

The last status report was August 10. This update continues the look forward at the effort that needs to be taken to achieve the resulting Exhibition Center we have targeted. At this time a more in depth summary of the status of the project is appropriate, so some items of prior reports may be included here.

It is difficult to get a sense of the community about this project in spite of the facts that are clear. Blogs and pundits contribute negative comments seemingly ignoring a factual base, yet there seems to be an expectation of project completeness in talk on the street: “good job, keep it up.” Now is the time for the silent supporters to let their voice be heard.

Facts to consider: We know that this is an economic development project with significant return for the community. We have set an attainable funding strategy that can create a state-of-the art facility. We know that current bond markets make funding exceptionally attractive. We know we can remove the financial operating risk and the financing risk from the tax-payers. We know we have a top drawer appeal to convention planners. We know that the room tax necessary for funding does not create a competitive mismatch. This is not a charity; it is a business opportunity for the entire region that benefits the entire region. I hope you will read on.

The 2008-9 Convention Center Feasibility Study and the 2010 Community Coalition report clearly indicated that it was appropriate for the community to move forward with adding convention center capacity. Hotel capacity is under-utilized, amenities are well recognized, attractions have real appeal, market demand is present, and economic impact will be significant. The issue is not whether to add the capacity, but when. The Coalition urged that the community should take advantage of attractive financing and move forward quickly driven either by government action or the private sector.

In January FCEC, a private non-stock corporation, was chartered with the purpose of creating movement. Prior Status Updates document activity over the year (see [FCExhibitionCenter.com/resources](http://FCExhibitionCenter.com/resources)). The first business was to obtain agreement with the Radisson Paper Valley Hotel to take on the management of the facility as well as the financial risk when it would be available; this was obtained. The next task was to obtain conceptual designs so that a cost level could be obtained. The Boldt Co. furnished this support, and a funding budget of \$20 million was set.

As indicated in the August Update, timing for the financial market movements was initially determined to drive the schedule; the target being a November go-to-market date. The Federal Reserve has now indicated its intent to extend today’s low interest conditions for both short and longer term borrowing; no one knows how long. Our bond underwriter is ready to go-to-market as soon as we have the funding platform in place, especially with respect to ordinances increasing room tax on the part of Grand Chute, Neenah, Kimberly and Appleton. At current interest levels, and with the room tax increase we propose, the market could generate as much as \$12.5 million for construction purposes. A 1% (100 basis points) interest increase could reduce this by \$1.5 million; time is still of the essence while rates are low.

Here is the room tax plan: Appleton from 6% until 2021 to 10% until 2033; Grand Chute, and Little Chute from 6% until 2021 to 7.5% until 2033; and Kimberly and Neenah from 5% until 2021 to 6.5% until 2033. The

current tax level decreases by 2% when the Fox Cities PAC room tax bond is paid off, the latest date being 2021; estimated actual date is 2018. The plan would have decrease delayed until 2033 at the latest. In terms of total add on tax to a room rate, for regional convention center sites, the plan puts Appleton within 1.5% of other venues; for transient hotel locations this puts Grand Chute, Kimberly and Neenah in the mid to low range.

The Outagamie County Board accepted the Exhibition Center concept on faith in June when it agreed to make the site available subject to funding being obtained and terms of the transfer being negotiated. The later has been nearly completed; Appleton's Mayor Hanna has included \$3.4 million in the proposed 2012 City Capital Budget for acquisition of the site and preparation of it for construction. It would then be transferred to FCEC in ready to build condition. The cost to the City would be bonded at the current attractive rates. The Common Council will act on the Capital proposal in November; a public hearing is set for November 2 with action a week later to accept the concept on faith. Any fund disbursement will be contingent on overall funding expectations being complete.

The Convention and Visitors Bureau has a Tourism Development Grant program that is funded by a portion of the CVB allocated room tax. This is a feature of the visitor bureau unique to the Fox Cities and has been beneficial to many projects in terms of grants. The CVB was asked by FCEC to provide a contingent commitment to a grant of \$1 million, with the same caveats and contingencies as implicit in the County decision, plus any others thought to be needed. This was declined on the basis that there was not enough detail in the concept to assure that the result would provide the needed facility and services to assure success in Fox Cities' convention marketing. In other words there was an unwillingness to commit in total to the concept in a contingent basis. Instead an invitation was given to request a grant to fund design work by an architectural firm with exhibition center experience "assuring community leaders, hoteliers and citizens that the facility will be utilized to the highest level possible."

A subsequent grant request for up to \$250,000 was submitted for support of design work indicating the selection process that was being used and the firms invited to propose services. The grants committee declined the request at this time requesting "information about the architectural firm selected to work with Boldt as well (as) more specific details about the firm's qualification and experience with design of successful convention and exhibition facilities." The application is expected to provide "a detailed estimate of costs for the firm Boldt selects." It may take until December to prepare a revised application for a grant that would contain the information requested, and the subjective nature of the Tourism Development Grant Committee evaluation makes initial design work impossible until at least January, or later.

