



ECONOMIC IMPACT ANALYSIS

Economic Impact Analysis Convention Center Headquarters Hotel

VIRGINIA BEACH, VA



SUBMITTED TO:

Mr. Rob Fries,
Virginia Beach Convention & Visitors Bureau
2101 Parks Avenue, Suite 500
Virginia Beach, Virginia, 23451
rfries@vb.gov
+1 757 385-6641

PREPARED BY:

HVS Convention, Sport & Entertainment
Facilities Consulting
205 West Randolph
Suite 1650
Chicago, Illinois. 60610
312-587-9900

July 1, 2011



July 1, 2011

205 West Randolph
Suite 1650
Chicago, Illinois 60610
+1 312-587-9900
+1 312-587-9909 FAX
www.hvs.com

Mr. Rob Fries
Virginia Beach Convention & Visitors Bureau
2101 Parks Avenue, Suite 500
Virginia Beach, Virginia, 23451
rfries@vbgov.com

Re: Convention Center Headquarters Hotel
Virginia Beach, VA

Atlanta
Boston
Boulder
Chicago
Dallas
Denver
Las Vegas
Mexico City
Miami
Nassau
New York
Newport
San Francisco
Toronto
Vancouver
Washington
Athens
Buenos Aires
Dubai
Hong Kong
Lima
London
Madrid
Mumbai
New Delhi
Sao Paulo
Shanghai
Singapore

Dear Mr. Fries:

Pursuant to your request, we herewith submit our Economic Impact Analysis of a Convention Center Headquarters Hotel in Virginia Beach, VA.

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

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

Sincerely,
HVS Convention, Sports & Entertainment
Facilities Consulting

Thomas A Hazinski
Managing Director



Table of Contents

SECTION	TITLE
1.	Introduction
2.	Demand Analysis
3.	Spending Impacts
4.	Statement of Assumptions and Limiting Conditions
5.	Certification

1. Introduction

Nature of the Assignment

The Virginia Beach Convention and Visitor's Bureau ("VBCVB") engaged HVS Convention, Sports & Entertainment Facilities Consulting ("HVS") to provide an economic and fiscal impact analysis of the proposed headquarters hotel in Virginia Beach, Virginia. This study measures the potential increase in visitor spending that would be generated by: 1) the new events that the proposed hotel would attract to the Virginia Beach Convention Center ("VBCC") and 2) the new visitors staying at the proposed hotel that may not be attending convention center events. In this study, HVS also estimates the fiscal impacts (new tax revenue) that would be generated for the City of Virginia Beach (the "City") and the Commonwealth of Virginia (the "Commonwealth") if the proposed hotel is built.

Description of the Project

For the purpose of this study, HVS assumes the headquarters hotel will open on January 1, 2013 and will feature 361 rooms, a restaurant, a lounge, 16,858 square feet of meeting space, a pool, an exercise room, a business center, a gift shop, a vending area, and a guest laundry room. The hotel would also include back-of-the-house space necessary to support full-service hotel operations.

Product Quality Category and Brand Affiliation

The hotel would be full-service in nature and with finishes typical of a first-class convention headquarters hotel. The hotel's facility is expected to be of high quality, conforming at a minimum to the brand specific guidelines set forth by the operator that is chosen for the hotel. The hotel's facilities are expected to be similar in finish and first-class feel to the Marriott Raleigh, the Hyatt Greenville, or the Marriott in Louisville. By the time of its opening, the hotel's product design and quality should place it as the preeminent hotel in the downtown full-service lodging market.

Developer Solicitation

The City of Virginia Beach Development Authority ("VBDA") followed the procedures regarding requests made pursuant to the Public-Private Education Facilities and Infrastructure Act of 2002 ("2002 Act") after receiving an unsolicited proposal for a convention center headquarters hotel. Pursuant to the 2002 Act, a proposal process is being conducted by the City and the VBDA that will determine the selection of the private developer, the level of financial assistance by the City, the final design, and brand of the proposed convention center headquarters hotel. The VBDA is currently in discussion with a development team led by Armada Hoffer Development Company.

Description of the Virginia Beach Convention Center

The VBCC sits roughly seven blocks from the Virginia Beach oceanfront and boardwalk. The City of Virginia Beach owns and operates the facility.

VIRGINIA BEACH CONVENTION CENTER



The VBCC features four exhibit halls totaling 150,012 square feet and the largest ballroom in Virginia, measuring 31,029 square feet and divisible into three sections. The facility also offers 22 meeting rooms totaling 28,929 square feet. A tower and landmark feature offers an observation deck, a VIP lounge, a boardroom, and a coffee bar.

The facility was constructed in two phases. The first phase, which opened in July 2005, included the ballroom, approximately 55,600 square feet of exhibit space, and almost 20,000 square feet of meeting room space. The second phase opened in January 2007, and increased total flexible event space to 500,000 square feet.

The VBCC offers 2,230 surface parking spaces. State-of-the-art technological amenities include a 360° video wall and wired and wireless high-speed Internet access throughout. A Doubletree hotel with 292 rooms sits to the west of the VBCC but is not directly connected.

Methodology

The potential for increased positive economic impacts provides the primary rationale for public investment in the proposed hotel. When attendees come from outside the local market area and make purchases during shows and meetings, they inject new income into the local economy. In addition to attending events, industry participants may also generate economic impacts as tourists both before and after events. However, some of the new spending may displace other spending that would occur if these visitors were not in town. For example, attendees at a

consumer show may forego other entertainment opportunities in the City. HVS uses a methodology that quantifies the economic impacts net of any displaced spending.

The HVS analysis proceeds in four steps:

1. Analysis of Convention Center Demand – The objective of this analysis is to properly categorize event demand at the VBCC and to quantify out-of-town visitation and day trips by VBCC attendees.
2. Identification of Impact Generators – HVS identified sources of impact and estimated the amounts in 2011. These sources include: 1) net new overnight visitors, 2) daytrip visitors from outside the local market area, 3) exhibitor spending, and 4) event organizer spending.
3. Spending Impacts – Using various surveys and data sources, HVS estimated the amount of direct spending by each of the sources of impact. HVS then ran an input-output model (IMPLAN) to estimate the indirect and induced spending and number of jobs associated with the direct spending.
4. Fiscal Impacts – HVS measured the new governmental revenue that would be generated by the proposed project. This revenue can be thought of as the public sector share of the spending impacts.

