
- New Visitation – New visitors will be attracted to the area because of a Center event. These attendees, in turn, may elect to return to the area later with their families, etc. for a vacation after visiting the area for the first time. These impacts have not been quantified.
- Spin-Off Development – New retail/business tends to invariably sprout up near the Center spurred by the operations and activities associated with the Center, representing additions to the local tax base. These impacts have not been quantified.
- Community Marketing – Attendees of certain Center events (particularly, conventions and conferences) tend to represent decision-makers and executives from a broad cross-section of industries. This exposure can benefit the area from a long-term business development perspective. These impacts have not been quantified.
- Economic Development Tool – From a long-term economic development and business prospecting perspective, a quality conference center and hotel product is often viewed as an attractive feature in a “complete” community’s array of amenities. Should a company be considering locating a business/division in Homer, the presence of a professional resource such as a conference center/hotel (that can be used for off-site meetings, training, to house corporate visitors, etc.) could be an important selling point for the community.



- Community Use – The local area lacks a quality upscale meeting facility to sufficiently accommodate local groups larger than approximately 200 persons. The proposed stand-alone facility could accommodate a single group size of more than 600 persons. Further, the facility could offer a resource for the growth in cultural, arts and education events, benefiting the community and its residents. These impacts have not been quantified.
- Intangible Benefits – There are a number of other intangible benefits of having a state-of-the-industry conference center in a community that have not been quantified. These include: (1) quality of life, (2) community reputation and image, (3) local gathering point, and (4) new advertising/use opportunities for local business.

Option 2: Public/Private Partnership with Hotel

Under this type of development scenario, quantification of facility event levels and associated impacts are relatively difficult to estimate, given the significant variables that exist with respect to what level of space is ultimately negotiated between the parties and what type of booking priorities and utilization management the property will operate under. The extent to which the public sector (City) could have influence over these items will likely depend on the relative amount it ultimately contributes to the project. Further, the type and extent of public sector participation in these partnership projects has varied enormously in communities across the country. For example, some public sector entities only have needed to provide tax incentives, while others (on the extreme end) have had to contribute a majority of funds to develop the hotel *in addition* to the convention/conference center.

For purposes of this analysis, we have assumed that any potential hotel/conference center project would include an amount of conference/meeting space slightly lower than what was outlined as “market supportable” in the previous chapter. Specifically, the property will include approximately 7,500 square feet of banquet space and 3,000 square feet of breakout meeting space. Additionally, we have assumed that facility marketing and bookings will be generally consistent with other comparable privately-owned hotel conference center properties.

Estimated Event Levels

Based on these assumptions and those discussed earlier, the exhibit on the following page presents a summary of the estimated number of events and utilization days for a new Homer conference center under development Option 2.



<u>Event Type</u>	<u>Number of Events</u>	<u>Event Days</u>	<u>Utilization Days</u>
State Convention & Conferences	8	20	28
Other Conferences	2	4	6
Public/Consumer Shows	4	10	20
Meetings/Banquets/Other Events	60	60	60
Total	74	94	114

As shown in the exhibit, a potential Homer conference center, under development Option 2, is estimated to host 74 events, comprising 114 utilization days in a stabilized year of operations (assumed to occur by the fourth year of operation). Eight of these events are assumed to represent the non-local state convention and conference events that would generate the majority of the new economic impact to the Homer community. Overall, the events estimated tend to be slightly smaller in terms of space used and attendance, as compared to those assumed under the stand-alone model.

Potential Costs

Potential public sector costs with respect to “securing” this type of development (hotel conference center public/private partnership) is extremely difficult to assess without prior discussions/negotiations with existing hotel owners and potential hotel developers. However, other recent small market communities facing similar opportunities may be helpful in framing some of these possibilities:

Watertown Events Center (Watertown, South Dakota) – The new Watertown Event Center opened in late 2004. The Event Center itself is owned by the City of Watertown and operated by the attached 101-room Ramkota Inn. The new Event Center space cost approximately \$7.5 million, \$5.5 million of which was provided by a City G.O. bond issue. Voters approved the issue through a public referendum which also slightly increased property tax levies. Additionally, the City contributed \$2 million in cash from its General Fund. The \$7.5 million figure is all-inclusive, with the exception of land for the project, which was donated by the Ramkota. As part of the deal, the Ramkota also agreed to various improvements to the hotel property, including the addition of new guestrooms and improvement of existing rooms, public areas and meeting/banquet space.

