



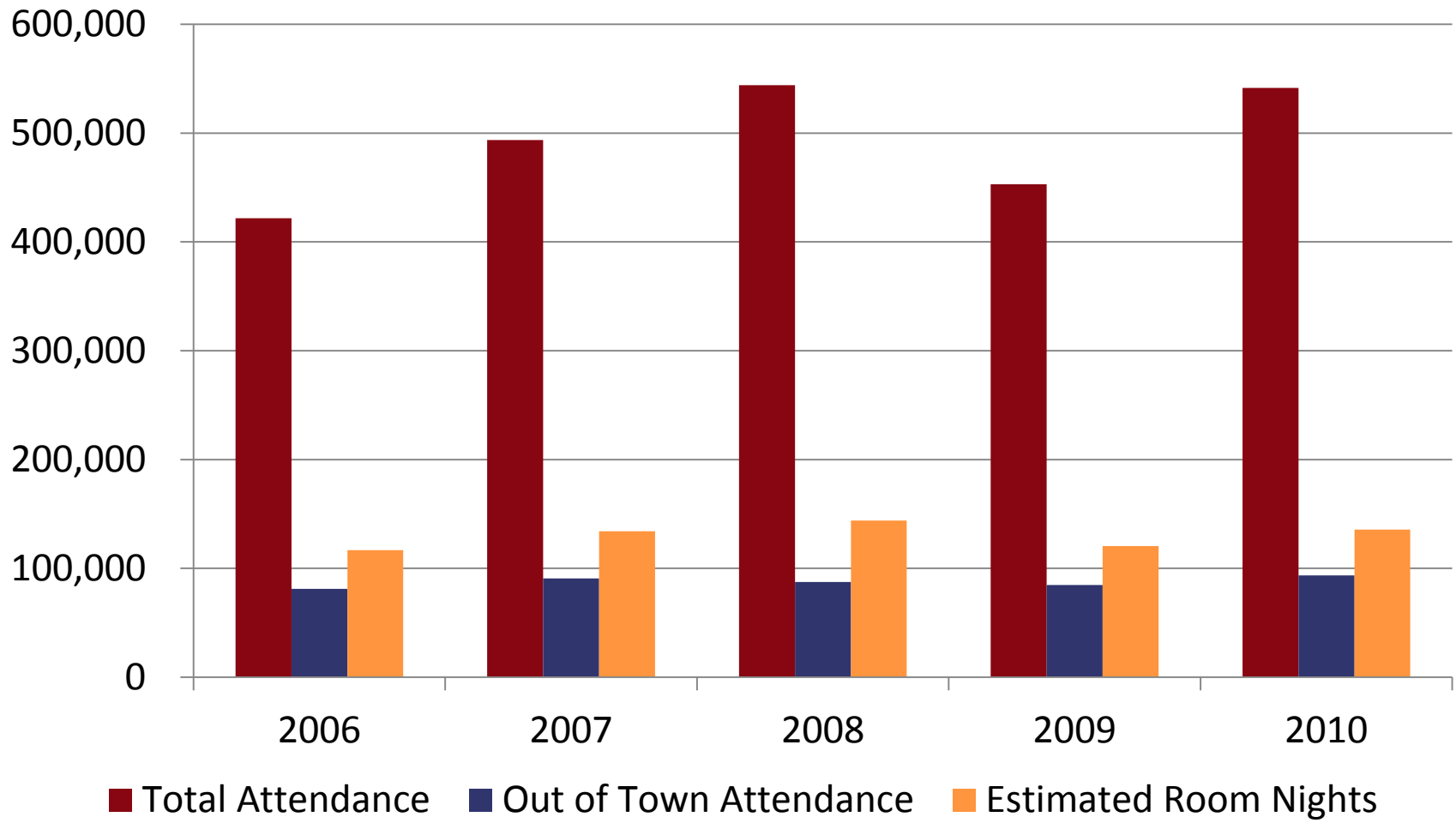
Economic Impacts Analysis
Convention Center Headquarters Hotel
Presented to the
Virginia Beach Convention & Visitors Bureau

