

Report to the Community

# Convention Center Community Coalition

December 1, 2010

# REPORT OF THE CONVENTION CENTER COMMUNITY COALITION

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# REPORT OF THE CONVENTION CENTER COMMUNITY COALITION

## Chapter I: Executive Summary

Mayor Hanna appointed the Coalition April 1, 2010.

*The mission of the Coalition is to expand on the Fox Cities Convention and Visitors Bureau and the Fox Cities Chamber of Commerce Feasibility Study of a Potential New Convention Center in the Fox Cities ("Feasibility Study"). Given the Feasibility Study, the Coalition is to provide a focused approach for the Appleton Common Council to enable a decision to be made about whether to pursue development of a Convention Center ("Exhibition Center").*

The Coalition's focus quickly narrowed from a full service convention center issue to the potential of adding an Exhibition Center in relationship to existing convention capacity. The Fox Cities community has adequate hotel sleeping capacity and the Radisson ballroom and meeting rooms more than meet convention center requirements. The single component missing is exhibition and trade show space. For the remainder of this Report, an Exhibition Center will be the focus.

Our Report addresses the Exhibition Center issue from several viewpoints, as requested by the Mayor, including:

1. The economic impact of the Exhibition Center.
2. The appropriate optional sites in Downtown Appleton.
3. The design specifics in terms of space and uses.
4. The governance and operating model options.
5. The multi-year operating scope and related financials.
6. The financing of construction.
7. The community perceptions regarding an Exhibition Center.

In addition, the Coalition added two concerns: Parking issues and opportunities lost.

Our work started with the following hypothesis: **It is the consensus of the Coalition that the City of Appleton ("City") in partnership with the Fox Cities should move forward in the development of a convention Exhibition Center to complement the facilities present in the Radisson Paper Valley Hotel, and elsewhere, in a manner consistent with the long-term plan for Downtown.** As a result we asked "why not?" rather than "why?" and sought solutions to potential issues. Our conclusion supports the hypothesis.

We believe we have addressed the most reasonable questions and issues, but, acknowledging that some questions are subjective, the final decision merits discussion within the Fox Cities citizenry, regional business, and elected Fox Cities' leadership. This Report is meant to provide appropriate data and analysis for that discussion.

In a few words our following conclusions are in support of the hypothesis, followed by recommended next steps and a list of frequently asked questions with comments.

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- Economic Impact.** This is the most significant test, for going forward for it expresses the community value realized by an Exhibition Center of the size and scope we determine to be appropriate. The economic impact is multi-dimensional and will affect every Fox Cities community, some directly and others indirectly.

A fully functioning Fox Cities convention center complex, including an Exhibition Center, will create **an ultimate annual economic impact – new dollars to the Fox Cities – of \$8.4 million. The present value of this impact over 20 years is around \$105 million.** The leverage of community investment in the Exhibition Center depends on final construction costs as well as the base upon which the leverage is measured. We believe the “all-in” construction cost in today’s dollars would be \$18 million to \$23 million. A bond supported by a hotel room tax would provide a substantial portion of this cost, with the remainder coming from gifts and grants and the possible sale of the naming rights. Additionally, based on industry standards, we estimate a maximum annual operational deficit of approximately \$600,000. This operational deficit would need to be subsidized.

The following table provides the scope of economic impact as measured by the “payback” of economic benefit to the community based on a defined amount of costs the community provides. In other words, what is the amount returned for each dollar of committed support for construction and operational subsidy (including the payback of the dollar)? As indicated above, the present value of the economic impact over 20 years is \$105 million, and the table indicates how many times the cost being considered as a base is returned to the community in terms of this amount of impact.

<b>If construction costs are:</b>	<b>\$18 million</b>	<b>\$23 million</b>
<b>And the base for impact measurement is:</b>		
All the construction costs plus full \$600,000 operational subsidy for 20 yrs		
<b>Then the 20 yr economic impact is:</b>	<b>4.12 times</b>	<b>3.47 times</b>
All the construction costs plus full \$600,000 operational subsidy for 20 yrs less costs funded by 2% room tax		
<b>Then the 20 yr economic impact is:</b>	<b>6.36 times</b>	<b>4.93 times</b>
All the construction costs plus full \$600,000 operational subsidy for 20 yrs less costs funded by 3% room tax		
<b>Then the 20 yr economic impact is:</b>	<b>8.74 times</b>	<b>6.25 times</b>
All the construction costs with no operational subsidy less costs funded by 2% room tax		
<b>Then the 20 yr economic impact is:</b>	<b>23.14 times</b>	<b>11.27 times</b>

These estimates will vary depending on a public/private partnership as agreed to with the Radisson Paper Valley Hotel (“Radisson”). The methodology behind the estimates is provided in Chapter III of this Report.

- Optional Sites.** Our Exhibition Center needs to be a support facility connected to the Radisson as a convention-quality hotel. Three sites were studied; they all provide an appropriate footprint for exhibit space. One design will not fit all; unique characteristics can be featured with each site. The first site is

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the Outagamie County parking lot area bounded by Lawrence Street, Elm Street, Eighth Street and Jones Park. The second site is the Midtown parking ramp on Lawrence Street, between Appleton Street and Superior Street. These two sites are currently not on the tax roll. The third site, currently on the tax roll, is bounded by Division Street, the east-west alley and College Avenue west of the Copper Leaf Hotel complex. It would replace property on the tax roll but could add taxable components along College Avenue or as an arcade.

The Outagamie County site in conjunction with Jones Park opens additional appreciation of the river front. The Midtown parking ramp site presents costly general parking replacement issues as well as concerns regarding how well it would physically connect to existing facilities within the Radisson. The Division Street and College Avenue site requires consideration of developing attractive storefronts and is closest to the Fox Cities Performing Arts Center (“FCPAC”) and its auditorium capacity. Based on our careful evaluation of how well each of the sites meet sixteen major criteria that we identified, **we recommend the Outagamie County parking lot area as the most adequate of the sites considered.** Chapter IV provides data regarding the sites and on which basis we have reached our conclusion.

3. **Design Specifics.** The prior Feasibility Study indicates that a dividable exhibit space of 30,000-35,000 square feet is appropriate for our community, and our research leads us to endorse that suggestion, along with a design that provides 24-foot ceiling height clearance. As the Feasibility Study suggests, we have added 50% to the facility size for support space, thus focusing on a design for 45,000 square feet. We have learned that the space must be designed for the expectations of those who plan events as well as those who attend them. We have discovered that many facility features, such as column-free space and well-designed loading access, will be absolutely necessary for success. We have also identified several potential “WOW!” factors that will help the Exhibition Center stand out in its competitive set.

**We recommend the facility be designed for maximum flexibility, which will allow it to host a surprising variety of conventions, tradeshow and community events.** Chapter V provides details.

4. **Governance and Operating Model.** We studied several possible governance models, some existing elsewhere, and some that we believe are unique and can fit our culture and community. Issues considered were ownership, governance and operating management. Chapter VI provides details.

**We recommend the Exhibition Center be owned and governed by a stand-alone authority or a not-for-profit entity.** This would allow for freedom from political pressures, greater business expertise and flexibility in decision-making. This entity would have a formal agreement with the City of Appleton that would support its need to obtain City backing for bonding and credit lines, and it would contract with the Radisson for day-to-day management and operations. Operating management contracts would provide incentives for successful operations. In consideration of any public financial support, and in an effort to foster ongoing regional engagement by way of appropriate accountability, the governing body should have representatives reflecting the Fox Cities communities’ interests and diversity.

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- 5. Operating Scope and Financials.** The critical factor is: Who takes the long-term risk for ongoing operational deficits? In view of the economic impact of the project, we believe this risk appropriately ends up shared between the City of Appleton (and perhaps those benefiting regional communities) and a private management partner (the Radisson). Available studies indicate an operational deficit (ignoring any resulting construction debt service) should be expected; our estimate, if the Exhibition Center were to be operated independently, is \$600,000 annually. If the Exhibition Center is managed by the Radisson's conference services, the annual operational deficit would be substantially less than \$600,000. The total amount would be offset by risk/cost sharing with the Radisson. In determining gross annual deficit amounts we considered a range of probable uses and activity levels consistent with economic impact estimates.

In Chapter VII we describe various approaches to consider in providing for the operational deficit. **We recommend an approach whereby the newly created Authority (or alternative not-for-profit) would contract with the Radisson for operations.** We have discussed this approach with the Radisson and expect a proposal for a management arrangement that would have the hotel manage all aspects of operations, and assume some risks of future operations except for some start up costs (as identified in the Feasibility Study) and structural maintenance expense. The Radisson, through economies of scale, would have the opportunity to run the Exhibition Center taking with it the resulting share of operating risk of loss or gain.

- 6. Construction Financing.** Construction financing for the Exhibition Center does not appear to be an issue given the limited scope of the project, and the support of communities and partners. The Redevelopment Authority of the City of Appleton will need to support and assist with bonding for construction. A total estimated project cost of \$18 million to \$23 million breaks down as provided in Chapter VIII. This estimate is based on research of comparable facilities and recent construction activity in the Fox Cities, and reflects the work of the Coalition as detailed in other chapters. Further work will be needed to transfer the assumptions of this report into a final building design, which will ultimately provide the actual construction costs. The current construction bidding market is favorable.

The cost estimate is based on a core construction cost of \$10.3 million to \$13.5 million for a 45,000 square foot design as described in Chapter VIII. Additional costs include provision for obtaining the Outagamie County parking lot site, a Lawrence Street skywalk, site preparation and contingencies.

We have not engaged professional cost estimators nor did we have discussions with taxing authorities with respect to either cost data or financing resources. As indicated above, we have made thoughtful estimates of the potential range of costs and the table below summarizes our hypothetical estimates with respect to the financing components, assuming \$6 million of non-room tax, grants and contributions and a naming rights gift of 15% of the total project cost. The numbers presented are hypothetical and are provided to enable a more focused discussion in the future on the relationship between costs and funding resources.

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## Construction Costs in \$Millions Based on Cost per Square Foot

<u>Item of Cost</u>	<u>\$230</u>	<u>\$250</u>	<u>\$270</u>	<u>\$290</u>
Core building construction for 45,000 sq ft	\$10.35	\$11.25	\$12.15	\$13.05
Other costs	\$8.75	\$8.91	\$9.08	\$9.24
<b>Total Estimated Cost in \$Millions</b>	<b>\$19.10</b>	<b>\$20.16</b>	<b>\$21.23</b>	<b>\$22.29</b>

We recommend a planned, all-in construction cost of between \$18 and \$23 million based on a room tax initiative of up to 3%. The actual amount of the construction cost covered by a room tax would depend on the tax rate. The table below provides an indication. Other sources could fund the remainder including construction gifts and grants. A funding analysis is provided in Chapter VIII.

## Room Tax Required to Support Bonding of Targeted Amount of Construction Contribution

	<u>\$230</u>	<u>\$250</u>	<u>\$270</u>	<u>\$290</u>
Construction cost per square foot				
Target amount to be funded by room tax (\$millions)	\$10.24	\$11.14	\$12.04	\$12.94
<b>Required room tax</b>	<b>2.27%</b>	<b>2.48%</b>	<b>2.68%</b>	<b>2.88%</b>

7. **Community Perceptions.** Our individual cities, towns and villages operate as one integrated community: Downtown Appleton is valued for its accessibility and safety.

We conducted informal focus group conversations with individuals in Appleton, Kaukauna, Kimberly and Neenah selected independently by area school systems leaders. A summary of those discussions is provided in Chapter IX. Participants had the view that the Exhibition Center void is detrimental to the entire Fox Cities population; they coupled the potential additional facility with the requirement to nurture and sustain existing community cultural and marketable assets. This was evident in the sense there was strong support of the position that financing of the Exhibition Center should not detract or take away from the mission and sustainability of the FCPAC and local public libraries.