Richmond Holiday Inn and Conference Center (Richmond, Indiana) – The City is in the planning stages to secure a commitment with the existing Holiday Inn property in Richmond to add 25 guest rooms and nearly 20,000 square feet of new meeting and banquet space (comprising a \$9 million project). The public sector



investment will likely be between \$2 and \$4 million in upfront money. Alternately, the City is considering a Food & Beverage Tax that could serve as the funding source over a 20-year period (rather than a single upfront payment).

Lewisville Hotel and Conference Center (Lewisville, Texas) – Earlier this year, the City of Lewisville, Texas reached a deal with a hotel developer to develop 160-room limited service Hilton Garden Inn property and a 20,000-square foot conference center. The hotel developer will receive \$500,000 in tax abatements over 15 years. Additionally, the City will provide \$3.75 million in funds over the same period to assist with construction costs. The partnership agreement also provides a set amount of access to the conference space for City-related use/events.

As the facility under this development scenario would be owned and operated by a hotel, the financial operations of the conference center will be inextricably tied to the operations of the hotel itself. As such, it is not possible to develop a presentation of the estimated financial operations of the conference center component as an independent component. To effectively estimate the financial operations of the overall project, a hotel feasibility study and development of an associated financial operating pro forma would be required to evaluate the overall operations of a new hotel conference center project.

Potential Benefits

The following exhibit presents a summary of estimated economic impacts associated with a hotel-based conference center under Option 2.

Direct Spending By Industry:	
Hotel	\$348,000
Restaurant	359,000
Entertainment	76,000
Retail	141,000
Local Transit	43,000
Other Industries	<u>120,000</u>
Total Direct Spending	\$1,087,000
Total Indirect/Induced Spending	<u>\$667,000</u>
Total Economic Output	\$1,754,000
Tax Revenue:	
City Sales Tax Revenue	\$49,000
Borough Tax Revenue	\$33,000
Personal Income	\$708,000
Employment (full & part-time jobs)	28



As shown in the exhibit on the previous page, upon stabilization of operations, the annual operations of a potential new Homer conference center (under this hotel/conference center scenario) is estimated to generate approximately \$1.1 million in direct spending and \$1.8 million in total economic output, supporting approximately 28 full and part-time jobs in the local area. This level of spending is estimated to generate approximately \$49,000 and \$33,000 in City and Borough sales tax revenue, respectively.

Additionally, a new conference center under this development scenario could provide some of the same types of intangible benefits to the local Homer community as discussed under Option 1.

Option 3: Joint Use Build-Out with Another Public Project

Similar to the previous development scenario, it is difficult to evaluate various quantified aspects of a conference center under a joint use build-out with another public project until various physical facility and ownership/operational characteristics are better defined. However, several assumptions have been prepared to allow for a general comparison of key potential costs and benefits of such a development.

Specifically, it has been assumed that the amount of conference/meeting space developed under this scenario would be lower than either of the two previous scenarios. It is assumed that the facility would primarily be developed and operated to provide a community resource for local events and a small number of potential non-local events. As meeting planners of rotating state events have a variety of more traditional convention/conference facilities to choose from, it is believed that this type of project would be less attractive to these groups than either a stand-alone convention/conference center or a hotel conference center.

It is assumed that approximately 6,000 square feet of total meeting/banquet space would be developed under this development scenario. The assumed space would be flexible and capable of accommodating a variety of meetings, small conferences, banquets and receptions.



Estimated Event Levels

Based on these assumptions and those discussed earlier, the following exhibit presents a summary of the estimated number of events and utilization days for a new Homer conference center under development Option 3.