July 6, 2011

Methodology – Four Step Process

- Estimate convention center demand with and without the hotel
 - Historical event demand
 - Comparisons with other venues
 - Lost business reports
 - Room night forecasts
- Identification of Impact Generators
 - Delegates
 - Day trips
 - Event organizers
 - Exhibitors
- Spending Impacts
 - Direct – new spending my impact generators
 - Indirect – business purchases related to spending
 - Induced– personal income related to spending
- Fiscal Impacts
 - Break spending into taxable categories
 - Apply appropriate tax rates

Currently, most convention center attendance is local 120,000 to 140,000 room nights per year



Comparable Venues – number of events

Event Type	High	Low	Average	Virginia Beach
Conventions and Trade Shows	60	27	42	29
Consumer Shows	34	11	23	33
Banquets	164	17	75	78
Meetings & Conferences	761	63	242	151
Assemblies, Sports & Other	303	30	135	42

- VBCC is in the low range and well below average with respect to the number of conventions and trade shows that generate the highest level of out of town visitation. Indicates room for new business growth.
- VBCC has an above average number of consumer show events.

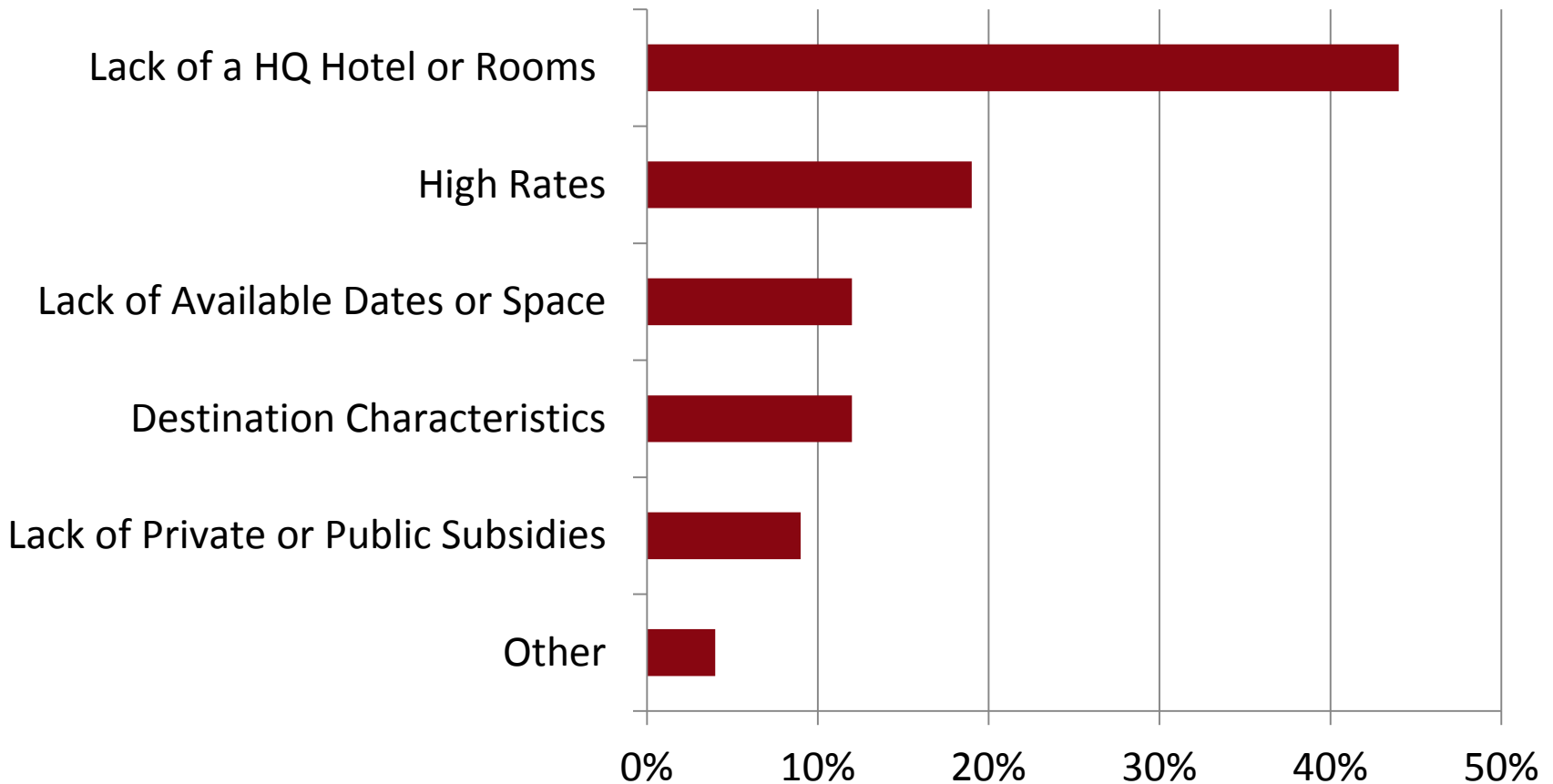
Comparable Venues - attendance

Event Type	High	Low	Average	Virginia Beach
Conventions and Trade Shows	244,000	65,000	122,000	63,000
Consumer Shows	258,000	83,000	150,000	132,000
Banquets	66,474	24,000	30,000	24,000
Meetings & Conferences	113,000	20,000	58,000	20,000
Assemblies, Sports & Other	160,000	27,000	84,000	303,000

- Stronger than all competition in assembly, sports and other due to the large sports events marketing program at VBCC.

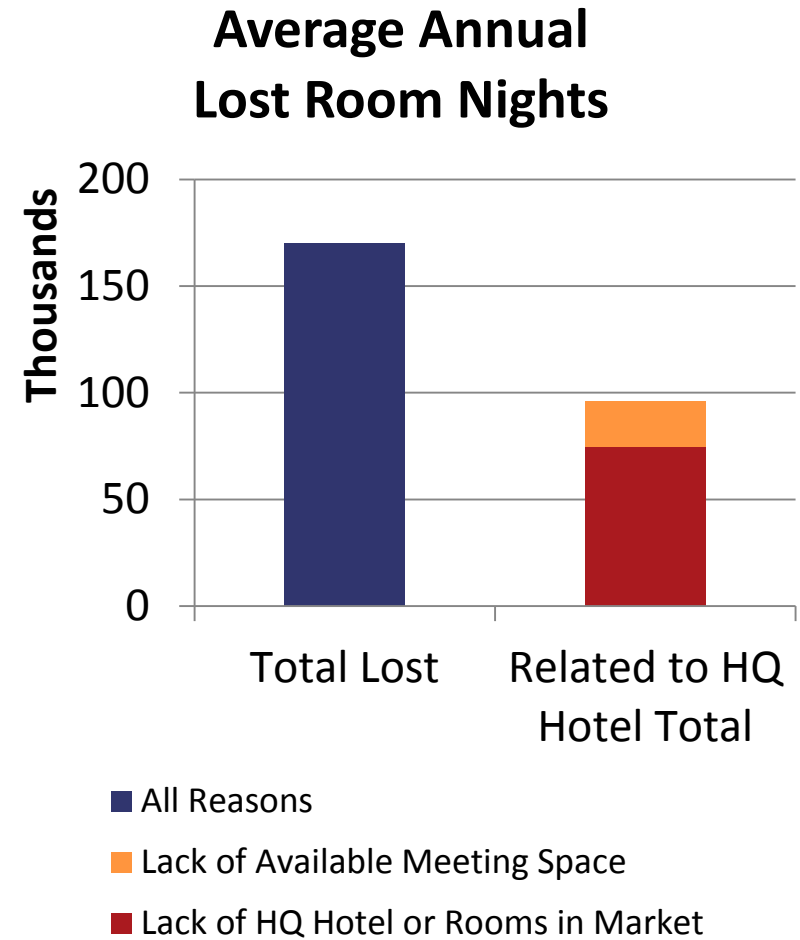
Most convention business is lost due to lack of a headquarters hotel and available rooms