Was this a desire to “have it all for image purposes at any cost?” We think not. Participants understood the economic purpose of the Exhibition Center to attract more out-of-town visitors to the Fox Cities, encouraging “heads in beds”, resulting in increased direct and indirect spending in the Fox Cities. They supported the idea that an Exhibition Center could be structured and financed through a public/private partnership, with a possible supplemental room tax, in a manner enhancing the attractiveness of what we offer to both citizens and guests. **In sum, participants interviewed indicated that the absence of a modern Exhibition Center would be detrimental to the economy, to education and to the social capital of the entire Fox Cities' population.**

8. **Parking Issues.** Current parking inventory is sometimes perceived as a barrier to Downtown Appleton’s economic growth, whether or not an Exhibition Center is built. In our analysis we have only considered the parking issues that are raised by the addition of the Exhibition Center in Downtown Appleton.

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Based on the Exhibition Center being developed on the Outagamie County lot area, the ultimate plan will need to provide for replacement of 103 County parking spaces within the County parking inventory. There likely are two options: one option could be lower level parking under the Exhibition Center and another could be a deck on the Justice Center lot. Our cost and economic impact analyses identify the incremental effect of this component; the estimated cost of 103 spaces is \$1.2 million for deck parking and our cost analysis has considered this. Chapter X summarizes currently available public and private parking options and outlines potential future parking choices.

**We do not believe the Exhibition Center presents a parking issue for Downtown Appleton.**

9. **Opportunity Lost.** Appleton's position as Wisconsin's sixth largest city enables the Fox Cities to continue to emerge as a peer to other state metro regions and to continue its tradition of thoughtful community development. We are an attractive visitor destination and the economic impact of that benefits all of us; currently, visitor spending amounts to \$1,570 per Fox Cities' resident, and supports over 8,500 full time jobs. A meaningful increase is available to us, ignoring other growth drivers, when we add an Exhibition Center that eventually could support up to 140 additional full-time jobs.

Of concern is the risk of lagging behind convention developments elsewhere. If we assume a 2% annual decline in visitors with all attractions remaining relatively the same over ten years, the overall effect of such a decline can amount to a potential annual spending drop after ten years of over \$70 million and a possible accumulated effect over those ten years of up to a loss of 1,300 full-time jobs.

An important consideration is maintaining a vibrant and vital central business district for the health of Appleton and surrounding communities. The Exhibition Center will help in generating more visitors and activity. The Feasibility Study estimates the Exhibition Center will annually add up to 24,000 additional day visitors to the Fox Cities and 42,000 over-night stays. Convention industry data indicates the effect of this influx will be significant in terms of annual spending and the impact to the Fox Cities.

**To ignore the value of an Exhibition Center addition to the community is a high-risk and potentially costly decision. It could be very expensive.**

**In sum.....**

**We believe the case for an Exhibition Center is most compelling. We confirm the City of Appleton's Comprehensive Plan. The positive economic impact is very significant and can justify financial support from the community. A workable site exists that can accommodate a reasonable design. A construction financing arrangement seems favorable in these unique financial times, and an operating plan involving the Radisson seems workable. It would be embraced by the public.**

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## Some Frequently Asked Questions

Over the course of our work we have been repeatedly asked thoughtful questions by members of the community. Here are some of them, as well as brief comments in response:

- 1. *What has been the objective of the Coalition?*** The Coalition was appointed by Appleton's Mayor to expand on the 2008 Feasibility Study that examined the potential of a convention center in the Fox Cities. The goal was to develop data for thoughtful discussion and decision-making by community leaders in order to take the possible steps to further development of design, cost and funding decisions.
- 2. *What has been the Coalition's conclusion?*** The Coalition confirms the Feasibility Study conclusions and reports on issues that merit further discussion. It believes the development of a convention center capability in Downtown Appleton, by the addition of an Exhibition Center, is a compelling proposition that can be accomplished.
- 3. *What was the result of the feasibility study done in 2008?*** The Feasibility Study indicated the regional market would support a quality convention center in the Fox Cities. It indicated the Fox Cities communities have adequate sleeping rooms and meeting space (including a sizable ballroom) and the missing component is a 45,000 square foot Exhibition Center tied to the Radisson Hotel.
- 4. *What does an Exhibition Center mean to the Fox Cities in terms of a facility addition?*** An Exhibition Center means a 30,000 square foot column free space with 24-foot ceiling clearance coupled with another 15,000 square feet of support space for a total of 45,000 square feet. It would offer state of the art technical capability for trade shows and exhibitions.
- 5. *What kind of structure does an Exhibition Center call for?*** Exhibition Center structure details depend on the potential design. The Coalition Report details possible design features and points out the focus of design must be on the facility user/guest with the actual features being driven somewhat by available construction funding.
- 6. *What is the economic impact to the Fox Cities community?*** The estimated annual economic benefit to the Fox Cities community of creating a fully functioning convention center complex is nearly \$8.5 million yearly or approximately 140 full time jobs. Over 20 years, the present value of the economic impact is as much as \$105 million.
- 7. *Who will be served by an Exhibition Center addition to the Radisson/FCPAC complex?*** Flexibility of use is the key factor. Its primary use is for convention exhibits and related events demanding large spaces. Its large, open spaces after booking the conventions, could potentially be filled with secondary uses including consumer tradeshow, graduations and proms, youth directed activities, antique shows, dog shows, square dancing events and an endless variety of other uses of interest to local citizens as participants and spectators.

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8. *Where would the Exhibition Center be located?* The Coalition studied three sites located east, north and south of the Radisson. It concluded that the best site is to the south, the Outagamie County parking lot area bounded by Lawrence Street, Elm Street, Eighth Street and Jones Park. This is the site of the former St. Joseph School and convent.
9. *Why the County parking lot site?* We considered 16 criteria and weighed each in respect to the conditions the possible sites presented. The County parking lot was exceptional with respect to proximity to available facilities and services to be provided by the Radisson, the site's potential connectivity to Jones Park and the river area and the site's availability. On the other hand, there were no poor characteristics attributable to the site.
10. *Was a College Avenue site considered?* Yes. It was noted that it would direct visitor attention to College Avenue, potentially improving the overall Avenue facade, and could integrate more easily with the FCPAC. Additionally, it would not require obtaining property on the Outagamie County campus. In total it was not deemed to be as appropriate as the County parking lot site.
11. *How will this project be funded?* Funding sources for construction will need to include funds from a hotel room tax, the City of Appleton, and other public and private grants and contributions. The breakdown will depend on the coverage provided by a hotel room tax and the actual construction cost.
12. *Who will own the facility?* We believe the facility should be owned by a government chartered Authority, or a private community-based not-for-profit organization, and be managed on a long-term basis for operational purposes by the Radisson.
13. *What will this project cost the taxpayer?* This depends on four decisions:
- Whether to fund it in part by a hotel room tax increase, and if so, how much?
  - What will be the cost of the construction?
  - Who will pay for annual deficits (if any)?
  - What portion of remaining costs after room tax funding will be taxpayer-supported versus private funds?
- From a local taxpayer point of view, a room tax increase of up to 3% would be preferred, with no obligation for annual operational risk, and with a significant gift for naming rights. Such a scenario would appear to call for a community investment (public and private) of around \$4.5 million to \$7 million. A lesser room tax would call for more community investment.
14. *Who will be responsible for paying the operating deficit?* Studies from the industry indicate that an operational deficit should be expected. Substantial operating efficiencies would likely exist with a hotel partnership model, including shared overhead and staffing. These efficiencies typically lead to a substantially lower "operating burden" than if the convention center operates separately. If the Exhibition Center is managed by the Radisson's conference services (as recommended by this report) the annual operational deficit would be substantially less than \$600,000. Final responsibility for operating gains or deficits is subject to contract negotiation.

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15. *What is the economic benefit to the Radisson Paper Valley?* There is obvious benefit to the Radisson, which is why it will propose a significant construction grant and an annual management contract. The proposed management contract could absorb all or part of the operating risk. Additionally, we estimate the Radisson will undertake significant upgrading of its public areas, especially to accommodate the access to the Exhibition Center.
16. *What about other Wisconsin communities building Convention Center facilities?* The Feasibility Study considered such developments. Data indicated a positive appeal of the Fox Cities as a convention site for Wisconsin-based and wider regional groups, separate from the notion that the current choice is limited. A key component is the quality of the Radisson and Copper Leaf, already known and highly regarded by most meeting planning groups. Most of the public announcements in other communities (Oshkosh and Fond du Lac for example) indicate emerging facilities will be smaller than the Fox Cities plan.
17. *What is the downside or negative risk to this project not succeeding?* One risk is that we build it too small, resulting in sub-optimization of the benefit. A second risk is to overbuild; that is, a lack of realization of the trend expectation of the convention business (we assume that the Fox Cities are an attractive destination and that the business will come with the addition of an Exhibition Center). In both instances there is no risk with respect to recovery of the construction costs; and the ongoing risk is dependent on the day-to-day management arrangement.
18. *How will local communities besides Appleton benefit?* Surrounding communities will benefit in several ways. Citizens will have access to more events in the form of trade shows, exhibits, tourneys, youth programs, and other activities with a wider base than a local focus. Businesses, especially those in Grand Chute, Neenah and in the eastern commercial corridor will have more hotel stays. Additionally, convention goers participating in related activities (especially shopping) is expected to increase. We estimate there will be over 62,000 additional “heads in beds” annually. The presence of an Exhibition Center could present unanticipated positive consequences such as attracting new or different businesses or unique state/national marketing opportunities.

### **A postscript may be appropriate . . . “What next?”**

We have expanded our charge to include opinions and recommendations as noted above. An obvious next question is a recommendation on the next steps we believe appropriate for going forward. Here are some thoughts to consider based on the notion that both construction and financing opportunities are currently available at most favorable terms:

- Our report, together with answers to frequently asked questions, should be shared broadly to generate community discussion.
- We recommend an Authority or an appropriate not-for-profit entity be established to assume the planning and development function.

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- We recommend that the Authority/not-for-profit leadership undertake discussions with the Radisson management as soon as possible to define the framework of an agreement under which the Radisson would manage the Exhibition Center and maintain an operating risk of loss or gain.
- We recommend the Authority/not-for-profit leadership initiate discussions to consider the potential of an additional room tax in the 18 municipalities that currently have room tax ordinances supporting the Fox Cities Performing Arts Center and the Fox Cities Convention and Visitors Bureau and move forward with its establishment as soon as possible.
- We recommend the Authority/not-for-profit leadership initiate discussions with Outagamie County and City of Appleton leadership to structure a plan for acquiring the site we have recommended.
- We recommend the Authority/not-for-profit leadership initiate discussions with the Appleton Redevelopment Authority and other appropriate parties to gain endorsement of the potential project and related available financing approaches.
- We recommend the Authority/not-for-profit secure funding to be able to obtain some preliminary designs and cost estimates, and then continue more detailed community discussions which would lead to further decisions.

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## Chapter II: Approach to Our Analysis

The mission of the Coalition is to expand on the Feasibility Study. Given the Feasibility Study, the Coalition is to provide a focused approach for regional leaders and officials to enable a decision to be made about whether to pursue development of an Exhibition Center. We have taken the work done previously at full value and, except for cost estimates, resolved to not duplicate it.

The Coalition has been comprised of representatives from across the Fox Cities. It is the consensus of the Coalition the Exhibition Center will succeed and maximize its effectiveness only with the support of the entire Fox Cities community.

Our working hypothesis is: It is the consensus of the Coalition that the City of Appleton should move forward in the development of a convention Exhibition Center to complement the facilities present in the Radisson Paper Valley Hotel, and elsewhere, in a manner consistent with the long-term plan for Downtown.

The hypothesis approach was to state the case in terms of the project as it was concluded in the Feasibility Study; this is to say that if we can find a **reasonable site** that will handle a **reasonable design** and there is a **reasonable way to finance** construction and a **reasonable way to cover operating shortfalls** and a **reasonable way for efficient governance and operation**, we will build an Exhibition Center if it will **create real economic value** community-wide and **meet community expectations**. The Coalition's goal was to build a case for the hypothesis, or build a case that supports an acceptable modification of the hypothesis, or develop enough information that would result in a total rejection (without modification) of the hypothesis. The Appleton Common Council, along with other regional leaders and officials, then takes over the discussion.