<u>Event Type</u>	<u>Number of Events</u>	<u>Event Days</u>	<u>Utilization Days</u>
State Convention & Conferences	4	8	11
Other Conferences	0	0	0
Public/Consumer Shows	3	8	15
Meetings/Banquets/Other Events	50	50	50
Total	57	65	76

As shown in the exhibit, a potential Homer conference center, under the joint use model, is estimated to host 57 events, comprising 76 utilization days in a stabilized year of operations. Four of these events (albeit smaller events than assumed under the other development scenarios) are assumed to represent the non-local state convention and conference events that would generate the majority of the new economic impact to the Homer community.

Potential Costs

Similar to the public/private partnership with a hotel, the financial operations of new conference/meeting space under this development option would likely be shared with the operations of the primary facility (i.e., City Hall, library, museum, etc.). However, it is believed that if the conference space is operated consistent to other "civic-oriented" facilities across the country (i.e., no booking preference or rent discounts for non-local events, effectively a "turn-key" operation where events must arrange for their own services such as food and beverage and audiovisual, etc.) and that staffing and overhead can be shared with the operations of the primary facility, there is opportunity for the space to effectively function as a "break-even" component, without having the City incur additional annual ongoing net costs to support its operation. In a certain sense, the Islands and Ocean Center could be considered a similar model to this end.



Potential Benefits

The following exhibit presents a summary of estimated economic impacts associated with a joint use conference center under Option 3.

Direct Spending By Industry:	
Hotel	\$168,000
Restaurant	173,000
Entertainment	37,000
Retail	68,000
Local Transit	21,000
Other Industries	<u>58,000</u>
Total Direct Spending	\$525,000
Total Indirect/Induced Spending	<u>\$322,000</u>
Total Economic Output	\$847,000
Tax Revenue:	
City Sales Tax Revenue	\$24,000
Borough Tax Revenue	\$16,000
Personal Income	\$342,000
Employment (full & part-time jobs)	13

As shown in the exhibit, upon stabilization of operations, the annual operations of a potential new Homer conference center (under this joint use scenario) is estimated to generate approximately \$525,000 in direct spending and \$847,000 in total economic output, supporting approximately 13 full and part-time positions in the local community. This level of spending is estimated to generate approximately \$24,000 and \$16,000 in City and Borough sales tax revenue, respectively. These figures are significantly lower than the other two development scenarios analyzed, primarily due the assumed "civic" orientation focus of the facility and lack of a traditional convention/conference center product.

Conclusions

The analysis suggests that a new conference center in Homer will generate a measurable amount of "new" economic spending and tax revenue in the local community. It will work to increase visitation levels and associated spending in the community, as well as providing local residents with a community resource in which to hold and attend events. Additionally, as is outlined within this chapter, there will also be a number of non-quantifiable, "intangible" benefits for the local community resulting from the operations of



a new center. While the market demand analysis suggests that a stand-alone, publicly-owned conference center may be utilized to a lesser degree than other comparable facilities across the country, the City can evaluate the estimated costs and benefits and make planning decisions based on its unique priorities. Nevertheless, a stand-alone, public project will likely require substantial annual operating subsidies, along with initial construction and annual reserve funding.

However, based on our understanding of the City's objectives with respect to the Town Center development project and the need for an "anchor" in the area, it is believed that public/private partnership with an existing or new hotel developer should be explored, with a preference for a Town Center proximate site. Based on analysis results, this type of project could provide the most advantageous mix of public benefits to public costs, while also fulfilling the need for a Town Center "activity anchor".

Should preliminary planning work and discussion with developers suggest little partnering interest or too high of public investments costs, further planning and exploration of a joint use project in Town Center should be pursued.