Percent of Lost Business



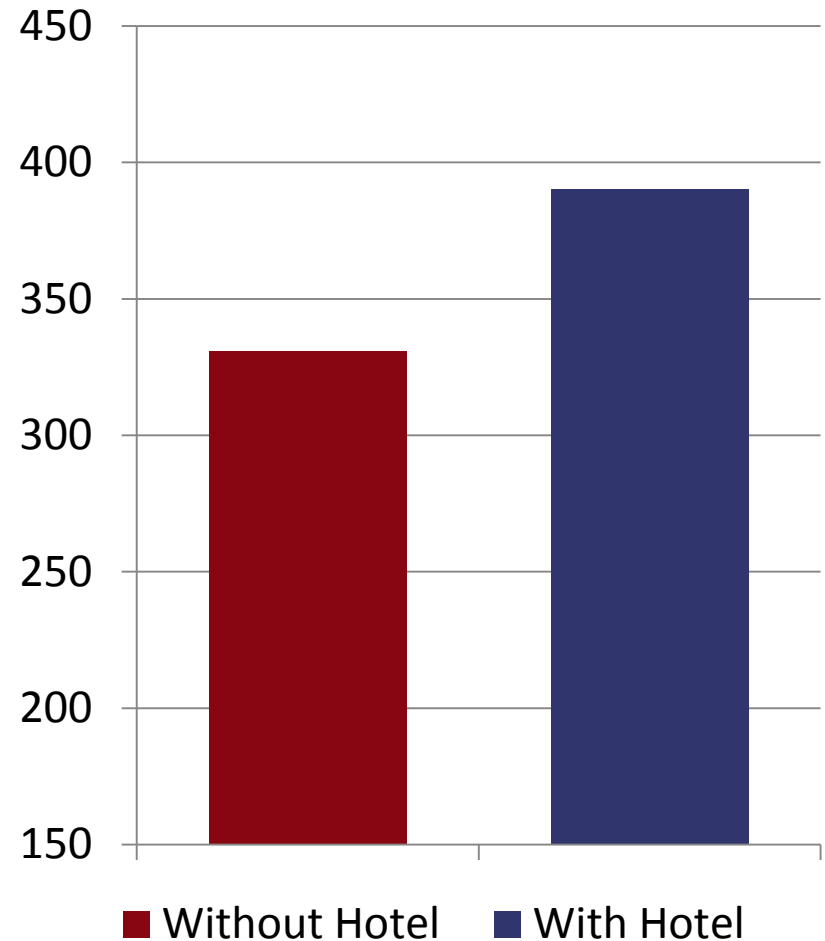
Lost Business (2005-2010) – 95,000 room nights to lack of a HQ hotel and meeting space

- The VBCC lost an average of 170,000 room nights per year from 2005-2010.
- Of those over 95,000 room nights are directly related to the lack of adjacent hotel rooms or meeting space.
- 56 percent of lost business would be addressed by the addition of a headquarters hotel.
- The proposed project would remove these barriers to attracting new business.