Committees were appointed, along with support staff, to address each of the issues noted in bold face type above:

- Economic Impact,
- Optional Sites,
- Design Space Uses,
- Governance and Operating Models,
- Operating Scope and Financial Expectations,
- Construction Financing, and
- Community Perceptions.

As committees' work moved forward, the Coalition identified two other issues/topics to consider: Parking and Opportunity Lost. These were considered by the Coalition acting as a committee of the whole.

Committee work provides the body of this Report. The monthly Coalition meetings were public and we welcomed observers. This transparency was good. It reminded us to have clarity in our contributions to the discussion during our meetings.

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## **Chapter III: Economic Impact**

The objective of this Chapter is to provide both a validation of the findings and conclusions of the economic impact of a potential new Exhibition Center as presented in the Feasibility Study, to adjust economic impact estimates reflecting expected potential public outlays, and to add refinements with respect to some of the non-quantifiable impacts.

For purposes of this analysis, two specific scenarios were developed for evaluation and comparison:

- Scenario 1: New Exhibition Center in Public/Private Partnership with the Radisson
- Scenario 2: New stand-alone Convention Center separate from the Radisson

An economic impact analysis traces spending through a local or regional economy and measures the cumulative effects of that spending. For the purpose of this analysis, the region has been defined as the Fox Cities.

In order to determine the economic impact in the Fox Cities of an Exhibition Center, thus converting the facilities in Downtown Appleton to a Convention Center, it is necessary to look at the positive economic impact generated by the purchasing power of the delegates attending the convention. For this part of the impact study, we looked only at new money to the community. That is, money spent by out of town delegates attending the convention. This is spending that would not take place if the Exhibition Center were not built. It does not include money spent by local delegates attending the convention. It is assumed that if the locals weren't attending the convention, they would spend the money on other things in the Fox Cities. It is acknowledged that if the conferences weren't held in the Fox Cities, locals may go out of town to the conferences; resulting in lost dollars to the Fox Cities (we have not reflected this effect).

Different groups have different spending patterns. For example, a convention where delegates stay over-night and purchase lodging accommodations, entertainment, and restaurant services, as well as shop, will spend more in the community than will a visitor to a consumer show who may spend several hours in the community before returning home. Thus, the type of groups attracted by a convention has a large impact on the magnitude of the economic benefit it will generate.

Exhibit I below (from the Feasibility Study) shows the estimated utilization levels for Scenario 1, an Exhibition Center in public/private partnership with the Radisson, and Scenario 2, a stand-alone Convention Center (all features except the actual sleeping and dining rooms of a hotel). It takes a number of years for the level of utilization to stabilize. For purposes of this analysis, it is assumed that year five represents the "stabilized year of operation". Under Scenario 1, it is estimated that the level of events per annum could reach 437, compared to 270 events under Scenario 2. The reason for the lower number of events under Scenario 2 is because of local competition with the Radisson.

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## EXHIBIT I

### Estimated Utilization Levels

	Number of Events	Event Days	Utilization Days	Delegate Days	Non-local Overnight Days	Non-local Day trip Days	Local Delegate Days
<b>SCENARIO 1</b>							
Conv/Tradeshow (with exhibits)	22	55	114	24,750	21,161	2,351	1,238
Conv/Conf (without exhibits)	20	46	76	11,500	9,315	1,035	1,150
Public/Consumer Shows	15	38	78	75,000	3,000	12,000	60,000
Meetings/Banquets/Receptions	350	350	385	52,500	5,250	5,250	42,000
Other Events	30	36	63	25,200	3,780	3,780	17,640
<b>Total</b>	<b>437</b>	<b>525</b>	<b>716</b>	<b>188,950</b>	<b>42,506</b>	<b>24,416</b>	<b>122,028</b>
<b>SCENARIO 2</b>							
Conv/Tradeshow (with exhibits)	17	43	88	19,125	16,352	1,817	956
Conv/Conf (without exhibits)	15	35	57	8,625	6,986	776	863
Public/Consumer Shows	13	33	68	65,000	2,600	10,400	52,000
Meetings/Banquets/Receptions	200	200	220	30,000	3,000	3,000	24,000
Other Events	25	30	53	21,000	3,150	3,150	14,700
<b>Total</b>	<b>270</b>	<b>341</b>	<b>486</b>	<b>143,750</b>	<b>32,088</b>	<b>19,143</b>	<b>92,519</b>

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

The economic contribution of the convention center is comprised of three types of impacts: *Direct, Indirect and Induced*.

- **Direct Impacts** – consist principally of initial purchases of goods and services made by out-of-town delegates or attendees at an event. This spending typically takes place in local hotels, restaurants, theaters, retail establishments and other such businesses. Examples of direct spending are when an out-of-town event attendee books a hotel room or purchases a meal at a restaurant.

- **Indirect Impacts** – consist of the re-spending of the initial or direct expenditures. An example of indirect spending is when a local restaurant purchases additional food and other restaurant items from a supplier as a result of an out-of-town event attendee’s purchase of a meal. A certain portion of these additional purchases will be 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 Impacts** – consist of the positive changes in employment and earnings collections generated by changes in population associated with the direct and indirect expenditures. For example, an entrepreneur may establish a firm to support an expanded local convention/conference capacity, or local or regional service providers may increase capacity to serve expanded markets here and regionally. The amount of the increased income spent in the local economy is considered an induced impact.

## REPORT OF THE CONVENTION CENTER COMMUNITY COALITION

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.

In the Feasibility Study, results of the economic impact analyses were 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 begins a series of transactions in which the dollars are cycled through the local 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.

Two project scenarios presented in the Feasibility Study were reviewed to determine the economic impact of a convention center facility. One scenario combined it with existing facilities in Downtown Appleton, and the other a new stand-alone convention center. It is estimated that under the first option (Scenario 1) the associated total annual direct spending would be approximately \$10.5 million. Of this total, 50% or \$5.3 million represents direct spending that would be new to the Fox Cities area (i.e. visitor spending that does not exist today via the events hosted at the Radisson and other local event facilities) and directly attributed to the existence and operation of the Exhibition Center.

Under the stand-alone option (Scenario 2) – The total annual direct spending would be approximately \$7.9 million. Of this total, 60% or \$4.8 million represents direct spending that would be new to the Fox Cities area.

We accept the consultant's estimates of direct spending, net new direct spending, and total output as the best estimates that could be obtained, given the information available, and that a 1.6 multiplier to reflect an indirect spending increment is reasonable. As indicated later, we tested the sensitivity of this assumption.

The two scenarios were tested to determine economic impact relative to total costs on an annualized basis, as indicated in the exhibit below, ignoring any adjustment for various sources of funds and assuming construction costs as indicated.

# REPORT OF THE CONVENTION CENTER COMMUNITY COALITION

## Exhibit II

	Scenario 1	Scenario 2
Construction costs	\$25 million	\$50 million
Total annualized cost for a year	\$2,520,000	\$4,536,900
Direct economic impact	\$5,268,178	\$4,769,267
<b>Annual direct benefit to cost ratio</b>	<b>2.09 times</b>	<b>1.05 times</b>
Annual direct and indirect economic impact	\$8,429,085	\$7,630,827
<b>Annual ratio of direct &amp; indirect benefit to cost</b>	<b>3.34 times</b>	<b>1.68 times</b>

The table provides the scope of economic impact as measured by the “payback” of economic benefit to the community based on a defined amount of costs provided. In other words, what is the amount returned for each dollar of committed support for construction and subsidy (including the payback of the dollar)? In the table, the annualized cost (including debt service) is compared to annualized economic impact.

The Feasibility Study suggests that given the available facilities, the Scenario 1 approach is the better route to pursue. We agree.

We did further analysis of Scenario 1 for potential economic impact relative to community investment considering (1) that the impact of financing by use of a hotel room tax was not a community investment, (2) that there might be reduced or increased community funding of operational subsidy, and (3) that there could be a broad range with respect to construction costs (see Chapter VIII).

Initially we tested against the result of the Feasibility Study, except for adding a range on the construction costs of from \$18 million to nearly \$23 million. See Exhibit III. The resulting economic impact (new dollars to the community) ranged from 3.47 times to 4.12 times the related costs for construction and operations. We compared this to the 3.34 times value as shown in the Feasibility Study. The economic impact result is the number of times the community support is paid back (assuming a 5% discount rate) over 20 years including the payback of the assigned support itself.

## Exhibit III

### ECONOMIC IMPACT: PRESENT VALUE OF RETURN IN TERMS OF \$1 OF CONSTRUCTION AND SUBSIDY

Construction costs (\$ millions)	18.04	19.10	20.16	20.70	21.23	21.76	22.29	22.82
PV 20 yrs \$600,000 support subsidy (discount @ 5%) (\$ millions)	7.48	7.48	7.48	7.48	7.48	7.48	7.48	7.48
Community supported costs (\$ millions)	25.52	26.58	27.64	28.18	28.71	29.24	29.77	30.30
Total annual new spending (\$ millions)	8.43	8.43	8.43	8.43	8.43	8.43	8.43	8.43
Present value of 20 yrs new spending (5% discount) (\$ millions)	105.1	105.1	105.1	105.1	105.1	105.1	105.1	105.1
<b>Economic Impact: Number of \$ Benefit Per \$ of Const. &amp; Subsidy</b>	<b>4.12</b>	<b>3.95</b>	<b>3.80</b>	<b>3.73</b>	<b>3.66</b>	<b>3.59</b>	<b>3.53</b>	<b>3.47</b>

## REPORT OF THE CONVENTION CENTER COMMUNITY COALITION

We next tested the economic impact of community support excluding the contribution of a 2% hotel room tax to the assigned support. The resulting economic impact (new dollars to the community) is from 4.93 times to 6.36 times the related costs for construction and operations. This computation (Exhibit IV) continues to assume an annual operations support subsidy of \$600,000.

### Exhibit IV

#### ECONOMIC IMPACT: PRESENT VALUE OF RETURN IN TERMS OF \$1 OF CONSTRUCTION AND SUBSIDY COST LESS 2% ROOM TAX FUNDING

Construction costs (\$ millions)	18.04	19.10	20.16	20.70	21.23	21.76	22.29	22.82
PV 20 yrs \$600,000 support subsidy (discount @ 5%) (\$ millions)	7.48	7.48	7.48	7.48	7.48	7.48	7.48	7.48
Community supported costs (\$ millions)	25.52	26.58	27.64	28.18	28.71	29.24	29.77	30.30
Room tax financing <b>based on 2% room tax</b> (\$ millions)	(9.00)	(9.00)	(9.00)	(9.00)	(9.00)	(9.00)	(9.00)	(9.00)
Community supported construction costs (\$ millions)	16.52	17.58	18.64	19.18	19.71	20.24	20.77	21.30
Total annual new spending (\$ millions)	8.43	8.43	8.43	8.43	8.43	8.43	8.43	8.43
Present value of 20 yrs new spending (5% discount) (\$ millions)	105.1	105.1	105.1	105.1	105.1	105.1	105.1	105.1
<b>Economic Impact: Number of \$ Benefit Per \$ of Const. &amp; Subsidy</b>	<b>6.36</b>	<b>5.98</b>	<b>5.64</b>	<b>5.48</b>	<b>5.33</b>	<b>5.19</b>	<b>5.06</b>	<b>4.93</b>

We next tested the economic impact of community support excluding the contribution of a 3% hotel room tax to the assigned support. The resulting economic impact (new dollars to the community) is from 6.25 times to 8.74 times the related costs for construction and operations. This computation (Exhibit V) continues to assume an annual operations support subsidy of \$600,000.