The FCEC strategic approach to funding commitments is for an expression of confidence on the part of the CVB (representing the tourism and convention segment of our economy) with respect to the Exhibition Center concept in the form of a funding commitment with provisions similar to the County provisions. This would be carried forth in requests to corporations for naming gifts, and requests to municipal boards for their actions on room tax increases. The commitment was not forthcoming. A follow-up request was made of the CVB Board to enact a proposed resolution that "congratulates the Fox Cities Exhibition Center, Inc., for progress to date with the project, expresses its expectation that the design and operation of the Exhibition Center will be that

which will attract significant visitor increase, and encourages the Fox Cities communities to give full support to continued progression toward realization of the full-service convention center objective.”

In a special session to consider this request, the CVB Board was reported by its Chair as having “plenty of enthusiasm for the concept of the convention center,” but deciding (unanimous among those voting) “to adhere to the Bureau’s longstanding policy not to publicly endorse projects that are or will seek funding ....that every potential grant be handled in a consistent manner.” Since the CVB Board majority is comprised of hotel managers and municipal staff who influence municipality actions on room tax, this action could suggest that no room tax ordinance action would be possible until detail design and operational schematics are available, a risk we hopefully can avoid since the goal is to commit to fund the center while interest rates are low, not to reach consensus on design. At the special CVB Board session FCEC Board members who are CVB Board members were told to abstain from the vote.

Except for the hoped-for City of Appleton contingent Capital Budget approval, future progress toward an Exhibition Center realization is **stopped** pending subjective endorsement of a design consultant, by the volunteer CVB Tourism Development Grant Committee. Grant application will be submitted November 1. Beyond this, notwithstanding the statement in its earlier declination message where it indicated that the “design details will be crucial to insuring it is attractive to as many convention planners as possible,” the CVB Board will have to commit on faith to a construction grant so we can complete the overall finding package.

The Exhibition Center effort is an economic development undertaking of a significant nature. It is a collaboration of Outagamie County, the Radisson Paper Valley Hotel, City of Appleton, CVB, municipalities (supported by hoteliers), and corporate leadership. All need to take the necessary actions in order for the bond underwriter to go-to-market for bond financing and for each individual partner to fulfill their commitments. To date, only the County and Radisson have taken this step. The City will decide on November 8. The CVB endorsement in the form of a design grant is not until November 29, if then, and any overall CVB endorsement which will provide confidence to municipalities may hinge on the design work result. Only then will it seem to make sense to approach Grand Chute. Neenah and Kimberly, as well as Appleton, for a room tax increase.

It appears that a go-to-market date for the room tax supported bond is late spring or early summer. This would provide for facility availability in early 2014.

Here are some other updates:

- Jeff Nooyen joined the FCEC Board of Directors as a connection for us to have with the Grand Chute leadership. He serves on both the Grand Chute and CVB Boards, and has been faithful in his participation on the Exhibition Center discussions. Jeff has resigned his position on the FCEC Board to remove any conflicts that might be apparent as Grand Chute and CVB leaders consider the Exhibition Center funding issues. Thanks to Jeff for his service to date! A Grand Chute replacement for Jeff is in the works.

- There have been questions about who takes the specific financial risk with respect to the Exhibition Center. The risk with respect to payment of interest and principle of the bonds will rest with the owners of the bonds and depend on the continued expected collection of room tax. There is no residual liability that rests with the FCEC or the City. All other contributions toward construction will not have any liability attached except for any bridge financing to cover extended payments of corporate and CVB pledges. The risk with respect to the expenses of the facility including property tax will rest with the Radisson or a comparable management firm that rents the facility. The Exhibition Center will have no operational expense.
- There have been questions about the ownership of the Exhibition Center. It will be built and owned by FCEC. FCEC will contract with an operations manager who will pay rent and assume all risks of operations. FCEC will eventually likely be a 501-c-4 tax payer, a not-for-profit that pays taxes, including property tax. Although FCEC is organized for the purpose of creating the Exhibition Center for the community benefit by providing a venue for more visitor spending in the Fox Cities, it will not qualify as a public charity and be tax exempt. As a result, the City of Appleton will provide a conduit for contributions that requires the tax exempt status, and the Common Council has agreed to take this role with respect to the proposed CVB design consultant grant.

Here are some talking points:

- We can obtain a Fox Cities full service convention center facility for just the cost of an exhibit hall.
- We can add \$100,000,000+ of economic impact in today's dollars, a value not currently present.
- We need to take advantage of the low interest rate environment and top tier credit rating of Appleton.
- We have data from several sources substantiating the demand.
- We are under utilizing the tourism strength of the Fox Cities, especially the attractiveness of downtown Appleton as a convention site and the ease of access to the malls, arts venues and open spaces.
- We are undertaking a collaborative effort involving many components to benefit the entire Fox Cities.
- We have bond holders and the Radisson (as the operations firm) ready to take the various financial risks.
- We can fund two thirds of the cost with hotel room tax increases that reflect the user types and address the market positioning of various hotels in our various municipalities.
- We will eventually have top tier full convention center capability; the question is when? Every year waiting is over \$8 million of lost economic value.

Talk it up! Together, we can make the Exhibition Center a reality. Thanks!

Walt Rugland

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