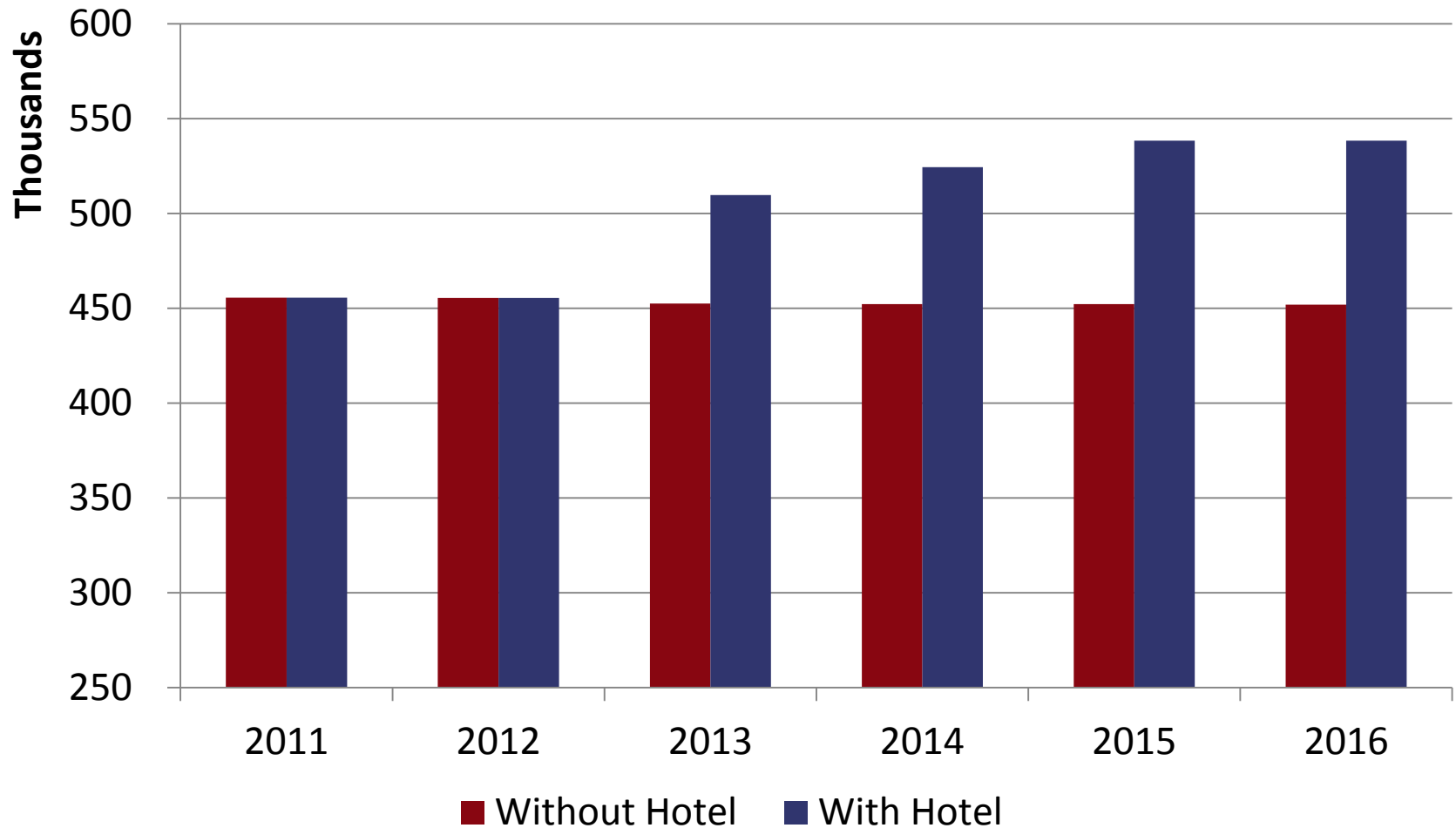


Estimated changes in VBCC demand in a stabilized year

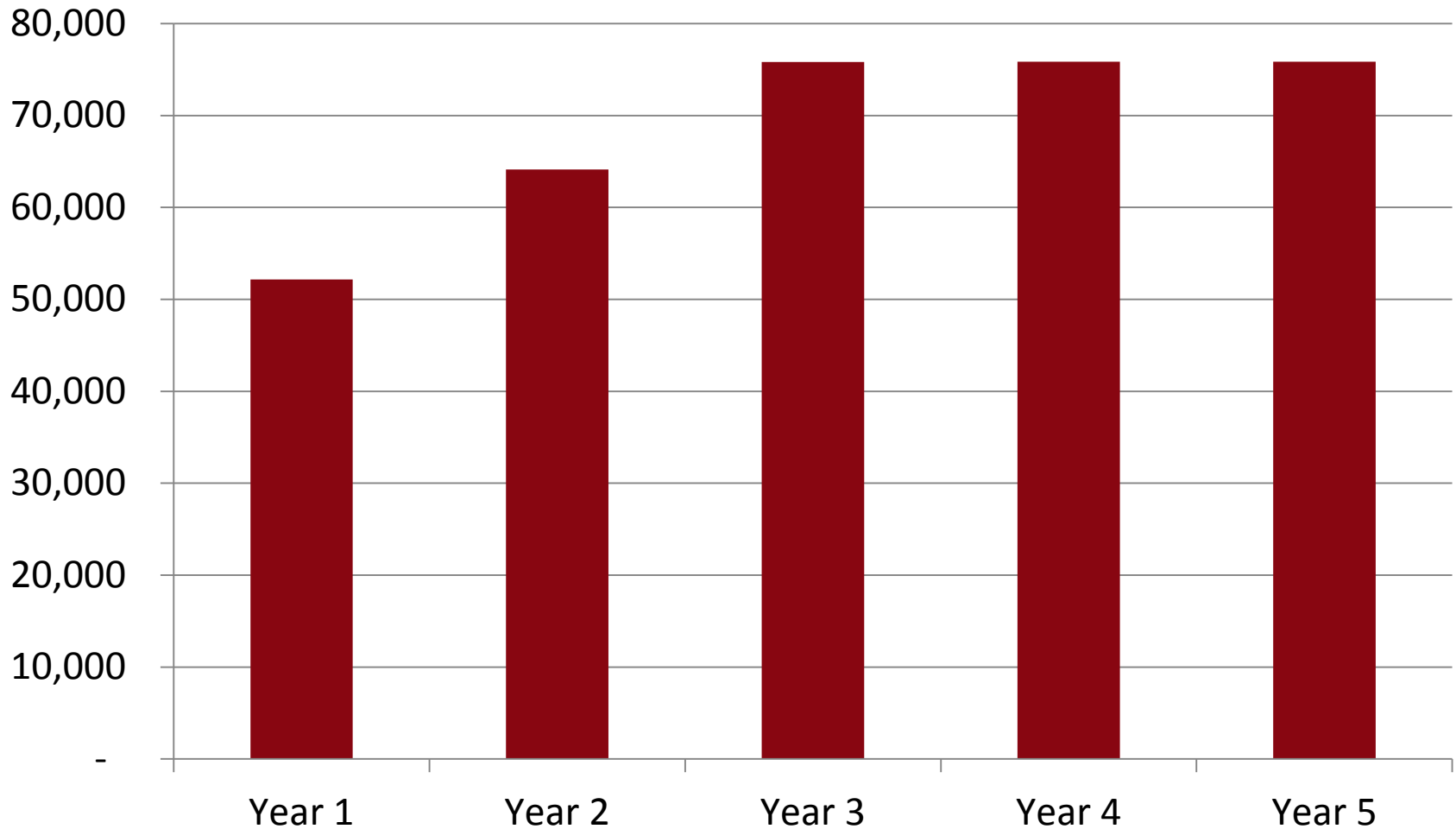
- HVS estimates a potential increase of approximately 75 events based on:
 - Analysis of historical event data
 - Analysis of lost business
 - Assessment of demand at comparable venues with headquarters hotels
 - Current marketing efforts and advanced booking information