**Appendix A:
Telephone Survey of State Organizations**



Surveyed Organizations:

Alaska Air Carriers Association
Alaska Alcoholics Anonymous
Alaska Associated General Contractors
Alaska Association of Realtors
Alaska Auto Dealers Association
Alaska Baptists
Alaska Bar Association
Alaska Board of Marine Pilots
Alaska Broadcasters
Alaska Cabaret, Hotel, Restaurant and Retailers Association
Alaska Coal Association
Alaska Council of School Administrators
Alaska Dental Society
Alaska Hotel & Lodging Association
Alaska Independent Insurance Agents & Brokers
Alaska Kennel Club
Alaska Library Association
Alaska Marine Pilots Association
Alaska Miners Association
Alaska Oil & Gas Association
Alaska Outdoor Council
Alaska Private Career Educators
Alaska Rotary
Alaska State Medical Association
Alaska State Veterinary Medical Association
Alaska Support Industry Alliance
Alaska Telephone Association
Alaska Travel Industry Association
Commonwealth North
National Electric Contractors Association
Opticians Association, Alaska
Public Safety Employees Association of Alaska
Southwest Pilots Association
Supreme Emblem Club
United Fisherman's Association

Note: In addition to these interviews, more than 30 local residents were interviewed in Homer at the outset of the project.



State Organization Telephone Survey Questionnaire:

PLEASE ASSOCIATE SAMPLE INFORMATION WITH EACH RESPONSE
CAPTURE NAME OF RESPONDENT, ETC.

Date:
Contact Name:
Organization:
Telephone:

Hello, this is (INTERVIEWER) from Conventions, Sports & Leisure International. We are assisting the City of Homer, Alaska in evaluating the need for a new conference center in Homer Town Center. May I please speak with the person who plans the conference or convention events for your organization?
(ARRANGE CALLBACK TIME, IF NECESSARY)

CALLBACK TIME _____ AM/PM

(WHEN SPEAKING WITH MEETING PLANNER:) Hello, my name is (INTERVIEWER) with Conventions, Sports & Leisure International. We are assisting the City of Homer, Alaska in evaluating the need for a new conference center in the community. Consideration is currently being given to the potential development of such a facility. We're speaking with a limited number of meeting planners and would like to make sure your requirements are included in our assessment. Would you be able to answer some questions concerning your organization's events?

1. Does your organization have any recurring off-site conventions, conferences or meetings that require exhibit space, meeting or banquet space?

- 1. Yes
 - 2. No
- (If no, terminate survey)*

2. What recurring events does your organization produce? Where have you held your event in the past?

Name of Event #1	_____	_____
Name of Event #2	_____	_____
Name of Event #3	_____	_____
Name of Event #4	_____	_____



[The following questions pertain to the respective events indicated in Question 2.]

3. Please indicate the likelihood of your group rotating an event to Homer assuming the conference facility and community's hotel inventory meet the needs of your event.

<u>Event #1</u>	<u>Event #2</u>	<u>Event #3</u>	<u>Event #4</u>
1. Definitely	1. Definitely	1. Definitely	1. Definitely
2. Likely	2. Likely	2. Likely	2. Likely
3. Possibly	3. Possibly	3. Possibly	3. Possibly
4. Not likely	4. Not likely	4. Not likely	4. Not likely
5. Definitely not	5. Definitely not	5. Definitely not	5. Definitely not

(IF ALL EVENTS IN Q.3 RECEIVE 4 OR 5, GOTO Q.4 AND THEN TERMINATE SURVEY, OTHERWISE SKIP TO Q.5)

4. Why is your organization not likely to use a potential Homer conference center?
(OPEN ENDED)

(IF ANY EVENT IN Q.3 = 1, 2, OR 3, CONTINUE WITH SURVEY AND ONLY OBTAIN DATA CORRESPONDING TO EVENTS WITH Q.3 SCORES OF 1, 2, OR 3)

5. Not including any space used for breakout meetings or food functions, do any of these events require exhibit space? If yes, what is the average NET square feet of exhibit space required for these events?