### Exhibit V

#### ECONOMIC IMPACT: PRESENT VALUE OF RETURN IN TERMS OF \$1 OF CONSTRUCTION AND SUBSIDY COST LESS 3% ROOM TAX FUNDING

Construction costs (\$ millions)	18.04	19.10	20.16	20.70	21.23	21.76	22.29	22.82
PV 20 yrs \$600,000 support subsidy (discount @ 5%) (\$ millions)	7.48	7.48	7.48	7.48	7.48	7.48	7.48	7.48
Community supported costs (\$ millions)	25.52	26.58	27.64	28.18	28.71	29.24	29.77	30.30
Room tax financing <b>based on 3% room tax</b> (\$ millions)	(13.50)	(13.50)	(13.50)	(13.50)	(13.50)	(13.50)	(13.50)	(13.50)
Community supported construction costs (\$ millions)	12.02	13.08	14.14	14.68	15.21	15.74	16.27	16.80
Total annual new spending (\$ millions)	8.43	8.43	8.43	8.43	8.43	8.43	8.43	8.43
Present value of 20 yrs new spending (5% discount) (\$ millions)	105.1	105.1	105.1	105.1	105.1	105.1	105.1	105.1
<b>Economic Impact: Number of \$ Benefit Per \$ of Const. &amp; Subsidy</b>	<b>8.74</b>	<b>8.03</b>	<b>7.43</b>	<b>7.16</b>	<b>6.91</b>	<b>6.68</b>	<b>6.46</b>	<b>6.25</b>

# REPORT OF THE CONVENTION CENTER COMMUNITY COALITION

Using the same data with room tax financing based on a 3% room tax, but without the need for a \$600,000 annual operational subsidy from the community, provides an economic impact (new dollars to the community) of 11.27 times to 23.14 times the related costs for construction as shown in Exhibit VI.

## Exhibit VI

ECONOMIC IMPACT: PRESENT VALUE OF RETURN IN TERMS OF \$1 OF CONSTRUCTION COST LESS 3% ROOM TAX FUNDING								
Construction costs (\$ millions)	18.04	19.10	20.16	20.70	21.23	21.76	22.29	22.82
Room tax financing <b>based on 3 % room tax</b> (\$ millions)	(13.50)	(13.50)	(13.50)	(13.50)	(13.50)	(13.50)	(13.50)	(13.50)
Community supported construction costs (\$ millions)	4.54	5.60	6.66	7.20	7.73	8.26	8.79	9.32
Total annual new spending (\$ millions)	8.43	8.43	8.43	8.43	8.43	8.43	8.43	8.43
Present value of 20 yrs new spending (5% discount) (\$ millions)	105.1	105.1	105.1	105.1	105.1	105.1	105.1	105.1
<b>Economic Impact: \$ of Dollars Benefit Per \$ of Construction</b>	<b>23.14</b>	<b>18.75</b>	<b>15.77</b>	<b>14.60</b>	<b>13.60</b>	<b>12.72</b>	<b>11.95</b>	<b>11.27</b>

### Long Term Economic Impact

Economic impact is the most significant test for feasibility going forward. It expresses the community value realized by the existence of an Exhibition Center. The impact is multi-dimensional and will impact the entire community, some directly and others indirectly.

The Exhibition Center, as we have determined to be appropriate in both size and scope, is estimated to create an overall economic impact – new dollars to the Fox Cities - of 5 to 23 times (depending on final construction costs) per dollar of total proposed public source funds for construction (excluding room tax funded bonding) and including grants and community contributions. This assumes a room tax contribution of from 2% to 3%, depending on construction costs, and whether or not there is a continuing public subsidy.

### Sensitivity Analysis

While we accepted the consultant's estimates of direct spending, net new direct spending, total output and the use of a 1.6 multiplier as reasonable, we performed some sensitivity analysis to see how changing one or more of the parameters would impact the final results.

We modified the percentage of the total annual net new direct spending to the Fox Cities area attributable to the Exhibition Center proposed to be built. Applying 40%, 50% and 60% to the estimated Direct Spending (non-locals only), the value of net new spending ranged from \$4.2 million to \$6.3 million under Scenario 1 and from \$3.1 million to \$4.7 million under Scenario 2.

The Feasibility Study used a 1.6 multiplier as a measure of the economic benefit derived from the re-spending of the initial or direct expenditures. In the majority of convention center feasibility studies we reviewed, consultants used multipliers ranging from 2 to 4. We believe the 1.6 multiplier used in the Feasibility Study was conservative. For comparison, we also looked at a multiplier of 2.0; the relationships held.

## REPORT OF THE CONVENTION CENTER COMMUNITY COALITION

Under Scenario 1 the proposed Exhibition Center has a positive benefit to the community under every scenario tested for sensitivity. If the Exhibition Center captured only 40% of the estimated total annual direct spending in indirect spending, it would still result in a better economic impact. In Scenario 2, the facility would lose money if it captures less than 60% of the total annual direct spending.

After carefully studying both options, we conclude that an Exhibition Center with the Radisson as partner would provide the greatest economic impact.

### **Non-Quantifiable Potential Positive Impacts**

In addition to the economic financial impact of an Exhibition Center, there are other potential benefits:

- Tourism – Out-of-town delegates or attendees attending an event may become attracted to the area and choose to return later with their families for a vacation.
- Spin-Off Development – New retail/businesses tend to invariably sprout up near convention centers spurred by the operations and activities associated with the convention center.
- Community Marketing – Attendees of certain convention center events represent decision-makers and executives from a broad cross-section of industries. This exposure can benefit the area from a long-term business development perspective.
- Anchor for Revitalization – A downtown location for the Exhibition Center could serve to attract a significant number of people into the Fox Cities and the surrounding area adding to the vitality.
- Reduction in Lost Local Impact – Physical and functional limitations of existing Fox Cities area event facilities suggests that some level of event activity produced by local area companies and groups may be leaving the community to be held elsewhere where suitable facilities exist. It is possible that many of these “local” events could be recaptured.

In total, as example of reach beyond initial expectations consider the FCPAC effect: A dramatic increase in visibility and positioning that occurs within direct and indirect audiences when activity of a particular quality level becomes apparent. We are known among the acting community, the theatrical productions community, as well as the international entertainment industry – the Disney organization is an example. The Fox Cities has established a reputation that has made it a sought after venue for high level entertainment productions. Recently, Disney's “The Lion King” was followed by “High School Musical” as a result of a last-minute decision by the production company based on its direct, on-site observation of the Fox Cities' capabilities.

Potential negative impacts, unless aggressively addressed, have been identified to include traffic congestion (tendency to peak at the beginning and conclusion of a large function), and parking to accommodate those times when there are multiple large activities taking place in Downtown Appleton.

# REPORT OF THE CONVENTION CENTER COMMUNITY COALITION

## Chapter IV: Optional Sites

The three options we examined include:

- 1) Outagamie County parking lot area. This site is the former St. Joseph School site, along with portions of adjacent properties including the old St. Joseph convent building (currently leased by the Housing Partnership of the Fox Cities), additional county parking and the edge of Jones Park. This area is bounded by Lawrence Street, Elm Street, Eighth Street and Jones Park.
- 2) Division Street and College Avenue site. This site is south of the alley and includes at least Luna night club and Evans Title building, perhaps extending through Jerry's Pipe Shop, Park Central night club and Windows of Light store. The area is currently owned by private parties.
- 3) Midtown parking ramp site. This site, between Superior and Appleton Streets north of Lawrence Street, currently serves as one of Appleton's primary parking-ramp resources. Owned by City of Appleton parking authority, it is considered to have 10 to 15 service years remaining.

Before proceeding, it was agreed that we needed to fully understand the assumptions upon which we would base our assessments of the options. These assumptions related to factors that would impact the size of the potential property as well as the need to connect to the facilities already existing within the Radisson.

### Assumptions

#### Per the Feasibility Study recommendations:

- a. The Exhibition Center would offer from 30,000 to 35,000 square feet of leasable, dividable, column-free space.
- b. Support space required for such a facility (exhibit hall only), e.g. independent loading, public access, storage, climate control, etc., would equal an amount about half of the leasable space or 15,000 to 17,500 square feet.
- c. Parking is listed as an "X factor". It is considered more fully in Chapter X.

#### Per the FCCVB and meeting planners:

- a. All exhibit space on one floor is desired by convention industry professionals.
- b. The flow between spaces (Exhibition Center and hotel meeting rooms and banquet hall) is critical to creating a successful convention space that generates return business.
- c. Ease of access for moving equipment, displays, products, etc. in and out of the facility is likewise critical to recurring business.

#### Per the management of the Radisson:

- a. Given the layout of the hotel's ballroom and meeting rooms, the best flow between the existing facilities and an Exhibition Center would be achieved on the south side of the hotel building, across Lawrence Street. A facility to the north, across College Avenue, could be workable but more difficult. A facility to the east across Superior Street would be the most difficult.

# REPORT OF THE CONVENTION CENTER COMMUNITY COALITION

- b. Connection between facilities is important, especially the ability of staff and services to move between facilities out of view of customers.

For assumption purposes we concluded the best site will provide us an opportunity to construct an Exhibition Center that can operate seamlessly with the Radisson. It will be so accessible and user friendly that meeting planners, convention goers, vendors, exhibitors, and other visitors will want to return again and again. To achieve such an exhibit space, the building footprint would ideally be not less than two acres.

## **Analysis Process**

Given the charge and the assumptions outlined above, the committee began the assessment of sites by establishing and weighting the following criteria:

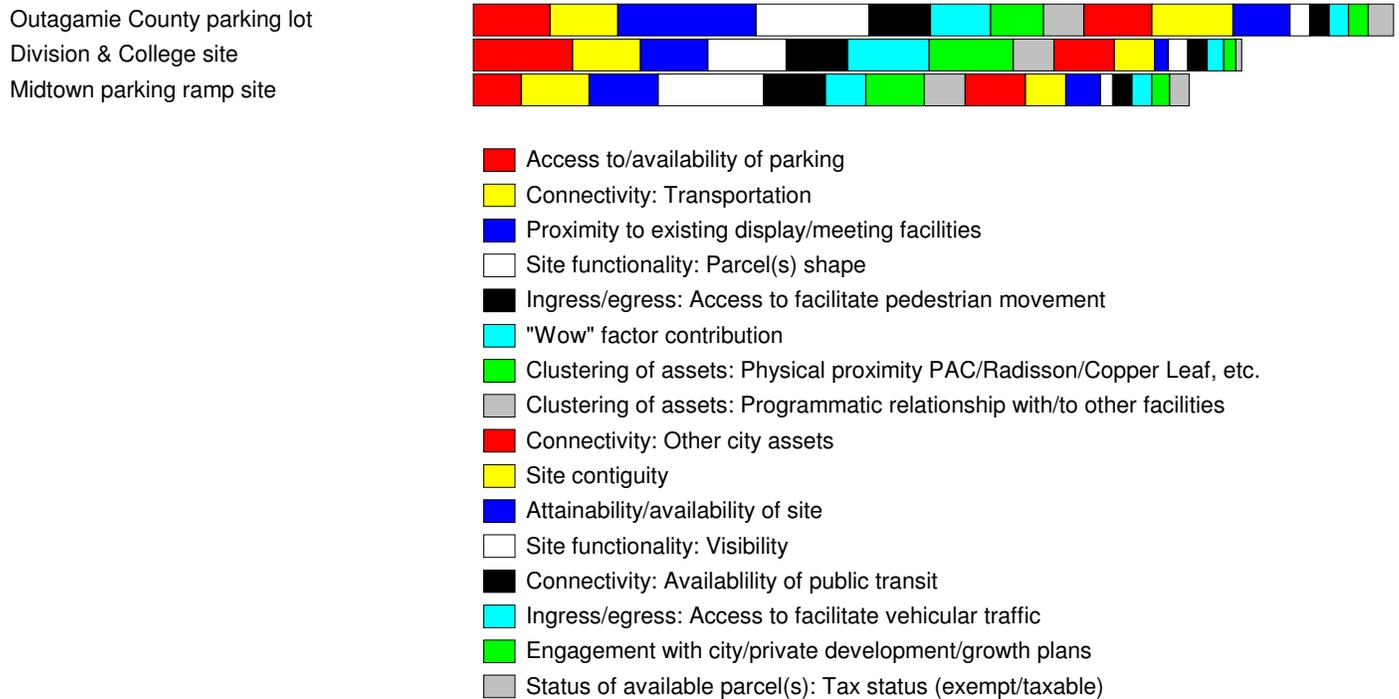
1. Access to/availability of parking (overall importance: High). Proximity of adequately designed and populated parking resources for both extended-stay and short-term service.
2. Connectivity: Transportation (overall importance: High). Capacity to serve shipping/trucking service routes and access.
3. Proximity to existing display/meeting facilities (overall importance: High). Ease of movement between existing ballrooms and meeting rooms, and any Exhibition Center trade show space.
4. Site functionality: Site shape (overall importance: High). Practicality of topography/condition of site.
5. Ingress/egress: Access to facilitate pedestrian movement (overall importance: Medium). Capacity to provide exceptional opportunity to navigate downtown and reach areas such as riverfront, Fox River Mall, and downtown Neenah quickly and easily.
6. "WOW!" factor contribution (overall importance: Medium). Potential of site to add to the facility's ability to stand out among competitors and be a place people truly want to return to often.
7. Clustering of assets: Physical proximity PAC/Radisson/Copper Leaf, etc. (overall importance: Medium). Number and quality of assets leveraging/leveraged by Exhibition Center (creating a convention site greater than the sum of its parts).
8. Clustering of assets: Programmatic relationship with/to other facilities (overall importance: Medium). The working relationship capability/potential with surrounding resources.
9. Connectivity: Other city assets (overall importance: Medium). The potential to "integrate" with current city/hospitality assets to increase service customer service impact.
10. Attainability/availability of site (overall importance: Medium). Ownership of possible sites; particularly as pertains to cost/availability/complexity of ownership.
11. Site contiguity (overall importance: Medium). Ability of site to meet assumed size requirement.
12. Ingress/egress: Access to facilitate vehicular traffic (overall importance: Medium). Capacity to provide exceptional opportunity for guests using vehicles to ingress/egress downtown and reach other areas of interest.
13. Site functionality: Visibility (overall importance: Low). Site dominance/impact capacity. "Landmark" potential within the downtown.
14. Connectivity: Availability of public transit (overall importance: Low). Relationship to bus, taxi, limousine, shuttle, tourist/touring capabilities.
15. Engagement with city/private development/growth plans (overall importance: Low). Does site accommodate/facilitate/stimulate current/future growth and development of central city/Fox Cities?
16. Status of available parcel(s): Tax status (exempt/taxable) (overall importance: Low). Current availability as a taxable or nontaxable entity (preference to maintain taxable properties on tax rolls).