2. Demand Analysis

HVS forecast the event demand for the Virginia Beach Convention Center (“VBCC”) with and without the proposed headquarters hotel for a 5-year period. For the purposes of this analysis, HVS assumes the proposed headquarters hotel will open on January 1, 2013. These projections are based on the event history of the VBCC, reports of lost business, research on comparable properties, as well as survey data from the 2008 HVS “Market Study - Virginia Beach Convention Center Headquarters Hotel” report.

The draft demand projections presented herein reflect the existing building program for the convention center and the development of the headquarters hotel building program. Demand projections also assume highly qualified, professional sales and management teams for the hotel and the VBCC.

Historical Demand

The VBCC provided HVS with a list of events that occurred at the facility between the calendar years 2006 through 2010. The data set included event names, a description of the type of the event, start dates and end dates, and estimates of attendance and associated room nights generated. Based on this information, HVS reclassified event types into standard event categories so as to allow comparisons with other venues. The figure below summarizes the event and attendance history at the VBCC.

FIGURE 2-1 EVENT AND ATTENDANCE HISTORY

Data Year	CY 2006	CY 2007	CY 2008	CY 2009	CY 2010	Average
Number of Events						
Conventions	20	19	17	15	18	18
Tradeshows	10	10	10	11	11	10
Conferences	3	6	5	5	5	5
Consumer Shows	27	26	25	27	33	28
Banquets	84	82	88	72	78	81
Meetings	155	193	186	163	146	169
Assemblies	4	5	4	5	6	5
Sports	11	14	18	16	20	16
Concerts & Entertainment	0	1	2	1	2	2
Other	21	37	41	18	14	26
Total	335	393	395	333	333	358
Average Attendance						
Conventions	2,262	2,938	4,316	2,920	2,940	3,075
Tradeshows	1,501	1,663	1,904	1,455	940	1,492
Conferences	286	854	1,490	712	627	794
Consumer Shows	4,353	4,816	4,618	4,312	3,997	4,419
Banquets	512	432	372	356	306	396
Meetings	222	148	148	99	114	146
Assemblies	14,888	15,087	17,330	14,134	11,683	14,624
Sports	8,588	8,776	8,444	8,951	10,859	9,124
Concerts & Entertainment	0	1,000	2,000	6,200	3,043	3,061
Other	560	747	1,053	637	655	730
Overall Average	1,259	1,256	1,377	1,361	1,626	1,376
Total Attendance						
Conventions	45,238	55,830	73,364	43,793	52,928	54,231
Tradeshows	15,009	16,625	19,035	16,002	10,342	15,403
Conferences	859	5,123	7,450	3,559	3,135	4,025
Consumer Shows	117,519	125,216	115,449	116,427	131,913	121,305
Banquets	43,017	35,414	32,696	25,649	23,896	32,134
Meetings	34,400	28,476	27,594	16,115	16,715	24,660
Assemblies	59,552	75,435	69,318	70,672	70,098	69,015
Sports	94,466	122,864	151,995	143,223	217,171	145,944
Concerts & Entertainment	0	1,000	4,000	6,200	6,085	4,321
Other	11,762	27,633	43,186	11,466	9,172	20,644
Total	421,819	493,616	544,087	453,106	541,455	490,817

*Average the only available data.

Source: VBCC

The VBCC has averaged 358 events and approximately 491,000 attendees per year from 2006 through 2010. In 2010, the number of events declined to 333, but total attendance remained high at 541,000 due to an increase in consumer show events and attendance.

In addition to event and attendance data, the VBCC provided HVS with information regarding the estimated number of room nights associated with events as well as the estimated number of out-of-town guests for each event. The figure below summarizes the total attendance figures, out of town attendance, and estimated room nights for events held at the VBCC over the last five fiscal years.

FIGURE 2-2 EVENT AND ATTENDANCE HISTORY

Calendar Year	Total Attendance	Out of Town Attendance	Estimated Room Nights
2006	421,819	81,242	116,840
2007	493,616	90,647	134,157
2008	544,087	87,533	143,859
2009	453,106	84,733	120,381
2010	541,455	93,410	135,725
Average	490,817	87,513	130,192

Source: Virginia Beach Convention Center

Estimated room nights average 130,000 per year.

The figure below summarizes recent annual event and attendance data for the VBCC and select comparable facilities.

FIGURE 2-3 EVENTS AND ATTENDANCE AT COMPARABLE VENUES

Data Year	Baltimore	Charlotte	Atlanta	Richmond	Louisville	Myrtle Beach	Raleigh	Average*	Virginia Beach
	FY 2009	FY 2009	FY 2007	FY 2009	CY 2008	FY 2008	FY 2010		CY 2010
Number of Events									
Conventions & Tradeshows	0	27	60	36	28	45	55	42	29
Consumer Shows	0	20	34	32	11	17	24	23	33
Banquets	0	0	164	50	17	0	68	75	78
Meetings & Conferences	0	0	761	115	63	81	188	242	151
Assemblies, Sports, Concerts & Other	0	303	54	289	103	30	31	135	42
Total	0	350	1,073	522	225	197	366	456	333
Average Attendance									
Conventions & Tradeshows	0	4,199	1,707	2,358	0	0	1,186	2,363	2,182
Consumer Shows	0	7,597	4,932	2,732	0	0	10,750	6,503	3,997
Banquets	0	0	405	472	0	0	401	426	306
Meetings & Conferences	0	0	149	176	0	0	105	143	131
Assemblies, Sports, Concerts & Other	0	528	638	433	0	0	2,367	992	7,203
Overall Average	0	1,215	451	654	1,659	2,753	1,212	1,324	1,626
Total Attendance									
Conventions & Tradeshows	244,812	113,372	102,423	84,885	0	0	65,240	122,146	63,270
Consumer Shows	82,926	151,946	167,701	87,438	0	0	258,010	149,604	131,913
Banquets	3,300	0	66,474	23,622	0	0	27,270	30,167	23,896
Meetings & Conferences	78,139	0	113,126	20,288	0	0	19,711	57,816	19,850
Assemblies, Sports, Concerts & Other	26,815	160,104	34,470	125,189	0	0	73,386	83,993	302,526
Total	435,992	425,422	484,000	341,422	373,249	542,300	443,617		541,455

*Average the only available data.