Event #1 _____ sq. ft. (or _____ number of booths)
 Event #2 _____ sq. ft. (or _____ number of booths)
 Event #3 _____ sq. ft. (or _____ number of booths)
 Event #4 _____ sq. ft. (or _____ number of booths)

6. How many meeting rooms does this event(s) demand concurrently, that is, at the same time, at the following seating capacities? (READ LIST, PAUSING FOR ANSWER AFTER EACH)

<u>Seating Capacity</u>	<u>Event One</u>	<u>Event Two</u>	<u>Event Three</u>	<u>Event Four</u>
10 to 50 people	_____	_____	_____	_____
51 to 100	_____	_____	_____	_____
101 to 500	_____	_____	_____	_____
Over 500	_____	_____	_____	_____



7. What is the average delegate attendance for this event(s), not including spouses and exhibitors?

	Event One	Event Two	Event Three	Event Four
Attendance	_____	_____	_____	_____

8. In what month (or months) is your event(s) generally held?

	Event One	Event Two	Event Three	Event Four
Month(s)	_____	_____	_____	_____

9. What is the average number of utilization days per event?

	Event One	Event Two	Event Three	Event Four
Move-in Days	_____	_____	_____	_____
Event Days	_____	_____	_____	_____
Move-out Days	_____	_____	_____	_____

10. Do your events require a dedicated ballroom to accommodate meal functions?

	Event One	Event Two	Event Three	Event Four
Yes	_____	_____	_____	_____
No	_____	_____	_____	_____

11. (WHERE APPLICABLE) What is the typical attendance at the *largest* ballroom meal function?

	Event One	Event Two	Event Three	Event Four
Attendance	_____	_____	_____	_____

12. Do your events require a headquarters hotel that is attached or directly adjacent to the conference facility?

	Event One	Event Two	Event Three	Event Four
Yes	_____	_____	_____	_____
No	_____	_____	_____	_____



13. How many hotel rooms does your event block out on the peak night?

	Event One	Event Two	Event Three	Event Four
Hotel Rooms	_____	_____	_____	_____

14. What is the maximum number of hotel properties which you would use to achieve your room block?

	Event One	Event Two	Event Three	Event Four
# of Hotels	_____	_____	_____	_____

15. How would you expect your attendees to travel to Homer?

% by Car	_____
% by Airplane	_____
% by Train	_____
Other	_____

16. What is your organization's primary criteria for a potential destination and facility?
(OPEN ENDED)

17. What are your overall impressions of Homer as a host market for your events?
(OPEN ENDED)

Thank you very much for your participation!



**Appendix B:
Supplemental Methodology Information**



Methods Pertaining to the Analysis of Financial Operations

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

This financial operating analysis only considers revenues and expenses generated through the operation of the conference facility itself and does not consider other potential ancillary income that may be related to the Center (such as parking income, admissions surcharges, interest income, etc.) nor does it consider other non-operating costs, such as construction costs or certain marketing efforts to non-local groups that are typically handled by destination market organizations (such as a convention & visitors bureau or chamber of commerce).

As with all new public assembly facilities, an initial startup period is assumed before event levels are anticipated to stabilize. Financial operating estimates prepared reflect a stabilized year of operation (assumed as the fourth year of operations) in terms of 2005 dollars. This analysis has been developed to reflect "net" operations. For instance, reimbursed event expenses and associated event revenues are not presented, rather, they are assumed to "pass through" the financial operating estimates developed in this section. Per capita revenue and expense assumptions were also developed using comparable and competitive facility data and industry experience with similar projects, along with consideration of the unique attributes of the Homer regional area marketplace and specific conditions envisioned for the proposed facility.

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

Operating Revenues

The primary sources of operating revenue for a potential Homer conference center include building rent, food service and other revenue. For purposes of this financial operating analysis, no parking revenue has been assumed to be retained by the Center. As previously stated, the revenue estimates are based on the market demand and supportable building program presented earlier in this report. The assumptions regarding the individual revenue



components are also based on a review of the operations of comparable facilities throughout the country and industry trend data.

Rental Revenue

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

Food and Beverage Revenue

Food service revenue consists of the sale of various food and beverage items at a potential Homer conference center. Revenue assumptions are based on estimated event and attendance levels and estimated per capita spending for various event types. Estimated food service revenue is presented in terms of net revenue retained by the facility. It has been assumed that a stand-alone Homer conference center (under Option 1) would either enter into an exclusive contract with a food service provider or maintain a "preferred vendor" policy. Under both potential policy scenarios, it has been assumed that the Center would retain a percentage of gross food and beverage revenues generated through Center events.