# REPORT OF THE CONVENTION CENTER COMMUNITY COALITION

Alternative choices were considered with respect to each of the criteria. As criteria were evaluated and weights assigned according to which factors were considered to be most significant, the factors were sorted in order of importance. Similarly, as choices were evaluated according to effectiveness in meeting criteria, the best choices migrated to the top of the list. When the process was complete, the best choice emerges at the top.

	Access to/availability of parking	Connectivity: Transportation	Proximity to existing display/meeting facilities	Site functionality: Parcel(s) shape	Ingress/egress: Access to facilitate pedestrian movement	"Wow" factor contribution	Clustering of assets: Physical proximity PAC/Radisson/Copper Leaf, etc.	Clustering of assets: Programmatic relationship with/to other facilities	Connectivity: Other city assets	Site contiguity	Attainability/availability of site	Site functionality: Visibility	Connectivity: Availability of public transit	Ingress/egress: Access to facilitate vehicular traffic	Engagement with city/private development/growth plans	Status of available parcel(s): Tax status (exempt/taxable)	Summary	
Outagamie County parking lot	Fair	Fair	Excellent	Good	Good	Good	Good	Fair	Good	Excellent	Good	Good	Good	Good	Good	Good	Excellent	Good
Division & College site	Good	Fair	Fair	Fair	Good	Excellent	Excellent	Fair	Good	Fair	Poor	Good	Good	Good	Good	Fair	Poor	Fair
Midtown parking ramp	Poor	Fair	Fair	Good	Good	Fair	Good	Fair	Good	Fair	Fair	Fair	Good	Good	Good	Good	Good	Fair

Relative strengths of the various choices in each of the factors are illustrated below:



Based on a careful evaluation of how well each of the three possible choices could meet the 16 major criteria, the Outagamie County parking lot area was determined to be the most adequate of the sites considered.

# REPORT OF THE CONVENTION CENTER COMMUNITY COALITION

## Chapter V: Design Specifics

We employed a variety of tools to come to the conclusions reported in this Chapter, including:

- Review of the Feasibility Study
- Conversations with professional meeting planners
- Tours of the Radisson and conversations with staff members
- Input from Fox Cities Convention & Visitors Bureau staff members
- Input from the Valley Home Builders Association
- Review of features touted by competing convention centers

### Design

We paid particular attention to the comments of professional meeting planners as they described the sense of "community" that can enhance experiences at meetings and conventions. The Exhibition Center's primary hallway serves as a Main Street of sorts, enabling people to get easily to a chosen destination. The exhibition hall is like a town square where people gather and mingle, and the exhibits are like local shops where people seek the products and services they desire. Ultimately, the design of the Exhibition Center should create an outstanding and memorable experience for all parties involved, including meeting planners, conventioners, presenters, exhibitors and Center employees.

First and foremost, the facility must be designed with the meeting customer in mind. The space should allow for the maximum amount of flexibility in order to accommodate the widest variety of meetings, tradeshow, and conventions possible. Design features that could limit the facility's use should be avoided. A large percentage of the Center's square footage will be an exhibit hall with movable walls adjustable to just the right size for meeting planner needs. The following list divides design elements into three categories. The first category, entitled "Basics," includes those elements that meeting planners identify as absolutely necessary. Next, the "Extras" will increase the facility's attractiveness to meeting planners, while the "WOW!" factors include items that make the facility notable among meeting planners to truly set the facility apart from others.

#### Basics

Features that are critical to the success of a convention center include:

#### Exhibit Hall

- one room with 30,000-35,000 square feet of sub-dividable, column-free exhibit space
- 24-foot ceilings
- highest quality acoustics and sound system for a large space
- carpeting in a significant portion of the exhibit hall; attractive hard surface in remaining space
- fully adjustable lighting and sound
- electrical and data line hook-ups accessible to each tradeshow booth
- water hookups available in the exhibit hall
- wired and wireless internet service; ability for multiple computers to access internet simultaneously
- extensive electrical system with the ability to power large equipment
- loading docks designed for convenience; large doors and space to park vehicles waiting to unload

# REPORT OF THE CONVENTION CENTER COMMUNITY COALITION

- exhibit space located on the ground floor
- ability to drive vehicles inside

## **Complementary Facilities**

- pre-function space (gathering areas)
- access to kitchen facilities; staging space for food and beverage
- ample restrooms
- coat check
- "invisible" service corridors (conveniently located, but not in eyeshot of attendees)
- accessible storage space for expo company, meeting planner, etc.

## **General Features**

- free Wi-Fi everywhere
- lockable rooms
- sheltered walkway between convention hotel and Exhibition Center
- compliance with the highest ADA standards
- comfortable and functional décor
- high degree of energy efficiency throughout the facility
- environmentally friendly design elements
- climate control throughout

## **Extras**

Features that will enhance the facility and increase its attractiveness to meeting planners include:

- surface parking nearby for outdoor exhibits
- registration counters with locking storage rooms
- durable floors with drains in some portion of the building

## **"WOW!" Factors**

Features that will cause the facility to stand out among competitors and make it a place people truly want to use include:

- large windows
- exceptional views
- green, landscaped space
- upscale décor and furnishings
- art and/or theme integrated into décor
- LEED certified to the highest standard ("green built")

## **Space**

The Feasibility Study indicated that an exhibit space of between 30,000 and 35,000 square feet is appropriate for our community, allowing us to host meetings and conventions that need more space than we can currently offer. The Feasibility Study also suggested support space of 50% of the exhibit space. The committee supports these recommendations and proposes a 45,000 square foot building including both exhibit and support space. It is most desirable for the center to have all exhibit space and common areas on one floor. This allows the greatest convenience and efficiency for the meeting planner customer. Common spaces, restrooms and service corridors must be carefully designed to work well for meetings and allow Exhibition Center staff to provide a high level of service.

# REPORT OF THE CONVENTION CENTER COMMUNITY COALITION

## Uses

It is critically important to remain focused on the basic use goal of the Exhibition Center: To serve as a dynamic economic engine drawing the business and attention that will generate the greatest return for the people of the Fox Cities. It will do this by leveraging other resources already in place, attracting large-scale gatherings that will generate a significant number of overnight stays at local hotels, generating significant revenue streams for area businesses in the municipalities serving guests to the Fox Valley, and encouraging accelerated growth and development potential for the area.

Among the large events likely to be drawn to the Exhibition Center are local, state and regional corporate annual or sales meetings; large-attendance conventions; and regional commercial or trade shows. Currently, because exhibits and merchandise cannot be easily accommodated by space in the Fox Cities, event sponsors do not bring their business to the area. Even conferences, conventions or meetings with limited attendance--but significant exhibition space needs--now avoid the Fox Cities because the cost-benefit ratios are so strikingly adverse without the revenue generated by exhibitor fees.

An Exhibition Center specifically designed to meet these shortcomings has the potential to be an important asset to the Fox Cities and an attractive, practical option for the meeting and convention business.

The Exhibition Center should not be focused to the specialized needs of sports tournaments, concerts or theatrical performances. Rather, flexibility of use is the key factor. Its large, open spaces could potentially provide additional and ancillary revenue opportunities on a "schedule fill-in" basis collateral to the primary mission of the Exhibition Center. As such it would have a role as a community center hosting many national and statewide youth directed activities, antique shows, dog shows, square dancing events, graduations and proms, and an endless variety of other uses. In this context it serves as another facility of pride for the entire community in terms of its utility and capacity.

# REPORT OF THE CONVENTION CENTER COMMUNITY COALITION

## Chapter VI: Governance and Operating Models

The objective of this Chapter is to identify the structure and the authority of the entity or organization that would own and manage the Exhibition Center.

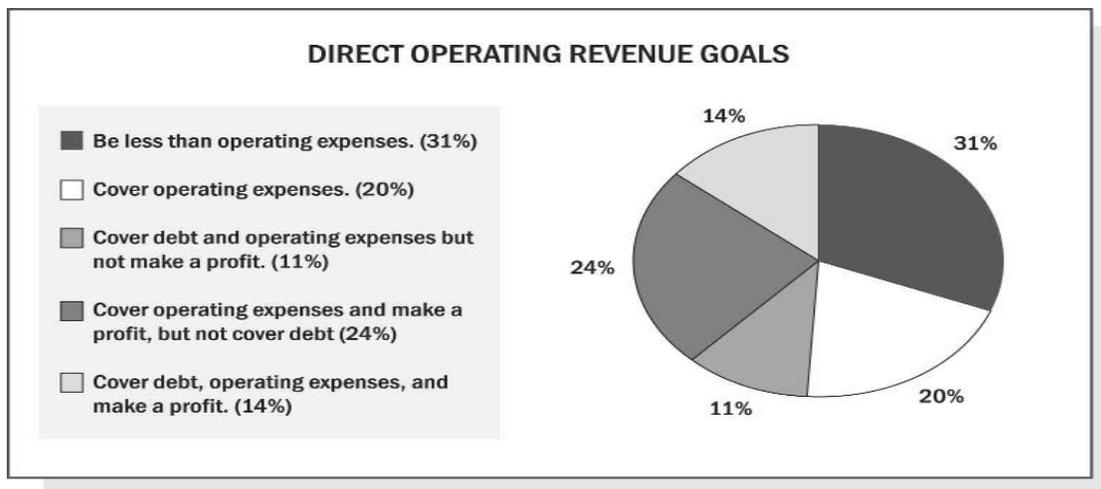
Considerations in this determination were ownership, governance and day to day operating management. In order to better understand potential models, we researched and reviewed several successful convention centers in similar size communities across the United States. Information from the “Convention Center Operating Expenses 2008 Benchmarking Survey Report” from the International Association of Assembly Managers, Inc, was used to better understand the industry’s trends and statistics.