Sources: Event Data from Respective Facilities as Classified by HVS

The VBCC generated more attendance than most of its competitors in 2010, despite hosting fewer total events than four of its competitors in the above set.

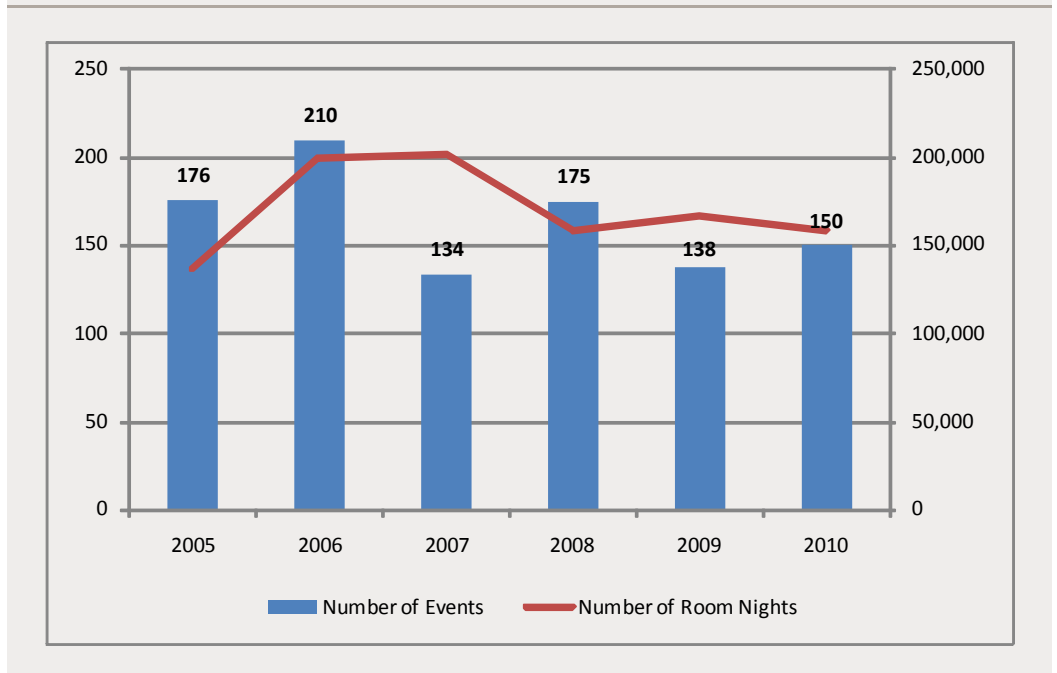
The VBCC hosts a higher than average number of consumer shows and a lower than average number of convention and tradeshow events. The facility hosts a comparable number of banquets, but fewer total meetings and conferences, and sports, assemblies and concerts than the competitors' average.

The VBCC compares similarly to the competitive set in average attendance for most event types. Consumer show attendance at the VBCC averages 40 percent less attendance. Total and average attendance at sports events at the VBCC was significantly higher than comparable facilities, due to the large marathon and half-marathon events which use the facility.

Lost Business

HVS analyzed the lost business report submitted by the Virginia Beach Convention and Visitor's Bureau ("VBCVB") for lost business between 2005 and 2010. An event is considered lost business if the event planner had booked tentative dates in the VBCC, but ultimately decided to book the event in another venue. The VBCC records the number of lost events and the potential room nights associated with each event. The figure below provides an annual summary of lost business by the year in which the events would have occurred.

FIGURE 2-4 LOST EVENTS AND ROOM NIGHTS



The lost business data set listed 35 separate reasons codes for lost business for all events. HVS classified three of these reason codes - “Political/Board Decision”, “Competitor Offered Better Overall Package,” and “Competitor - Draw Appeal” as unknown reasons, since they do not specify a decision criteria.

HVS reclassified the remaining reason codes into six categories and calculated the percent of lost room nights attributable to each of the six lost business categories. The figure below shows the percent of lost room nights by each category.

FIGURE 2-5 CATEGORIES OF LOST BUSINESS (% OF LOST ROOM NIGHTS)



Source: Virginia Beach Convention and Visitor's Bureau

Forty-four percent of lost business results from the lack of a headquarters hotel or enough quality hotel rooms in the market. The addition of the proposed headquarters hotel would address this concern and allow the VBCC to recover some of this lost business.

To estimate the number of annual lost room nights for each category of lost business, HVS applied the above distribution of lost business to the average annual total room nights lost from all lost business events from 2005 through 2010 (170,335). The following figure shows the average estimated annual room nights for each category of lost business.

FIGURE 2-6 ESTIMATED ANNUAL LOST ROOM NIGHTS

Reason for Lost Business	Actual Average Room Nights Lost for Events with Reasons	Average Estimated Annual Room Nights Lost for All Lost Business
Lack of HQ Hotel or Rooms in Market	46,471	74,711
High Rates	19,957	32,085
Lack of Available Dates or Space	13,198	21,218
Destination Characteristics	12,604	20,263
Lack of Private or Public Subsidies	9,303	14,956
Other	4,417	7,101
	105,949	170,335

Source: Virginia Beach Convention and Visitor's Bureau and HVS

For many events, event planners provided two or three reasons for not holding their event at the VBCC. Because the criteria used in event planners' decision making is multi-layered, the addition of a headquarters hotel would not result in 100 percent recovery of business lost due to lack of a headquarters hotel or proximate room supply. To assess potential recovery of lost business, HVS calculated the number of room nights that could be recovered in a range of 30 to 70 percent recovery of lost business. See the figure below.

FIGURE 2-7 POTENTIAL TO RECOVER BUSINESS WITH PROPOSED HOTEL

Percent Recovered	Annual Number of Recovered Room Nights
30%	51,101
40%	68,134
50%	85,168
60%	102,201
70%	119,235

Under these assumptions, the VBCC could recover between 51,000 to 120,000 room nights per year. This range provides the boundaries of a reasonable estimate of new VBCC room nights generated by the addition of a headquarters hotel.