Other Revenue

Other revenue consists of contract services, including charges to event management and exhibitors for event-related services, such as providing electrical hook-ups and other utilities, leasing of equipment, providing security and cleaning services, advertising and other miscellaneous revenue items. Estimated service and equipment revenue is based on comparable facility financial operations and estimates of the number of events, attendance, square footage used, assumed future growth rates and receipts at comparable facilities.

Operating Expenses

The primary sources of operating expenses for a potential new Homer conference center include employee salaries and benefits, contract labor, utilities, repairs and maintenance, general and administrative, supplies and other expenses. The estimated operating expenses for a potential Homer conference center are based on historical operating expenses of comparable facilities and industry standards. Specifically, comparable facility operating



expense data was analyzed on a per square foot basis. Consideration was given to operating efficiencies that could be expected to occur at the potential Center, as well as cost of living adjustments specific to the Homer area and the surrounding region.

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

Salary, Wages, Benefits Expense

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

Other Expenses

The analysis of all the other expenses is based on industry averages and comparable facility operations and the levels of facility space. These expenses include:

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

Utilities expense at the proposed Center includes costs for electricity, water, gas and telephone.

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



Supply and materials costs for the proposed Center include those materials, supplies and equipment used for facility operations and its administrative offices.

Miscellaneous expenses include maintenance and repairs, insurance, bad debt charges, staff vacation accrual and other miscellaneous operating expenses. In addition, certain advertising and promotion activities, insurance and other similar expenditures have been included in the miscellaneous expenses.

As discussed in the report, operating revenues and expenses associated with development Option 2 (public/private partnership with hotel) and Option 3 (joint use build-out) have not been estimated due to the significant nature of the shared operations of the facilities.

Methods Pertaining to the Analysis of Economic and Fiscal Impacts

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

It is important to note that spending estimates associated with a potential Homer conference center only represent spending that is estimated to be *new* to the community ("net new" spending), directly attributable to the operation (and existence) of the facility. The analysis does not consider any assumed displaced spending within the community (i.e., spending by event attendees/producers that reside in the Homer area).

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

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



- Induced effects consist of the positive changes in employment, earnings and tax collections generated by changes in population associated with the direct and indirect expenditures.

The re-spending of dollars in an economy is estimated by using economic multipliers and applying them to the amount of direct, or initial spending. The *multiplier effect* is estimated in this analysis using a regional economic forecasting model provided by the Minnesota IMPLAN Group, Inc., a private economic modeling company. The IMPLAN system uses an input-output matrix with specific data for multipliers based on regional business patterns from across the country. Financial information for the matrix of multipliers is collected from various sources that include, but are not limited to, the U.S. Department of Labor, as well as state sales and tax reports. The system uses this data to determine the economic independence of specific geographic regions as well as the interdependence that exists between industries in those regions. The systems provide total industry output, personal earnings and employment data for approximately 520 industry groups.

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

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

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

The initial spending of new dollars into an economy begins a series in which the dollars are cycled through the economy. The re-spending of the dollars is estimated by using the



economic multipliers discussed above and applying them to the amount of direct, or initial, spending. The multiplier illustrates that spending in a defined economy will lead to additional spending until that dollar has completed its cycle through leakage. Leakage represents the portion of a dollar spent in areas outside the designated economy.

In addition to the economic impacts generated by a public assembly facility throughout the area, the public sector also realizes a generation of tax revenues. Based on the assumptions established earlier in this report and through these appendices, the primary fiscal impacts generated by the operation of a new conference facility in the Homer area have been quantified.

Based on calculations of direct spending, the resulting effects on tax collections have been calculated. Tax revenues are based on existing and planned tax rates. Changes in these rates will have an impact on the resulting tax collections.

The sales and hotel taxes have been calculated based on the existing tax rates applied to direct spending in their respective industries. For indirect spending estimates, sales tax sources have been quantified by applying a percentage of historical tax collections to the respective gross state product (GSP).

Certain non-quantifiable economic impacts (or intangible benefits) are discussed in Chapter VI of this report.