### FACILITY OWNERSHIP

<u>Indicated figures represent percentage of total respondents</u>	<u>State</u>	<u>County</u>	<u>City</u>	<u>Authority</u>	<u>Other</u>
All Facilities	9%	10%	55%	18%	8%
> 500,000 sq. ft. exhibit space	10%	20%	30%	30%	10%
100,000 to 500,000 sq. ft. exhibit space	13%	0%	65%	13%	9%
< 100,000 sq. ft. exhibit space	7%	13%	55%	18%	7%

### FACILITY MANAGEMENT

<u>Indicated figures represent percentage of total respondents</u>	<u>Public</u>	<u>Authority</u>	<u>Private</u>	<u>Other</u>
All Facilities	48%	19%	28%	5%
> 500,000 sq. ft. exhibit space	40%	40%	10%	10%
100,000 to 500,000 sq. ft. exhibit space	57%	13%	30%	0%
< 100,000 sq. ft. exhibit space	44%	18%	31%	7%



# REPORT OF THE CONVENTION CENTER COMMUNITY COALITION

Governance Models that were reviewed were:

- Elected Public Body
- Elected Public Body with Independent Board
- Public Not-for-Profit Entity
- Private Not-for-Profit Entity
- Private Corporation

## COMPARISONS

	Public Ownership		Non-Profit Ownership		Private Ownership
		Independent Board	Public Entity	Private Entity	
Municipal Control	+	+	+	0	-
Funding/Access to Capital	+	+	+	+	N/A
Political Influence	-	0	0	+	+
Flexibility in Decision-making	-	0	0	+	+
Business Expertise	-	0	0	+	+

The ownership and governance advantages of a private not-for-profit exhibition center are numerous. They include: less reliance on public funding, access to government backed funding, less subject to political pressures, greater flexibility in decision-making and greater access and depth of business expertise.

In this structure the Exhibition Center should enter into a management contract with the Radisson and create incentives for operational success.

In consideration of any public financial support, and in an effort to foster ongoing regional engagement by way of appropriate accountability, the governing body should have representatives reflecting the Fox Cities communities' interests and diversity.

We conclude that an Exhibition Center in Downtown Appleton should be owned and governed by a stand-alone independent public authority or a not-for-profit entity to allow for freedom from political pressures, greater business expertise and flexibility in decision-making, but still allowing for access to capital through City of Appleton backing for bonding and credit lines.

# REPORT OF THE CONVENTION CENTER COMMUNITY COALITION

## Chapter VII: Operating Scope and Financial Expectations

For purposes of this Chapter, we assume the Exhibition Center building is paid for or financed via the recommendations set forth in Chapter VIII.

### Quantify the Operating Deficit

#### Estimates of Financial Operations

	<u>Year One</u>	<u>Year Two</u>	<u>Year Three</u>	<u>Year Four</u>	<u>Year Five</u>
<b>OPERATING REVENUES</b>					
Space Rental	\$272,385	\$311,385	\$355,585	\$372,003	\$382,478
Food Service	\$226,213	\$263,250	\$306,288	\$317,300	\$322,688
Contract Service &	<u>\$330,115</u>	<u>\$355,509</u>	<u>\$380,902</u>	<u>\$406,296</u>	<u>\$431,689</u>
<b>Total Operating Revenues</b>	<b>\$828,713</b>	<b>\$930,144</b>	<b>\$1,042,775</b>	<b>\$1,095,599</b>	<b>\$1,136,855</b>
<b>OPERATING EXPENSES</b>					
Salaries, Wages &	\$784,924	\$793,186	\$805,580	\$813,842	\$826,236
Utilities	\$251,337	\$256,309	\$263,766	\$268,737	\$276,195
Repair &	\$62,654	\$63,670	\$65,194	\$66,210	\$67,734
General &	\$139,360	\$139,785	\$140,421	\$140,846	\$141,482
Insurance	\$63,307	\$63,307	\$63,307	\$63,307	\$63,307
Materials &	\$67,194	\$67,901	\$68,962	\$69,669	\$70,730
Professional	\$80,684	\$81,097	\$81,718	\$82,132	\$82,752
Other	<u>\$132,307</u>	<u>\$133,700</u>	<u>\$135,789</u>	<u>\$137,182</u>	<u>\$139,271</u>
<b>Total Operating Expenses</b>	<b>\$1,581,767</b>	<b>\$1,598,955</b>	<b>\$1,624,737</b>	<b>\$1,641,925</b>	<b>\$1,667,707</b>
<b>Net Operating Profit / (Deficit)</b>	<b>(\$753,054)</b>	<b>(\$668,811)</b>	<b>(\$581,962)</b>	<b>(\$546,326)</b>	<b>(\$530,852)</b>

Based on research of convention centers in similarly sized communities and benchmark averages of revenues and expenses per square foot provided by the "Convention Center Operating Expenses 2008 Benchmarking Survey Report" from the International Association of Assembly Managers, Inc, we have developed a five-year forecast for the Exhibition Center as an ongoing entity, after payment of construction costs.

The feasibility study estimated that a stand-alone convention center would generate an annual operating deficit of \$530,000 (in 2008 dollars). No operating analysis was done for a scenario wherein the convention center would be operated by the hotel. Substantial operating efficiencies would likely exist with the hotel partnership model, including shared overhead and staffing. These efficiencies typically lead to a substantially lower "operating burden" than if the convention center operates separately. The Coalition identified a worst case scenario, which would be a gross operating deficit of approximately \$600,000. However, as discussed above, this deficit could be much less due to efficiencies gained through a partnership.

### Operating Deficit vs. Economic Impact

Assuming the Exhibition Center construction is completely funded without the need for annual debt service payments from operations, we must assume also that the Exhibition Center itself will run an ongoing annual operational deficit. If we compare the operational deficit with the economic impact of a convention center as

## REPORT OF THE CONVENTION CENTER COMMUNITY COALITION

discussed in Chapter III, we see that on average the annual positive economic impact is many times the annual expected operational deficit. Thus, it is in the communities' interest to find a way to fund the operational deficit.

### **Options to Fund Deficit**

The prior Chapter, "Governance and Operating Models," has analyzed various ownership structures and recommends the Exhibition Center be owned by a not-for-profit or quasi-public entity such as an "Exhibition Center Authority". Under this ownership structure, the Authority could have access to the City of Appleton's taxing authority and would have the following range of options to fund the operational deficit:

1. *Public Funding* through the City's operating budget.
2. *Public Funding* through TIF (if the Center is taxable), room tax, business license fees, parking fees, rental car taxes/fees, state or federal economic development grants, or other public measure.
3. *Quasi-Public Funding* through a "Convention Center Authority Tax."
4. *Public/ Private Funding Partnership*. Management contract with third-party professional management, with the third party assuming a negotiated share of any loss and sharing in any resulting gains.
5. *Completely Private Funding*. Either private donations and/ or a management contract with third-party professional management under which the third party is responsible for 100% of the profit or loss of the Exhibition Center as an ongoing entity.

Based on our research and the conclusions of other chapters of this Report, we recommend either Option 4 or 5 to be the prime funding of the operational deficit. As an example, the Authority would contract with the Radisson, commit to maintain the structure, and agree on a negotiated arrangement for coverage of the operational deficit. The amount not covered by the Radisson would be funded by one or more of the public funding tools described above.

In discussions with the Radisson management we recommend receiving a proposal from the hotel which would have the Radisson assuming the operating management of the Exhibition Center, as well as the opportunity to retain an appropriate share of gains or losses.

The Authority would eventually establish a reserve fund to provide for future structural maintenance costs.

# **REPORT OF THE CONVENTION CENTER COMMUNITY COALITION**

## **Chapter VIII: Construction Financing**

Construction financing does not appear to be an issue given the limited scope of the project and the early support of Fox Cities' municipalities, business and community partners. The support of the City of Appleton for available bonding for construction will be important. The total estimated project cost of \$18 million to \$23 million breaks down as follows in this Chapter. This information is based on research of comparable facilities and recent construction activity in the Fox Cities. Further work will be needed to transfer the assumptions of this report into a final building design, which will ultimately provide the actual construction costs. The construction bidding market is favorable at this time, but actual costs to complete the building as proposed will be subject to change based on the final building design and amenities, suitability analysis of the site and timing of construction.

### **Assumptions**

#### **A. Site**

For assumption purposes we used the conclusion that the best site is the Outagamie County parking lot area between Lawrence, Eighth and Elm Streets and Jones Park. See Chapter IV.

#### **B. Design**

The space should allow for the maximum amount of flexibility in order to accommodate the widest variety of meetings, tradeshow, and conventions possible. The final facility design and inclusion of the "Extras" and "WOW!" factors will ultimately determine the cost per square foot of construction. See Chapter V.

#### **C. Size**

An Exhibition Center of approximately 30,000 square feet of exhibition space with another 50% for support areas on one floor is planned. A total of 45,000 square feet is assumed in the estimated construction budget.

#### **D. Governance and Operating Models**

An Exhibition Center in the Fox Cities should be owned and governed by a stand-alone independent authority or a not-for-profit entity to allow for freedom from political pressures, greater business expertise and flexibility in decision-making, but still allowing for access to capital through City backing for bonding and credit lines. The facility would be non-taxable for property tax purposes. See Chapter VI.

### **Construction Costs**

A. Design and construction support: 10% of core building construction costs.

B. Site acquisition costs to Outagamie County:

- a. Acquisition from Outagamie County of the Lawrence Street parking lot, Elm Street parking lot and former Convent Building: \$1 Million to \$2 million; and

## **REPORT OF THE CONVENTION CENTER COMMUNITY COALITION**

- b. Replacement cost of parking stalls: \$1.2 million (assumes 103 stalls at \$11,600 per stall to develop a parking deck on the Outagamie County Administration Building parking lot).
- C. Demolition of convent building, removal of foundation and site restoration: \$289,000 (cost is in the County budget).
- D. Core building construction costs for 30,000 square feet exhibition space as well as 15,000 square feet of support space (total 45,000 square feet) at \$210 to \$300 per square foot depending on final building design is \$9 million to \$13.5 million. This assumption does not include interior furnishings.
- E. Skywalk between Radisson and new Exhibition Center over Lawrence Street: \$1.5 million (note that an underground connection is not viable due to shallow utilities under Lawrence Street).
- F. Site development and infrastructure costs: \$2 million.
- G. Construction Contingency at 8%.
- H. Supplemental costs for financing expenses, support components and start-up deficits vary depending on final financing package.

The total estimated project budget based on the assumptions included above is \$18 million to \$23 million, depending on the cost per square foot, which depends on the final design features. We believe this is a reasonable target cost range given our analysis of recent construction, the markets and the economic impact generated. We have not done detailed designs or pricing.

### **Avenues for Financing Construction**

#### **A. Donations/Gifts**

There are several notable examples of facilities within the Fox Cities which were funded, at least in part, through fundraising. The FCPAC and Lawrence University's Warch Campus Center are two examples. Were a capital campaign to be undertaken, however, it would still be necessary to secure some form of financing, since funds raised via a capital campaign would be collected over time. A pledge of future capital campaign income is not adequate, in and of itself, to secure a bond issue. Accordingly, while a capital campaign may ultimately be a component of the project's financing, and while "up front" donations would reduce the amount required to be financed, it will nevertheless be necessary to utilize some other revenue stream (taxes, lease payments, governmental appropriations) in order to finance the project. Ultimately, the communities involved in the project will have to determine whether donations and gifts are appropriate sources of funds for building the project.

#### **B. Naming Rights**

Naming rights come in two distinct types:

- a. In the private sector, a corporation or other entity buys "naming rights" and typically gets the "naming rights" for a specific period of time. These terms could be from 3 to 20 years

# REPORT OF THE CONVENTION CENTER COMMUNITY COALITION

depending on the funding provided. Longer terms typically are more common for high profile venues such as sports arenas.