Demand Projections

The information revealed in the market overview, lost business reports, analysis of comparable facilities, and event planner surveys indicates that the development of a headquarters hotel attached to the VBCC could generate an increased amount of event demand.

Based on the results of event planners surveys previously conducted by HVS, we understand that event planners consider the facility's event space, staff, and destination appeal among the VBCC's strengths, but consider the lack of a headquarters hotel adjacent or attached to the facility a weakness. The lack of a headquarters hotel was also cited in several instances by event planners when asked why they located their event outside of the VBCC.

Once the proposed headquarters hotel has been opened for a period of time, event demand is projected to level off and stabilize. For the VBCC, HVS projects that event demand and attendance will stabilize in FY 2016. The addition of a headquarters hotel would likely increase the number of conferences, meetings, conventions, and tradeshow taking place at the VBCC, but it would likely not affect the number of assemblies or entertainment events that occur at the facility.

FIGURE 2-8 SCENARIO 1 - EVENT DEMAND FORECAST WITHOUT HOTEL

	2011	2012	2013	2014	2015	2016
Events						
Conventions	15	15	14	14	14	14
Tradeshows	10	10	10	10	10	10
Conferences	5	5	5	5	5	5
Consumer Shows	28	28	28	28	28	28
Banquets	75	75	75	75	75	75
Meetings	160	158	157	155	154	152
Assemblies	5	5	5	5	5	5
Sports	15	15	15	15	15	15
Concerts & Entertainment	2	2	2	2	2	2
Other Events	25	25	25	25	25	25
Total	340	338	336	334	333	331
Average Attendance						
Conventions	2,900	2,900	2,900	2,900	2,900	2,900
Tradeshows	1,200	1,200	1,200	1,200	1,200	1,200
Conferences	670	670	670	670	670	670
Consumer Shows	4,200	4,200	4,200	4,200	4,200	4,200
Banquets	330	330	330	330	330	330
Meetings	100	100	100	100	100	100
Assemblies	12,900	12,900	12,900	12,900	12,900	12,900
Sports	9,900	9,900	9,900	9,900	9,900	9,900
Concerts & Entertainment	4,600	4,600	4,600	4,600	4,600	4,600
Other Events	650	650	650	650	650	650
Total Attendance						
Conventions	43,500	43,500	40,600	40,600	40,600	40,600
Tradeshows	12,000	12,000	12,000	12,000	12,000	12,000
Conferences	3,350	3,350	3,350	3,350	3,350	3,350
Consumer Shows	117,600	117,600	117,600	117,600	117,600	117,600
Banquets	24,750	24,750	24,750	24,750	24,750	24,750
Meetings	16,000	15,800	15,700	15,500	15,400	15,200
Assemblies	64,500	64,500	64,500	64,500	64,500	64,500
Sports	148,500	148,500	148,500	148,500	148,500	148,500
Concerts & Entertainment	9,200	9,200	9,200	9,200	9,200	9,200
Other Events	16,250	16,250	16,250	16,250	16,250	16,250
Total	455,650	455,450	452,450	452,250	452,150	451,950

Without the addition of a headquarters hotel, HVS projects that demand at the VBCC will decline slightly as competitors may improve their convention centers and hotels.

The figure below shows the HVS forecast of VBCC event demand assuming the hotel opens in January 2013.

FIGURE 2-9 SCENARIO 2 - EVENT DEMAND FORECAST WITH HOTEL

	2011	2012	2013	2014	2015	2016
Events						
Conventions	15	15	20	21	22	22
Tradeshows	10	10	11	12	12	12
Conferences	5	5	10	10	10	10
Consumer Shows	28	28	28	28	28	28
Banquets	75	75	81	81	81	81
Meetings	160	158	162	171	180	180
Assemblies	5	5	5	5	5	5
Sports	15	15	18	19	20	20
Concerts & Entertainment	2	2	2	2	2	2
Other Events	25	25	30	30	30	30
Total	340	338	367	379	390	390

*Proposed headquarters hotel to open January 1, 2012

Average Attendance						
Conventions	2,900	2,900	2,900	2,900	2,900	2,900
Tradeshows	1,200	1,200	1,200	1,200	1,200	1,200
Conferences	670	670	670	670	670	670
Consumer Shows	4,200	4,200	4,200	4,200	4,200	4,200
Banquets	330	330	330	330	330	330
Meetings	100	100	100	100	100	100
Assemblies	12,900	12,900	12,900	12,900	12,900	12,900
Sports	9,900	9,900	9,900	9,900	9,900	9,900
Concerts & Entertainment	4,600	4,600	4,600	4,600	4,600	4,600
Other Events	650	650	650	650	650	650
Total Attendance						
Conventions	43,500	43,500	57,420	60,610	63,800	63,800
Tradeshows	12,000	12,000	13,680	14,400	14,400	14,400
Conferences	3,350	3,350	6,700	6,700	6,700	6,700
Consumer Shows	117,600	117,600	117,600	117,600	117,600	117,600
Banquets	24,750	24,750	26,730	26,730	26,730	26,730
Meetings	16,000	15,800	16,200	17,100	18,000	18,000
Assemblies	64,500	64,500	64,500	64,500	64,500	64,500
Sports	148,500	148,500	178,200	188,100	198,000	198,000
Concerts & Entertainment	9,200	9,200	9,200	9,200	9,200	9,200
Other Events	16,250	16,250	19,500	19,500	19,500	19,500
Total	455,650	455,450	509,730	524,440	538,430	538,430

The addition of a headquarters hotel would substantially increase the attractiveness of the VBCC for conventions and tradeshow, conferences, banquets, meetings, and sports, as these events typically require significant room blocks proximate to convention space. The addition of a headquarters hotel would likely not affect the number of consumer shows, assemblies, or entertainment events that occur at the facility because these events do not require hotel room blocks.

The figure below shows the change in event demand between scenario 1 - without headquarters hotel, and scenario 2 - with headquarters hotel. HVS calculated the change for a stabilized year of event demand (2016).