**Appendix C:
Key Market, Financial & Economic Assumptions**



**Feasibility Study of a Potential New Homer Conference Center
Summary of Key Market, Financial & Economic Assumptions**

Option 1	Option 2	Option 3
Stand-alone	Hotel/CC	Joint Use

Building Program (in square feet):

Exhibit Space	0	0	0
Ballroom/Multipurpose Space	10,000	7,500	0
Meeting Space	3,000	3,000	6,000
Total Sellable Space	13,000	10,500	6,000

Number of Events:

State/Reg. Assoc. Conventions/Conferences	10	8	4
Other Conventions/Conferences/Tradeshows	3	2	0
Public/Consumer Shows	5	4	3
Meetings/Banquets	40	60	50
Other Events	0	0	0
Total	58	74	57

Event Days Per Event:

State/Reg. Assoc. Conventions/Conferences	2.7	2.5	1.9
Other Conventions/Conferences/Tradeshows	2.5	2.2	1.5
Public/Consumer Shows	2.5	2.5	2.5
Meetings/Banquets	1.0	1.0	1.0
Other Events	0.0	0.0	0.0

Total Utilization Days Per Event (Move-in, Event, Move-out Days):

State/Reg. Assoc. Conventions/Conferences	3.7	3.5	2.7
Other Conventions/Conferences/Tradeshows	3.5	3.2	2.5
Public/Consumer Shows	5.0	5.0	5.0
Meetings/Banquets	1.0	1.0	1.0
Other Events	0.0	0.0	0.0



**Feasibility Study of a Potential New Homer Conference Center
Summary of Key Market, Financial & Economic Assumptions (continued)**

Option 1	Option 2	Option 3
Stand-alone	Hotel/CC	Joint Use

Average Gross Square Feet of Exhibit Space Per Day:

State/Reg. Assoc. Conventions/Conferences	0	0	0
Other Conventions/Conferences/Tradeshows	0	0	0
Public/Consumer Shows	0	0	0
Meetings/Banquets	0	0	0
Other Events	0	0	0

Average Gross Square Feet of Meeting Space Per Day:

State/Reg. Assoc. Conventions/Conferences	2,700	2,500	1,700
Other Conventions/Conferences/Tradeshows	2,700	2,500	1,500
Public/Consumer Shows	1,000	1,000	1,000
Meetings/Banquets	1,000	1,000	850
Other Events	0	0	0

Average Gross Square Feet of Ballroom Space Per Day:

State/Reg. Assoc. Conventions/Conferences	7,500	6,000	4,000
Other Conventions/Conferences/Tradeshows	7,500	6,000	4,000
Public/Consumer Shows	9,000	7,000	4,000
Meetings/Banquets	1,500	1,500	1,500
Other Events	0	0	0

Rental Rate Per Gross Square Foot of Exhibit Space (Per Event Day):

State/Reg. Assoc. Conventions/Conferences	\$0.07	\$0.07	\$0.07
Other Conventions/Conferences/Tradeshows	\$0.07	\$0.07	\$0.07
Public/Consumer Shows	\$0.09	\$0.09	\$0.09
Meetings/Banquets	\$0.09	\$0.09	\$0.09
Other Events	\$0.08	\$0.08	\$0.08

Note: Nominal move-in/move-out charges are assumed to be included in gross rates



**Feasibility Study of a Potential New Homer Conference Center
Summary of Key Market, Financial & Economic Assumptions (continued)**

Option 1	Option 2	Option 3
Stand-alone	Hotel/CC	Joint Use

Rental Rate Per Gross Square Foot of Meeting Space (Per Event Day):

State/Reg. Assoc. Conventions/Conferences	\$0.15	\$0.15	\$0.15
Other Conventions/Conferences/Tradeshows	\$0.15	\$0.15	\$0.15
Public/Consumer Shows	\$0.15	\$0.15	\$0.15
Meetings/Banquets	\$0.15	\$0.15	\$0.15
Other Events			

Rental Rate Per Gross Square Foot of Ballroom Space (Per Event Day):