- b. A non-profit organization has the option to recognize a major gift from a donor by bestowing “naming rights” to a property in recognition of the financial support.

In our area, there are several notable examples of facilities that have used naming rights to fund parts of a project. For example, Lambeau Field has naming rights to several entry gates that provide advertisement to the entity providing funding. In addition, the convention center in Green Bay sold naming rights for the building. The KI Center as we know it, received from Krueger Industries \$500,000 cash up front, a \$375,000 in-kind furniture discount, and \$250,000 payable over ten years to have a KI Business Center in the main lobby (a KI marketing center). Naming rights within the KI Center also occurred for the break-out rooms. The prices on this varied, but averaged about \$10,000.

As the project will be physically attached to the Radisson, the Radisson will necessarily be involved in any discussion of naming rights.

## C. Bonding

Ultimately, some sort of bonding will be necessary to finance the construction of the project. A variety of special programs have been established in conjunction with the stimulus legislation and other federal initiatives that make bond financing particularly attractive at present. In order to issue bonds, however, a source of revenue to pay bondholders must be identified. Most bonds issued to finance convention centers fall into one of two categories:

### 1. Taxes.

- a. **Room Tax.** Bonds can be backed by a specific pledge of tax revenue. Wisconsin law provides for a room tax of up to 8%, which can be increased to 10% in certain instances for the financing of convention centers and similar facilities. Currently, Fox Cities area communities levy a room tax of 5% or 6% (with Appleton and Grand Chute at 6%), with 2% of this pledged to pay for a portion (\$8.3 million) of the original construction cost of the FCPAC. Since 2001 (the year in which the FCPAC financing was put in place), the pledge of 2% of room tax revenue has generated the following amounts:

<b>Year</b>	<b>Room Tax Collections (2%)</b>
2001	\$647,885.89
2002	\$624,314.96
2003	\$638,141.80
2004	\$652,928.07
2005	\$700,287.82
2006	\$736,644.33
2007	\$856,211.83
2008	\$893,522.12
2009	\$720,002.94

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Hopefully, collections will resume their general upward trend, following a drastic reduction in 2009. The FCPAC bonds which are backed by room tax will be paid in 2021. Therefore, the Fox Cities could finance an Exhibition Center by increasing the room tax by up to 3% at present, with an additional 2% of the tax becoming available after 2021. Any effort to finance an Exhibition Center by means of a room tax must be regional, since the majority of area hotel rooms are located outside of the City of Appleton. Since a room tax falls on visitors to the area, it is, in a sense, “targeted” at those who will be using the Exhibition Center and related facilities, rather than at the local population.

For comparison purposes, the following table includes room tax rates in other markets within Wisconsin with significant convention facilities:

<b>Municipality</b>	<b>Room Tax Rate</b>
Green Bay	8%
Oshkosh	10% <sup>1</sup>
Wisconsin Dells	6%
Lacrosse	8%
Madison	9%
Milwaukee	9%

A level of community commitment equal to that which paid a portion of the cost to construct the FCPAC would require an increase in the Fox Cities’ room tax up to 3%, or higher, (at least through 2021), and would support a sizable bond issue. We have consulted with bond underwriters who have indicated that an annual pledge of \$750,000 in revenue would support a bond issue of approximately \$9 million, while an annual pledge of \$1 million would support a bond issue of approximately \$12 million.

- b. **County Sales Tax.** Wisconsin permits counties to levy a half percent (0.5%) sales tax. Many Wisconsin counties levy such a tax. Outagamie, Calumet and Winnebago Counties do not. Such a tax could be levied by the Outagamie County to support a convention center. A county sales tax will, obviously, have a greater affect on local residents. A 0.5% county sales tax would generate significant revenue. For 2007, the following counties with populations in excess of 100,000 collected county sales taxes in the following amounts:<sup>2</sup>

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<sup>1</sup> Oshkosh’s room tax ordinance contains an automatic adjustment mechanism that will reduce this rate to 8% upon payment in full of certain obligations relating to Oshkosh Centre.

<sup>2</sup> These amounts are net of certain administrative costs; counties receive 97.75% of taxes levied.

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County	Population <sup>3</sup>	Sales and Use Tax Collections (2007)
Lacrosse	107,120	\$9,562,276
Washington	117,493	\$9,007,091
Marathon	125,834	\$10,646,319
Kenosha	149,577	\$9,991,029
Rock	152,307	\$6,030,193

Outagamie County's population was 160,971 per the 2000 Census. With Outagamie County's status as a retail center for northeastern Wisconsin, we would expect county sales tax collections to be relatively high relative to the county's population.

Communities in other states often have additional options available to raise revenue. In Wisconsin however, our options are limited to room tax and sales tax, unless special State legislation is sought. When Miller Park was built, Wisconsin adopted a law providing for local exposition district taxes. Such taxes are specifically limited to the Milwaukee area, however. Wisconsin has also allowed certain "premier resort areas" to levy taxes, but these are limited to Bayfield, Eagle River, Lake Delton and Wisconsin Dells.

- c. **Pledges of Lease Revenue.** The second financing structure commonly used involves the pledge of lease revenue. An authority is created to own the facility and lease it to the municipality. The municipality appropriates rent on an annual basis. That stream of rent is the security and source of repayment for the bonds. The City is required to appropriate the rent on an annual basis, and failure to do so (an "event of non-appropriation") would cause a default.

## 2. TIF Financing

Some of the hotel/convention center "comparables" that we have reviewed have been financed with revenue from what we would refer to as tax incremental financing. Incremental tax revenues from a defined district are the source of future bond payments. The availability of tax incremental financing will depend on the ownership of the Exhibition Center and related improvements. The assumption of this Report is that the facility would be non-taxable for property taxes so tax incremental financing would not be an option. However, if the project were undertaken by the Radisson or by a private developer, tax incremental financing could be used to pay for at least some portion of the project.

### D. State/Federal Grants

State and Federal revenue sources may be available to help fund – either partly or completely – a project such as a convention center component. Because of the job growth possibilities, as well as the capability of the project to prompt inner-city/"blighted area"/downtown development, federal or state grant/loan programs may be available to us. The recent federal "stimulus" program is an example of an initiative that had money available for projects that could be justified, were well-planned and

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<sup>3</sup> Based on 2000 Census.

## REPORT OF THE CONVENTION CENTER COMMUNITY COALITION

conceived, and were “shovel ready”. Identifying and pursuing such funding opportunities through any avenues available (elected officials at the state and federal level, for example) will be critical.

### Financing Estimates

The Coalition mandate did not encompass the direct engagement of professional cost estimators nor did it provide for detailed discussions with taxing authorities with respect to either cost data or financing resources. As indicated above, we have made thoughtful estimates of the potential range of costs and in the tables below developed potential alternatives with respect to the financing components. These numbers presented are hypothetical and are provided to enable a more focused discussion in the future on the relationship between costs and funding resources.

#### Estimated Core Construction Cost per Square Foot

<u>Item of Cost (\$ millions)</u>	<u>\$210</u>	<u>\$230</u>	<u>\$250</u>	<u>\$260</u>	<u>\$270</u>	<u>\$280</u>	<u>\$290</u>	<u>\$300</u>
Core building construction for 45,000 sq ft	\$9.45	\$10.35	\$11.25	\$11.70	\$12.15	\$12.60	\$13.05	\$13.50
Design support (10% of costs)	\$0.95	\$1.04	\$1.13	\$1.17	\$1.22	\$1.26	\$1.31	\$1.35
Site acquisition: assume \$3 million	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Demolition of convent bldg	\$0.29	\$0.29	\$0.29	\$0.29	\$0.29	\$0.29	\$0.29	\$0.29
Skywalk connection over Lawrence Street	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50
Site development and infrastructure	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00
Construction contingency at 8%	\$0.76	\$0.83	\$0.90	\$0.94	\$0.97	\$1.01	\$1.04	\$1.08
Other costs at closing	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
<b>Total Estimated Cost in \$ Millions</b>	<b>\$18.04</b>	<b>\$19.10</b>	<b>\$20.16</b>	<b>\$20.70</b>	<b>\$21.23</b>	<b>\$21.76</b>	<b>\$22.29</b>	<b>\$22.82</b>

#### Room Tax Required to Support Bonding of the Targeted Amount of Construction Contribution

<u>Item of Cost (\$ millions)</u>	<u>\$210</u>	<u>\$230</u>	<u>\$250</u>	<u>\$260</u>	<u>\$270</u>	<u>\$280</u>	<u>\$290</u>	<u>\$300</u>
Total estimated cost in \$ millions	\$18.04	\$19.10	\$20.16	\$20.70	\$21.23	\$21.76	\$22.29	\$22.82
Contributions from gifts & grants	(\$6.00)	(\$6.00)	(\$6.00)	(\$6.00)	(\$6.00)	(\$6.00)	(\$6.00)	(\$6.00)
Naming rights at 15% of project	(\$2.71)	(\$2.87)	(\$3.02)	(\$3.10)	(\$3.18)	(\$3.26)	(\$3.34)	(\$3.42)
Target amount to be funded by room tax	\$9.33	\$10.24	\$11.14	\$11.59	\$12.04	\$12.49	\$12.94	\$13.40
<b>Required room tax</b>	<b>2.07%</b>	<b>2.27%</b>	<b>2.48%</b>	<b>2.58%</b>	<b>2.68%</b>	<b>2.78%</b>	<b>2.88%</b>	<b>2.98%</b>

We recommend a planned, all-in construction cost of between \$18 and \$23 million based on a room tax initiative of up to 3%. The actual amount of the construction cost covered by a room tax would depend on the tax rate, assuming gift and grant expectations of \$6 million plus naming rights sale would be relatively constant. If the gifts and grants varied, the room tax required could change as indicated in the table below.

#### Effect of \$1 Million in Additional Grants on Required Room Tax Rate

<u>Item of Cost (\$ millions)</u>	<u>\$210</u>	<u>\$230</u>	<u>\$250</u>	<u>\$260</u>	<u>\$270</u>	<u>\$280</u>	<u>\$290</u>	<u>\$300</u>
Target amount to be funded by room tax	\$8.33	\$9.24	\$10.14	\$10.59	\$11.04	\$11.49	\$11.94	\$12.40
<b>Required room tax</b>	<b>1.85%</b>	<b>2.05%</b>	<b>2.25%</b>	<b>2.35%</b>	<b>2.45%</b>	<b>2.55%</b>	<b>2.65%</b>	<b>2.75%</b>

# REPORT OF THE CONVENTION CENTER COMMUNITY COALITION

## Chapter IX: Community Perceptions

The information for this Chapter came from informal conversations with citizens living in Appleton, Kaukauna, Kimberly and Neenah. The people were chosen by the Public School Superintendents of these communities. Information is entirely qualitative and therefore does not contain graphs or statistical material; the Chapter reports items that we believe were the salient opinions of those interviewed.

- Conventions attract people with fertile ideas who can enhance the economic, cultural and educational atmosphere of the Fox Cities.
- Conventions become a tool to market the Fox Cities' resources and economic opportunities, thus producing a positive image of our area.
- While Appleton may receive the most direct benefit of an Exhibition Center, other Fox Cities citizens believed their community would experience incremental secondary and tertiary benefits from the activity that accompanies an Exhibition Center.
- All Fox Cities community citizens interviewed concurred in the view that Appleton's downtown is the proper location for the Exhibition Center. No significant inter-community "toxic location competition" exists for the most part because:
  - Citizens interviewed indicated all Fox Cities areas were residentially attractive.
  - Appleton's downtown area was thought to be the suitable location for the Exhibition Center because it posed no serious inter-community reduplication.
  - Our major Fox Cities commercial areas for the most part are fairly complimentary.
  - Fox Cities citizens especially considered Appleton's Downtown:
    - Safe,
    - Clean,
    - Accessible from all directions including the airport, and
    - Adequate parking.
- Even in an atmosphere of ever expanding communication technology, citizens interviewed indicated that the absence of a modern Exhibition Center would be detrimental to the economy, education and social capital of Appleton and the entire Fox Cities population.
- The Exhibition Center would be within walking distance for visitors to access:
  - Boys and Girls Club
  - Churches, seven
  - Hotels, two
  - Lawrence University
  - Library
  - Medical/dental clinics

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- Museums, three
  - Parks, two
  - FCPAC
  - Police/Fire and City/County Governments
  - Restaurants/bars/specialty shops, multiple
  - Trout Art Center
  - YMCA
- The presence of an Exhibition Center could present unanticipated consequences such as attracting new or different businesses or unique state/national marketing opportunities. Conversely, negative factors such as safety or police/fire issues could emerge.