FIGURE 2-10 CHANGE IN VBCC EVENT DEMAND

	Stabilized Year		Change
	Without Hotel	With Hotel	
Events			
Conventions	14	22	8
Tradeshows	10	12	2
Conferences	5	10	5
Consumer Shows	28	28	-
Banquets	75	81	6
Meetings	152	180	28
Assemblies	5	5	-
Sports	15	20	5
Concerts & Entertainment	2	2	-
Other Events	25	30	5
Total	331	390	59
Total Attendance			
Conventions	40,600	63,800	23,200
Tradeshows	12,000	14,400	2,400
Conferences	3,350	6,700	3,350
Consumer Shows	117,600	117,600	-
Banquets	24,750	26,730	1,980
Meetings	15,200	18,000	2,800
Assemblies	64,500	64,500	-
Sports	148,500	198,000	49,500
Concerts & Entertainment	9,200	9,200	-
Other Events	16,250	19,500	3,250
Total	451,950	538,430	86,480
Total Room Nights			
Conventions	85,300	134,000	48,700
Tradeshows	3,600	4,300	700
Conferences	1,300	2,500	1,200
Consumer Shows	7,800	7,800	-
Banquets	1,700	1,900	200
Meetings	1,100	1,300	200
Assemblies	600	600	-
Sports	74,300	99,000	24,700
Concerts & Entertainment	-	-	-
Other Events	300	400	100
Total	176,000	251,700	75,700

Based on HVS demand projections, the VBCC would generate an additional 75,000 room nights annually in a stabilized year as a result of increased demand at the VBCC due to the addition of a headquarters hotel. In addition to the room nights generated by VBCC events, the headquarters hotel itself would also induce new room nights. In 2008, HVS performed a market study for the proposed 361-room

property. This analysis relies on the estimate of hotel occupancy contained in the HVS Headquarters Hotel Market Study. The figure below shows the estimated number of room nights and the percent that are considered new to the market.

FIGURE 2-11 ROOM NIGHTS INDUCED BY THE PROPOSED HQ HOTEL

Market Segment		Year 1	Year 2	Year 3	Year 4	Year 5
Occupied Room Nights						
Commercial		6,600	7,900	9,300	9,400	9,500
Meeting and Group		42,200	48,800	56,400	57,100	57,800
Leisure		17,300	18,800	20,300	20,500	20,800
Total Room Nights		66,100	75,500	86,000	87,000	88,100
<i>Estimated Occupancy Rate</i>		50%	57%	65%	66%	67%
New Room Nights						
	Percent					
Commercial	10%	660	790	930	940	950
Meeting and Group	30%	12,660	14,640	16,920	17,130	17,340
Leisure	10%	1,730	1,880	2,030	2,050	2,080
New Hotel Room Nights		15,050	17,310	19,880	20,120	20,370

Source: HVS Headquarters Hotel Market Study Estimates Adjusted to a 361 room property

In a stabilized year of demand, the proposed hotel would generate an estimated 20,000 new room nights from commercial, leisure travels, and in-house meeting and group business.

The combined impact of convention center and hotel based events would generate an estimated 96,000 new room nights in the Virginia Beach market as a whole. As shown in the table above, the headquarters hotel with 361 rooms would absorb an estimated 88,000 total room nights in a stabilized year of demand. Consequently, the headquarters hotel is not expected to have a negative impact on market-wide occupancies.

The preceding event demand and room night estimates are subject to the assumptions and limiting conditions described throughout the report. In addition, we highlight the following assumptions that are important factors in achieving the forecasted results.

- The headquarters hotel will open on January 1, 2013 and will feature 361 rooms, a restaurant, a lounge, 16,858 square feet of meeting space, a pool, an exercise room, a business center, a gift shop, a vending area, and a guest

laundry room. The hotel would also include back-of-the-house space necessary to support full-service hotel operations.

- As the primary sales and marketing arm for the City of Virginia Beach, the VBCVB is adequately funded to successfully implement an approved sales and marketing strategy.
- Adequate surface and/or garage parking is available for event attendees which is both proximate to the VBCC and conveniently accessible to patrons.
- Collateral development within the VBCC area proceeds commensurate with the development of the proposed headquarters hotel, and an adequate number of retail, dining and entertainment options are available for event attendees during the initial years of operation.
- The operator and brand selection process for the proposed hotel proceeds on schedule with a high-quality operator in place at opening.

3. Spending Impacts

Methodology

HVS identified the new spending that would occur in the local economy due to the operations of the VBCC, assuming that the headquarters hotel opens on January 1, 2013. HVS direct spending estimates include only new spending that originates from outside the two market areas analyzed in this report: the City of Virginia Beach (the “City”) and the Commonwealth of Virginia (the “Commonwealth”). Spending by delegates who live within the market area is a transfer of income from one sector of the area’s economy to another; therefore, this analysis does not count spending by local residents as a new economic impact.

Direct, Indirect, and Induced Spending

Spending falls into three categories:

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

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

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

Sources of Direct Spending

HVS identified five sources of new direct spending impact for the City and the Commonwealth:

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

Overnight and Daytrip Attendee Assumptions

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

FIGURE 3-1 NEW TO THE MARKET

Geographic Area/ Event Type	Percent Lodgers	Percent Net New to Market Area			
		Room Nights	Day Trips	Exhibitor Spend	Organizer Spend
City					
Conventions	60%	100%	70%	100%	100%
Tradeshows	20%	100%	70%	100%	100%
Conferences	25%	100%	70%	100%	100%
Consumer Shows	3%	100%	70%	100%	100%
Banquets	7%	100%	70%	100%	100%
Meetings	7%	100%	70%	100%	100%
Assemblies	1%	100%	70%	100%	100%
Sports	50%	100%	70%	100%	100%
Concerts & Entertainment	0%	100%	70%	100%	100%
Other Events	2%	100%	70%	100%	100%
Commonwealth					
Conventions	60%	50%	25%	50%	50%
Tradeshows	20%	50%	25%	50%	50%
Conferences	25%	75%	25%	75%	75%
Consumer Shows	3%	75%	50%	75%	75%
Banquets	7%	75%	50%	75%	75%
Meetings	7%	75%	50%	75%	75%
Assemblies	1%	75%	50%	75%	75%
Sports	50%	75%	50%	75%	75%
Concerts & Entertainment	0%	75%	50%	50%	50%
Other Events	2%	75%	50%	75%	75%

The assumptions of the percent of attendees that are lodgers are based on historical analysis of VBCC event data. Since the City is a smaller market area than the Commonwealth, HVS assumes that the percent room nights, day trips, and exhibitor and organizer spending that is new to the Commonwealth is significantly less than the spending that is new to the City.

