

Exhibition Center Frequently Asked Questions

October 31, 2011

Over the course of work on the Exhibition Center project we have been asked many thoughtful questions by members of the community. Here are some of them, as well as brief comments in response.

CURRENT TOPICS OF CONCERN

1. What is the economic impact to the Fox Cities community of a full-service convention center capability? The Exhibition Center proposal is a significant economic development opportunity. The focus is on a capacity that will add to visitor spending in the Fox Cities. The estimated annual economic benefit to the Fox Cities community of creating a fully functioning convention center complex is nearly \$8.4 million yearly or approximately 140 full-time jobs. Over 20 years, the present value of the economic impact is as much as \$105 million, more than 20 times the estimated support from public sources.
2. What does an Exhibition Center mean to the Fox Cities in terms of a facility addition? An Exhibition Center means a 30,000 sq. ft., column-free space is required with 24-foot ceiling clearance coupled with another 9,000 sq. ft. gathering space and support and access space, for a total of 62,000 sq. ft. It is planned to be south of the Radisson on the Outagamie County parking lot area bounded by Lawrence Street, Elm Street, Eighth Street and Jones Park. It would be accessible to the hotel and offer state-of-the-art technical capability for conferences, trade shows and exhibitions.
3. Has the County agreed to provide the site? The County Board has agreed to make the site available contingent with 1) City funding being approved, 2) County agreeing to purchase terms, 3) Signed contract with the RPV, 4) Hotel Room Tax in place.
4. How will this project be funded? Funding sources for construction will need to include funds from a hotel room tax, support from the City of Appleton, and other public and private grants and contributions. The target for funding is \$20 million and \$12.5 million is expected to be available from bonds backed by dedicated hotel room taxes.
5. Who will own the facility? A non-stock corporation, Fox Cities Exhibition Center, Inc. (FCEC), was organized in January and has worked to move the Exhibition Center proposal forward. It will own the building and rent it on a net basis to the Radisson Paper Valley Hotel. Oversight will be provided by the FCEC Board as the continuing owner, both in terms of rental agreement provisions and ongoing monitoring. This property will be on the tax rolls.
6. Who will be responsible for paying any operating deficit? The Radisson has agreed to operate the Exhibition Center on a rented basis assuming all financial risks in return for any financial gain. It would be responsible for all costs of operation including maintenance and interior updating. Studies from the industry indicate that a stand-alone conference center operational deficit should be expected. Substantial operating efficiencies will 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. The long-term risk rests with the Radisson.
7. Who will have responsibility for exterior maintenance? The FCEC will have this responsibility and a fund will be established to allow for the cost.
8. Will the Exhibition Center be tax-paying? Yes. The current County use, and before that, the St. Joseph School use, was tax-exempt. Because the Exhibition Center has a single commercial use, it will be a taxable property. The rental agreement will pass the tax to the hotel.

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9. What will this project cost the taxpayer? Within the target funding of \$20 million, Appleton property taxpayers will fund the support provided by the City with its capital budget plan. The current proposal is \$3.4 million; this will provide the site ready to build on. No other costs are currently planned to be provided by property taxpayers in Appleton or other communities.
10. 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 (it is assumed 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.
11. So where is the financial risk? We are often asked about the risk-taking aspect of the ongoing operations. The risk with respect to payment of interest and principle of the bonds backed by the room tax revenue will rest with the owners of the bonds and depend on the continued expected collection of room tax. All other contributions toward construction will not have any liability attached except for any bridge loans between contribution pledges and payments. The risk with respect to the expenses of the facility including property tax will rest with the Radisson. The Exhibition Center Board will have no operational expense.
12. How will the Exhibition Center be tied to the hotel in the event of hotel sale or financial failure? Agreements with the hotel will provide maximum tie between the Exhibition Center and the Radisson. The Exhibition Center will make the hotel stronger financially than it otherwise would be, assuming adequate management skill and operating performance. This question is really one about what happens to Downtown Appleton if the hotel fails financially. When a hotel fails it is purchased at a price that the buyer assumes will be supported by the business. The risk to Downtown Appleton is that the hotel appeal could diminish through a series of such transactions. The Exhibition Center should mitigate this risk by maintaining a business flow necessary to have a viable hotel, which, in turn, strengthens the downtown and the entire Fox Valley.
13. If the Exhibition Center is such a great thing, why doesn't hotel ownership, or another private interest build it? . In reality, private sources, with the City's help in terms of tax arrangements, have provided all the required components of a full-service convention center capacity – restaurants, meeting rooms, ballroom and 400+ sleeping rooms – except an exhibit hall. And, the Radisson will assume the ongoing operational risk.
14. What is the normal approach to convention center development financing? If the Fox Cities were to build a stand-alone convention center it would require meeting rooms, a ballroom and a new adjoining full-service hotel. A follow-up investigation with the feasibility study consultant indicated that building an appropriate stand-alone complex would require an investment from the public sector of at least \$50 million as a starter to attract a developer; the overall project would approach \$80-\$90 million. It also noted that such a development would seriously damage the current hotels we now have in terms of continued economic feasibility.
15. Is this project a race against Green Bay? No. The Fox Cities are able to sell themselves based on the features available to convention and trade show sponsors as well as attendees and their leadership. This is especially the case with Downtown Appleton and its accessibility to the region's shopping sites, eateries, museums, the Fox Cities Performing Arts Center and sports and recreational outlets. The synergy between the projects creates opportunity.