Citizens interviewed considered public finances as an integral part of their life in the Fox Cities. They put the sustaining financial support of the FCPAC, public libraries and an Exhibition Center in the same general monetary category. Even though all do or could contribute significantly to community pride, there was a strong feeling that the financing of an Exhibition Center should in no way impede or detract from the value or functions that the FCPAC and our libraries contributed to our quality of life. On the contrary, they hope that an Exhibition Center could be structured and financed through a public/private partnership, with a possible supplemental room tax, in a manner to enhance the missions of the FCPAC and libraries in our Fox Cities and beyond.

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## Chapter X: Parking Issues

Parking inventory in the Downtown Appleton area is summarized as follows:

City of Appleton meters	996
City of Appleton ramps	3,232
County lots (approximately)	500
Private parking	3,100
Total spaces	7,828

Considerations with respect to the Exhibition Center and parking are as follows:

- Exhibitor vehicles and trucks are not used during the convention, but need designated off-site parking.
- Convention attendees do not expect parking convenience comparable to local citizens.
- Convention attendees will require day-time as well as overnight parking; for large events attendees in outlying hotels could be offered shuttle service to Downtown Appleton.
- Secure overnight parking will be required off street for most convention attendees.
- The Washington Ramp has structural capacity for two more levels and one more elevator bank.
- The 222 Building's lots can be easily decked.

In addition, if the Exhibition Center site is to be the Outagamie County parking lot area, 103 County parking spaces would be lost and would need to be replaced or determined to be surplus capacity.

Current available parking inventory is sometimes perceived as a barrier to Downtown Appleton's economic growth, whether or not an Exhibition Center is built. We have assumed that existing Downtown parking is adequate for daytime, evening and overnight parking requirements of Exhibition Center patrons.

### **Parking Issues Related to the Exhibition Center**

Based on the Exhibition Center being developed on the Outagamie County lot area, it will be important to replace lost parking capacity for County use. There may be several options. We have chosen to assume that a parking deck would be added to the 230 spaces on the Justice Center surface lot. Our estimates indicate a construction cost of \$11,600 per space for the 103 lost spaces, or \$1.2 million. We have included the cost of this undertaking reflecting it in the cost for site acquisition in our estimates of economic impact in Chapter III, and our analysis of construction costs and financing in Chapter VIII.

We have not considered the cost of adding to existing parking inventory. If we were required to add spaces they would need to be under the Exhibition Center structure.

With respect to vendor vehicles and trucks, we have assumed that after unloading we can provide off-site parking locations similar to the FCPAC program for visiting show vans.

## REPORT OF THE CONVENTION CENTER COMMUNITY COALITION

We believe the Downtown Appleton parking inventory will support evening parking demand. The other parking issue that is tied to the Exhibition Center proposal is the question of whether or not there is adequate daytime parking inventory for convention attendees. We believe the nature of the Exhibition Center requirement is not like the local cultural demand of parking convenience. Our analysis of the Downtown Appleton ramp use suggests that existing ramp facilities are adequate for daytime use. Additionally, private lots could be available if the opportunity presents an attractive option to owners. If additional convention parking is required it eventually could be accommodated by additional levels on the Washington Street parking facility, assuming the 222 Building parking lots can be decked to provide necessary spaces during ramp construction.

Parking ramp data:

<u>RAMP</u>	<u>TOTAL SPACES</u>	<u>HANDICAP SPACES</u>	<u>AVAILABLE SPACES</u>	<u>2009 AVERAGE USE</u>
Washington	811	16	766	
Midtown	771	15	740	
East	1,250	24	1,192	
City Center	400	19	358	
<b>TOTAL</b>	<b>3,232</b>	<b>74</b>	<b>3,056</b>	<b>2,172</b>

# REPORT OF THE CONVENTION CENTER COMMUNITY COALITION

## Chapter XI: Lost Opportunity

Since 1987, community leaders have been talking about a full complement of convention facilities, often endorsing the need for “someone” to do something about it. Nearly 20 years ago, with the opening of the Paper Valley Hotel, the Fox Cities were in a premier out-state position as a convention/conference/trade show site. Today the situation has changed; many meeting planners working for large groups no longer have us on their lists of site considerations. This trend conflicts with much else that is going well for the Fox Cities.

Appleton is the sixth largest Wisconsin city. The Fox Cities continue to emerge as a peer to all the state’s major population regions and are acknowledged for leadership in thoughtful community development and management. Research indicates we are an attractive visitor destination, and the impact of that benefits all of us. Currently visitor spending amounts to \$359 million annually, or \$1,570 per Fox Cities’ resident. This amounts to 8,500 full time jobs.

A meaningful increase in this influx of value to our economy is available to us when we add the facility of an Exhibition Center to our offerings for conferences, conventions and trade shows. The increase can eventually reach \$8.4 million annually or 142 additional full-time jobs. This increase will not come just from a jump in overall convention and trade show business; it will come because of the attractiveness of our overall offering relative to alternatives available. The Exhibition Center will be a catalyst that boosts the entire Fox Cities package to a new level of consideration by convention and trade show sponsors and attendees.

Here is some recent lost opportunity data:

<u>Group</u>	<u>People/ Room nights</u>	<u>Notes</u>	<u>Estimated Direct Visitor Spending</u>
Wisconsin Veterinary Medical Assn.	500 people 350 hotel room nights	Used to come here; need more space but won’t use FCPAC due to cost and need to go outdoors to get there	\$76,700
Wisconsin Credit Union League	1,300 people 1,000 hotel room nights	We don’t have adequate space for their tradeshow	\$219,000
Wisconsin Counties Assn.	800 people 1,500 hotel room nights	We don’t have adequate space for their tradeshow	\$328,500
Wisconsin Park & Recreation Assn.	500 people; 500 hotel Room nights	We don’t have adequate space for their tradeshow	\$109,500

## REPORT OF THE CONVENTION CENTER COMMUNITY COALITION

Without the Exhibition Center we cannot expect the status quo for visitors or their spending. We are vulnerable to losing existing business. The Wisconsin business press is continually reporting on the upgrading of convention facilities throughout the state. If we estimate that an average 2% of our annual visitor income of recent years has moved to other sites because of our lack of an Exhibition Center facility complementing our existing conference inventory, the overall effect of such a decline can amount to a potential annual drop after ten years of over \$70 million and a possible accumulated effect over those ten years of up to a loss of 1,300 full-time jobs.

Separate from the direct effect of revenue increase, or loss, in visitor related revenue, is the impact on the dynamics of Downtown Appleton. We believe Downtown Appleton is the key to a vibrant economically healthy Fox Cities community. As assumed in the City's planning, Downtown Appleton's economy is based on daytime and evening multi-use activity with a focus on meaningful places to work and attractive things to do. Visitors tell us it is a great place to be. Touring performers at the FCPAC say they look forward to the chance to return. Obviously there are many dimensions to this challenge, but the core of it is a steady base of activity that attracts people of all types. The Exhibition Center will play a significant role in generating more visitors and activity.

The Feasibility Study estimated that the mature Exhibition Center will annually attract 66,000 non-local visitor days. Of this total there will be up to 42,000 over-night stays. Additional local visitors to the Exhibition Center will add 122,000 visits. This is certain to increase Downtown Appleton's vibrancy, stability and vitality but it is also certain to benefit other communities as the visitors enjoy all the Fox Cities have to offer.

The case for the proposed Exhibition Center is compelling and we believe the community can come together to embrace it. The potential gains are significant and the risks of maintaining the status quo are also significant.

# REPORT OF THE CONVENTION CENTER COMMUNITY COALITION

## Chapter XII: Conclusion

The Coalition was asked to expand on the Feasibility Study and provide a focused approach for the Appleton Common Council to enable a decision to be made about whether to encourage pursuit of development of an Exhibition Center. Our commitment was to tackle the specific questions raised by our charter and search for ways to answer them within the context of enabling the community to move forward with an Exhibition Center project. The Coalition was ever conscious of our given task to create data and share information that would stimulate purposeful community discussion between individual organizations, business and elected leaders. When a single option of direction is obvious to us we have also indicated this with a recommendation.

As stated in Chapter II, our approach was to state the case in terms of the project as it was in April 2010:

1. If we build an Exhibition Center, will it **create real economic value** community-wide?
2. If that value is enough, is there a **reasonable site** that will handle a **reasonable design**?
3. Is there a **reasonable way to finance** construction and a **reasonable way to cover operating shortfalls**?
4. Would it be **consistent with the community perception** of life in the Fox Cities?

We believe the case for an Exhibition Center is most compelling. The economic impact is significant and can justify financial support from the community. A workable site exists that can accommodate a reasonable design. A construction financing arrangement seems favorable in these unique financial times, and an operating plan involving the Radisson seems workable. It would be consistent with community perceptions.

We recommend the initiative to develop an Exhibition Center in Downtown Appleton continue to move forward.

### Coordination with the Appleton Comprehensive Plan

*Article 12 Implementation* of the Appleton Comprehensive Plan ordinance identifies the continuation of Downtown Appleton revitalization a top priority of the City and calls the implementation of the recommendations of the *Article 14 Downtown Plan*. In Article 14 the Downtown Plan has the following components (among others):

- *Arts and Entertainment District*: Identifies a potential site for a convention center on land owned by Outagamie County south of the Radisson Hotel.
- *Urban Design Initiative*: Create a public use campus south of Lawrence Street between Walnut Street and Jones Park – The site of the newly-developed parking lot on Lawrence Street should be recognized as one of the most desirable potential locations for a convention/expo center.
- *Strategies to develop cultural attractions and promote travel to the Downtown*: Advance efforts to establish a convention/expo center in the downtown; recognize events are forced to look elsewhere because there are no large convention/expo centers in the Fox Cities; examine the costs along with the expected benefits of hosting more and larger events.

## REPORT OF THE CONVENTION CENTER COMMUNITY COALITION

Article 14 continues: “An investment on the scale of a convention/expo center should be sited to best utilize the City’s infrastructure and provide the greatest possible return. The downtown is the only location which should be considered. It provides the hotel rooms, restaurants, shopping, transit and activities which are demanded by event planners when booking activities. This advantage may be further compounded by siting the convention/expo center on Lawrence Street south of the Radisson Hotel. That site, owned by Outagamie County, can be developed to provide views and direct access to Jones Park, with its performance space and path to the Fox River. An alternative site may be the northeast corner of College Avenue and Division Street.”

- Continue feasibility analysis and planning for a new convention/expo center in downtown Appleton
- Partner with Outagamie County to secure use of the desired site
- Redevelop the north end of the county’s campus for the convention/expo center

We conclude that our analysis and conclusion are well coordinated with the City of Appleton’s Comprehensive Plan.

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### **Thanks – A Note from Walter Rugland, the Coalition Chair**

Coalition members all contributed to the work detailed in this report. Most of the analysis was completed in the summer months and was obviously given appropriate priority. Thanks to everyone.

Complementing the members was the City Community Development and Finance staff. They made the schedule work and served as researchers, compilers, drafters and editors of various Chapters and the overall report. Again, thanks to everyone.

Our objective has been to provide data and an ultimate recommendation of direction with which the community can move forward to seize the opportunity to add an Exhibition Center facility to the Fox Cities convention capacity. We believe we have done this.

The opportunity is in both current low interest rates for funding, and attractive construction costs. It is an attractive window for action. The payoff is compelling.

**Now is the time!**