Sources of Impact

Combining the event demand forecast (described in the previous section of this report) with the assumptions of the percent of demand that is new to the market yields an estimate of the sources of impact shown in the table below.

FIGURE 3-2 SOURCES OF NEW IMPACT (FOR A STABILIZED YEAR)

Event Type	Attendee Days *	Overnight Stays*	Day Trips*
City			
Conventions	104,400	48,720	29,232
Tradeshows	6,000	720	3,360
Conferences	8,375	1,256	4,397
Consumer Shows	0	0	0
Banquets	2,376	139	1,547
Meetings	4,200	196	2,734
Assemblies	0	0	0
Sports	168,300	24,750	58,905
Concerts & Entertainment	0	0	0
Other Events	4,550	66	3,120
Headquarters Hotel	0	20,120	0
Total	298,201	95,967	103,295
Commonwealth			
Conventions	52,200	24,360	10,440
Tradeshows	3,000	360	1,200
Conferences	6,281	942	1,570
Consumer Shows	0	0	0
Banquets	1,782	104	1,105
Meetings	3,150	147	1,953
Assemblies	0	0	0
Sports	126,225	18,563	42,075
Concerts & Entertainment	0	0	0
Other Events	3,413	50	2,229
Headquarters Hotel	0	18,108	0
Total	196,051	62,633	60,572

*New to Market

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

Spending Parameters

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

In order to estimate average spending by overnight delegates, daytrip delegates, event organizers, and exhibitors in the City and Commonwealth, HVS evaluated data from three visitor spending surveys. First, the 2004 Destination Marketing Association International (“DMAI”) survey (the most recent one available) focuses on spending by convention and tradeshow participants. Second, the 2010 Corporate Travel Index (“CTI”) survey focuses on visitor spending in the top 100 business destinations in the country. HVS uses the CTI survey to index the national

results contained in the DMAI survey so that they more accurately reflect the probable level of spending in the District. Thirdly, lodging expenditures were based on Smith Travel Research data on city-wide average daily room rates for the year 2010.

Adjusting the average DMAI data with the CTI creates spending parameters for the City and Commonwealth (referred to herein as the “Daily Spending Parameters”). All parameters are stated as the daily spending by individual overnight delegates, day trippers, event organizers, and exhibitors. All Daily Spending Parameters (shown in the figures below) are stated as the daily spending by individual overnight delegates, day trippers, event organizers, and exhibitors in 2011 dollars.

Overnight Attendee Spending

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

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

Daily Spending Parameter	Spending Per Overnight Stay	Overnight Attendee Stays	Overnight Attendee Direct Spending
Lodging and Incidentals	\$131.54		
Hotel F&B	28.72		
Restaurants	49.18		
Tours/Sightseeing	5.52		
Recreation	1.84		
Sporting Events	0.85		
Retail Stores	28.89		
Local Transport	8.34		
Auto Rental	5.65		
Gasoline, Tolls, Parking	8.67		
Other	0.17		
Total	\$269.38		
City	\$269.38	X 95,967	= \$25,852,000
Commonwealth	\$269.38	X 62,633	= \$16,872,000

HVS estimates that the addition of a headquarters hotel would generate 96,000 overnight stays new to the City, and 63,000 overnight stays that are new to the Commonwealth.

These overnight attendees purchase lodging, restaurant meals, retail goods, transportation services, and other goods and services that would result in approximately \$25.9 million and \$16.9 million in new spending to the City to the Commonwealth, respectively.

Daytrip Spending

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

Multiplying the number of new delegates to the City and Commonwealth by the estimated daily spending figure produces an estimate of new spending by daytrip delegates in the City and Commonwealth, as shown below.

FIGURE 3-4 DAYTRIP SPENDING (IN 2011 DOLLARS)

Daily Spending Parameter	Spending per Day Trip	Number of Day Trips	Day Tripper Spending
Restaurants	\$24.59		
Retail Stores	14.45		
Local Transport	4.17		
Gasoline, Tolls, Parking	5.06		
Total	\$51.10		
City	\$51.10	X 103,295	= \$5,278,000
Commonwealth	\$51.10	X 60,572	= \$3,095,000

Approximately 103,000 new day trips to the City and 61,000 new day trips to the Commonwealth generate \$5.3 million and \$3.1 million to the City and Commonwealth, respectively.

Event Organizer Spending

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

FIGURE 3-5 EVENT ORGANIZER SPENDING

Daily Spending Parameter	Spending per Attendee Days		Number of Attendee Days		Event Organizer Spending
Hotel	\$0.00				
F&B	6.23				
Exhibition Space Fees	5.50				
Services Hired	5.18				
Equipment Rental	2.28				
Advertising	0.00				
Technology Services	0.39				
Additional Spaces	0.28				
Local Transportation	0.24				
Other	1.09				
Total	\$21.19				
City	\$21.19	X	298,201	=	\$6,319,000
Commonwealth	\$21.19	X	196,051	=	\$4,154,000

Based on \$21.19 in daily spending per delegate, event organizers would generate approximately \$6.3 million and \$4.2 million to the City and Commonwealth, respectively.

Exhibitor Spending

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

FIGURE 3-6 EXHIBITORS SPENDING (IN 2011 DOLLARS)

Daily Spending Parameter	Spending per Attendee Days		Number of Attendee Days		Exhibitor Spending
Hotel	\$6.51				
Vendor Services	11.97				
F&B	11.79				
Advertising	0.00				
Local Transportation	2.75				
Equipment Rental	10.29				
Service Hired	2.06				
Additional Meeting Rooms	1.53				
Other	5.36				
Total	\$52.26				
City	\$52.26	X	298,201	=	\$15,584,000
Commonwealth	\$52.26	X	196,051	=	\$10,245,000

New spending by exhibitors is typically one of the larger sources of direct economic impact generated by convention centers. Using historical attendance data, as provided by the VBCC, estimated new spending by event organizers generates approximately \$15.6 million and \$10.2 million to the City and Commonwealth, respectively.