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16. If not Green Bay, then what's the hurry? The project is really a race against time and the financial impact of delay. A year of delay is a loss of \$8.4 million in economic impact. The race is also against the time that interest costs for financing via a room tax might increase substantially—today they are at historic lows for long-term debt. The same effect will be experienced in construction pricing; low costs are currently available.
17. What is the timetable for the project? In December, FCEC will apply for a capital fund grant from the Convention and Visitors Bureau to fund initial detail design specifications. This work should be completed in April and by that time specific requests for room tax increases will be made to Appleton, Grand Chute, Kimberly and Neenah. When room tax increases are agreed to, the room tax bond offer will go to market. At the same time offers for naming gifts will be made to selected local firms. Construction will take 12 to 15 months. The Exhibition Center should be available for use in early 2014.
18. If funding goals are met, who will hold the money? No money, except for design costs supported by a CVB grant, will be spent until all reasonable funding is obtained. Any contributed cash will be held for the project in a special fund at the Community Foundation for the Fox Valley Region for disbursement as needed.

BACKGROUND QUESTIONS

19. What has been the objective of the City with respect to the proposed convention center idea? A 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. The Coalition Report has been widely distributed and is posted on FCExhibitionCenter.com/resources.
20. What was the Coalition's conclusion? The Coalition confirmed the Feasibility Study conclusions and reported on issues that merit further discussion. It advocated the development of a convention center capability in Downtown Appleton, by the addition of an Exhibition Center, as a compelling proposition that can be accomplished.
21. 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 30,000 sq. ft. Exhibition Center with appropriate support and access space tied to the Radisson Hotel.
22. What kind of structure does an Exhibition Center call for? 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.
23. 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 tradeshows, graduations and proms, youth directed activities, various exhibits and shows, and an endless variety of other uses of interest to local citizens as participants and spectators.

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24. Where would the Exhibition Center be located? The Coalition built on results of the Feasibility Study and further 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.
25. Why the County parking lot site? The Coalition 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, the conversion of the site from tax exempt to taxable status, and the site's availability. On the other hand, there were no poor characteristics attributable to the site.
26. 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, however, it was not deemed to be as appropriate as the County parking lot site.
27. What is the economic benefit to the Radisson Paper Valley? There is obvious benefit to the Radisson, which is why it has proposed a significant construction investment and an annual management contract assuming the operational risk. Additionally, there would be significant upgrading of its public areas, especially to accommodate the access to the Exhibition Center.
28. What about other Wisconsin communities building Convention Center facilities? The Fox Cities should welcome upgraded visitor facilities; we all share in the benefit of more utilization of our hotels and other offerings. Each community has its own features and attractions. The Exhibition Center capitalizes on the Fox Cities' under-utilizations for convention goers and the under-maximized hotel occupancy of the region. The Feasibility Study considered the impact of developments elsewhere. Data indicated a positive appeal of the Fox Cities as a convention site for Wisconsin-based and wider regional groups.
29. 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) would be expected to increase. We estimate there will be over 18,600 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.