State/Reg. Assoc. Conventions/Conferences	\$0.15	\$0.15	\$0.15
Other Conventions/Conferences/Tradeshows	\$0.15	\$0.15	\$0.15
Public/Consumer Shows	\$0.15	\$0.15	\$0.15
Meetings/Banquets	\$0.15	\$0.15	\$0.15
Other Events	\$0.15	\$0.15	\$0.15

Average Attendance:

State/Reg. Assoc. Conventions/Conferences	120	100	85
Other Conventions/Conferences/Tradeshows	120	100	85
Public/Consumer Shows	1,000	750	600
Meetings/Banquets	75	75	60
Other Events			

Percent of Attendance Non-Local

State/Reg. Assoc. Conventions/Conferences	100%	100%	100%
Other Conventions/Conferences/Tradeshows	75%	75%	75%
Public/Consumer Shows	30%	30%	30%
Meetings/Banquets	20%	20%	20%
Other Events			



**Feasibility Study of a Potential New Homer Conference Center
Summary of Key Market, Financial & Economic Assumptions (continued)**

Option 1	Option 2	Option 3
Stand-alone	Hotel/CC	Joint Use

Percent of Non-Locals Staying in Homer Hotels:

State/Reg. Assoc. Conventions/Conferences	100%	100%	100%
Other Conventions/Conferences/Tradeshows	100%	100%	100%
Public/Consumer Shows	100%	100%	100%
Meetings/Banquets	100%	100%	100%
Other Events			

Effective Extended Stay Days (for Homer Hotel Stays):

State/Reg. Assoc. Conventions/Conferences	0.2	0.2	0.2
Other Conventions/Conferences/Tradeshows	0.2	0.2	0.2
Public/Consumer Shows	0.4	0.4	0.4
Meetings/Banquets	0.2	0.2	0.2
Other Events			

Attendees Per Room

State/Reg. Assoc. Conventions/Conferences	1.2	1.2	1.2
Other Conventions/Conferences/Tradeshows	1.2	1.2	1.2
Public/Consumer Shows	1.2	1.2	1.2
Meetings/Banquets	1.2	1.2	1.2
Other Events	1.2	1.2	1.2

Average Food and Beverage Per Capita:

State/Reg. Assoc. Conventions/Conferences	\$9.00	\$9.00	\$9.00
Other Conventions/Conferences/Tradeshows	\$9.00	\$9.00	\$9.00
Public/Consumer Shows	\$1.75	\$1.75	\$1.75
Meetings/Banquets	\$6.00	\$6.00	\$6.00
Other Events			



**Feasibility Study of a Potential New Homer Conference Center
Summary of Key Market, Financial & Economic Assumptions (continued)**

Option 1	Option 2	Option 3
Stand-alone	Hotel/CC	Joint Use

Per Day Delegate Spending (Overnight Visitors):

State/Reg. Assoc. Conventions/Conferences	\$175	\$175	\$175
Other Conventions/Conferences/Tradeshows	\$175	\$175	\$175
Public/Consumer Shows	\$175	\$175	\$175
Meetings/Banquets	\$175	\$175	\$175
Other Events	\$175	\$175	\$175

Percentage of Spending by Industry

Hotel	32%	32%	32%
Restaurant	33%	33%	33%
Entertainment	7%	7%	7%
Retail	13%	13%	13%
Auto Rental	4%	4%	4%
Other Local Transit	0%	0%	0%
Other Industries	11%	11%	11%
Total	100%	100%	100%

Multipliers

	Output	Earnings	Employment
Hotel	1.6464	0.6642	24.2905
Restaurant	1.5773	0.6311	24.2905
Entertainment	1.6677	0.6929	28.6791
Retail	1.5523	0.6942	32.3137
Auto Rental	1.5803	0.7030	35.1875
Other Local Transit	1.5803	0.7030	35.1875
Other Industries	1.6782	0.5787	17.9262

Percent of Spending Applicable to Tax:

Hotel	100%	100%	100%
Restaurant	100%	100%	100%
Entertainment	100%	100%	100%
Retail	100%	100%	100%
Auto Rental	100%	100%	100%
Other Local Transit	100%	100%	100%
Other Industries	100%	100%	100%