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

Summary of Direct Spending

FIGURE 3-7 ESTIMATED DIRECT SPENDING (IN 2011 DOLLARS)

Source	City - Spending (\$ millions)	Commonwealth Spending (\$ millions)
Overnight Attendees	\$25.9	\$16.9
Day Trippers	5.3	3.1
Exhibitors	6.3	4.2
Event Organizers	15.6	10.2
Total Direct Impact	\$53.0	\$34.4

Total estimated direct spending attributed to activities of the VBCC as a result of the addition of a headquarters hotel opening on January 1, 2013 is \$53.0 million for the City and \$34.4 million for the Commonwealth.

Indirect and Induced Spending Estimates

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

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

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

FIGURE 3-8 DISTRIBUTION OF DIRECT SPENDING

Category	City		Commonwealth	
	\$	% Total	\$	% Total
Local Transport	\$ 1,721,000	3.2%	1,097,000	3.2%
Tours/Sightseeing	518,000	1.0%	338,000	1.0%
Gasoline, Tolls, Parking	1,336,000	2.5%	837,000	2.4%
Supplies & Misc. Retail	5,667,000	10.7%	3,606,000	10.5%
Auto Rental	822,000	1.5%	517,000	1.5%
Equipment Rental	2,922,000	5.5%	1,921,000	5.6%
Technology Services	1,734,000	3.3%	1,140,000	3.3%
Event Services	4,059,000	7.7%	2,669,000	7.8%
Sporting Events	80,000	0.2%	52,000	0.2%
Recreation	173,000	0.3%	113,000	0.3%
Hotel Services	12,918,000	24.4%	8,431,000	24.5%
Space Rental	4,441,000	8.4%	2,919,000	8.5%
Food & Beverage	16,643,000	31.4%	10,726,000	31.2%
TOTAL	\$ 53,033,000	100%	34,367,000	100%

Indirect and Induced Spending

The following table shows the output of the IMPLAN model—the projected new direct, indirect, and induced economic impacts and that would be caused by the proposed headquarters hotel.

FIGURE 3-9 STABILIZED INDIRECT AND INDUCED SPENDING (\$2011)

City	Spending (in thousands)		Jobs
	Spending	Jobs	
Direct	\$53,000	600	
Indirect	16,000	130	
Induced	19,700	170	
Total	\$88,700	900	
Commonwealth			
Direct	\$34,400	310	
Indirect	12,200	60	
Induced	14,000	80	
Total	\$60,600	450	

Total spending in a stabilized year (2016) of demand is estimated approximately \$88.7 million in the City and \$60.6 million in the Commonwealth.

Jobs can also be used to measure economic impact. Total spending supports employment. Using the IMPLAN model, HVS estimates the VBCC would support roughly 900 new jobs in the City and 450 new jobs in the Commonwealth.

Fiscal Impacts

Fiscal impacts represent the public sector share of the economic impacts, as represented by tax collections on new spending. The previously discussed spending estimates provide a basis for estimating potential tax revenue as some of the spending will be subject to taxation.

City Fiscal Impacts

The IMPLAN analysis results in indirect and induced spending classified into hundreds of detailed spending categories. HVS evaluated each of these spending categories to determine which taxes would apply to each type of spending output. The appropriate tax rates are then used to estimate the amount of tax revenue. The following table lists the local sales and use taxes that apply to spending in the City. The table also shows the respective tax rates for each category. The business tax rates vary depending on the nature of the business.

FIGURE 3-10 SALES AND USE TAX RATES

Tax Categories	Rates
Admissions	10.0%
Admission to Participatory Events	5.0%
Cigarettes	\$0.65/20 pack
Mobile Local Telephone Service	5.0%
Restaurants & Meals	5.5%
Retail Sales*	2.25%
Transient Accommodations**	8.30%
Business License Tax	% of Gross Receipts

*The City of Virginia Beach receives 1.0% of the Commonwealth of Virginia's 5.0% retail sales tax. The school district receive 1.25%

**8.0 % plus a \$1.00/night accomodations tax.

Source: City of Virginia Beach Commissioner of Revenue

HVS applied these tax rates to a detailed breakdown of spending categories that result from direct, indirect and induced spending in the local economy. HVS then estimated the potential revenue from each tax source as shown in the following table.

**FIGURE 3-11 CITY ESTIMATED INCREMENTAL SALES AND USE TAX REVENUES
(IN THOUSANDS)**

CITY OF VIRGINIA BEACH			
Tax Category	Tax Base (\$)	Effective Tax Rate	Estimated Tax Revenue (\$)
Admissions	190,000	8.40%	16,000
Restaurant & Meals	18,896,000	5.50%	1,039,300
Transient Accommodations*	12,945,000	8.30%	1,074,400
Business License Tax	54,064,000	0.39%	212,600
Property Taxes (proposed hotel)	68,599,000	0.89%	610,500
Property Taxes	9,066,000	0.89%	80,700
Retail Sales**	51,547,000	2.30%	1,185,600
Business Property Tax	2,517,000	3.70%	93,100
Total			\$4,312,200

*8.0% nominal tax rate plus \$1.00/night included in tax rate.
**1.0% of State tax distributed to the City plus 1.25% to the school district.

HVS estimates that the event activity associated with the proposed headquarters hotel in Virginia Beach will generate approximately \$4.3 million in local sales and use tax revenues in 2016. While Virginia Beach also levies a sales tax on cigarettes and a use tax on local mobile telephone services, the incremental revenue generated by each source is likely to be very small when compared to the other tax revenue sources.

Commonwealth Fiscal Impacts

HVS applied the sales and use tax, personal income, and corporate income tax to the detailed breakdown of spending categories that result from direct, indirect and induced spending within the Commonwealth.

**FIGURE 3-12 COMMONWEALTH ESTIMATED INCREMENTAL TAX REVENUES
(IN THOUSANDS)**

Tax Category	Tax Base (\$)	Effective Tax Rate	Estimated Tax Revenue (\$)
Sales and Use Taxes	35,787,000	4.00%	1,431,500
Personal Income	22,508,000	5.17%	1,163,700
Corporate Income Taxes	2,366,000	6.00%	142,000
Total			\$2,737,200

Long-Term Local Fiscal Impacts

HVS estimates that the event activity associated with the proposed headquarters hotel in Virginia Beach will generate approximately \$2.7 million in state sales and use tax revenues, personal income tax revenues, and corporate income tax revenues in a stabilized year (2016).

HVS also estimated the long term fiscal impact of the proposed headquarter hotel by calculating the Net Present Value (“NPV”) of the potential tax revenue streams for the City.

FIGURE 3-13 LONG TERM FISCAL IMPACTS – CITY OF VIRGINIA BEACH

	Year	2011 Dollars*	Nominal Dollars	Discounted Values
Year	1	2011	-	-
Year	2	2012	-	-
Year	3	2013	2,566,000	2,387,000
Year	4	2014	3,665,000	3,328,000
Year	5	2015	4,312,000	3,823,000
Year	6	2016	4,312,000	3,732,000
Year	7	2017	4,312,000	3,643,000
Year	8	2018	4,312,000	3,556,000
Year	9	2019	4,104,448	3,304,000
Year	10	2020	4,104,448	3,226,000
Year	11	2021	4,104,448	3,148,000
Year	12	2022	4,104,448	3,074,000
Year	13	2023	4,104,448	3,001,000
Year	14	2024	4,104,448	2,929,000
Year	15	2025	4,104,448	2,859,000
Year	16	2026	4,104,448	2,791,000
Year	17	2027	4,104,448	2,725,000
Year	18	2028	4,104,448	2,660,000
Year	19	2029	4,104,448	2,597,000
Year	20	2030	4,104,448	2,535,000
Year	21	2031	4,104,448	2,475,000
Year	22	2032	4,104,448	2,416,000
			Total	\$ 60,209,000

*Property taxes estimated to decrease by roughly 33% after 2018 due to change in assessed values based on construction costs to values based on capitalized income streams.

Assuming a 2.5% inflation rate and a 5% discount rate, HVS estimates the net present value of the fiscal impact of the first 22 years of the hotel’s operations totals \$60.2 million.

HVS also estimated the long-term fiscal impact of the proposed headquarters hotel for the Commonwealth as shown in the figure below.

FIGURE 3-14 LONG TERM FISCAL IMPACTS – COMMONWEALTH

Year	2011 Dollars	Nominal Dollars	Discounted Values
2011	-	-	-
2012	-	-	-
2013	1,628,000	1,753,000	1,514,000
2014	2,326,000	2,567,000	2,112,000
2015	2,737,000	3,097,000	2,427,000
2016	2,737,200	3,174,000	2,368,000
2017	2,737,200	3,254,000	2,313,000
2018	2,737,200	3,335,000	2,257,000
2019	2,737,200	3,418,000	2,203,000
2020	2,737,200	3,504,000	2,151,000
2021	2,737,200	3,591,000	2,100,000
2022	2,737,200	3,681,000	2,050,000
2023	2,737,200	3,773,000	2,001,000
2024	2,737,200	3,868,000	1,954,000
2025	2,737,200	3,964,000	1,907,000
2026	2,737,200	4,063,000	1,861,000
2027	2,737,200	4,165,000	1,817,000
2028	2,737,200	4,269,000	1,774,000
2029	2,737,200	4,376,000	1,732,000
2030	2,737,200	4,485,000	1,690,000
2031	2,737,200	4,597,000	1,650,000
2032	2,737,200	4,712,000	1,611,000
Total			\$ 39,492,000

HVS estimates that the Commonwealth could generate a NPV of 100% in fiscal impact over a 20-year period.

Summary and Conclusion

The following table shows a summary of the projected impact the proposed headquarters hotel will have on the local Virginia Beach economy in 2016.

FIGURE 3-15 SUMMARY OF IMPACTS FROM THE HEADQUARTERS HOTEL IN A STABILIZED YEAR (2016)

Summary of Impacts*	Virginia Beach	Commonwealth
Economic Impact	\$88.7 million	\$60.6 million
Fiscal Impact	\$4.3 million	\$2.7 million
Jobs	900	450

*In a stabilized year.

HVS estimates the proposed headquarters hotel will generate economic impacts of approximately \$88.7 million to the City in a stabilized year (2016) and \$60.6 million to the Commonwealth. The fiscal impacts, or tax revenues, generated by the new spending associates with the VBCC are projected at approximately \$4.3 million for the City and \$2.7 million for the Commonwealth. The new economic activity associated with the project is projected to support roughly 900 full-time equivalent jobs annually for the City and 450 full-time equivalent jobs annually for the Commonwealth.

4. Statement of Assumptions and Limiting Conditions

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


the forecasted results. Actual events and circumstances are likely to differ from the assumptions in this report and some of those differences may be material. The readers should consider these estimates as a mid-point in a range of possible outcomes.

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

5. Certification

We, the undersigned, hereby certify:

1. that the statements of fact presented in this report are true and correct to the best of our knowledge and belief;
2. that the reported analyses, opinions, and conclusions presented in this report are limited only by the assumptions and limiting conditions set forth, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
3. that we have no current or contemplated interests in the real estate that is the subject of this report;
4. that we have no personal interest or bias with respect to the subject matter of this report or the parties involved;
5. that this report sets forth all of the limiting conditions (imposed by the terms of this assignment) affecting the analyses, opinions, and conclusions presented herein;
6. that the fee paid for the preparation of this report is not contingent upon our conclusions, or the occurrence of a subsequent event directly related to the intended use of this report;
7. that our engagement in this assignment was not contingent upon developing or reporting predetermined results; and
8. that no one other than those listed above and the undersigned prepared the analyses, conclusions, and opinions concerning the real estate that are set forth in this economic impact study.



Thomas A. Hazinski
Managing Director
HVS Convention, Sports, & Entertainment Facilities
Consulting