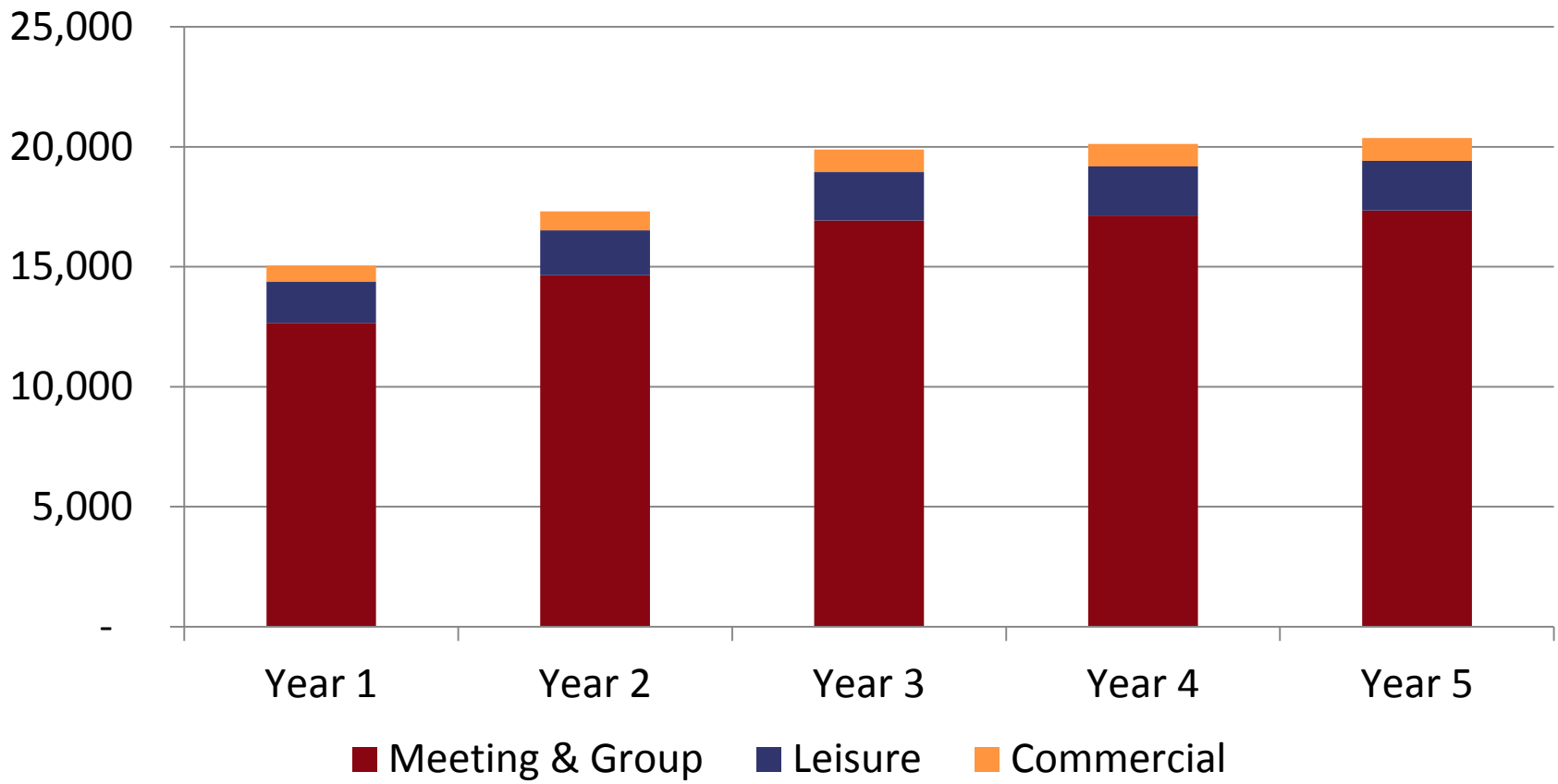
Estimate of VBCC attendance with and without the proposed headquarters hotel



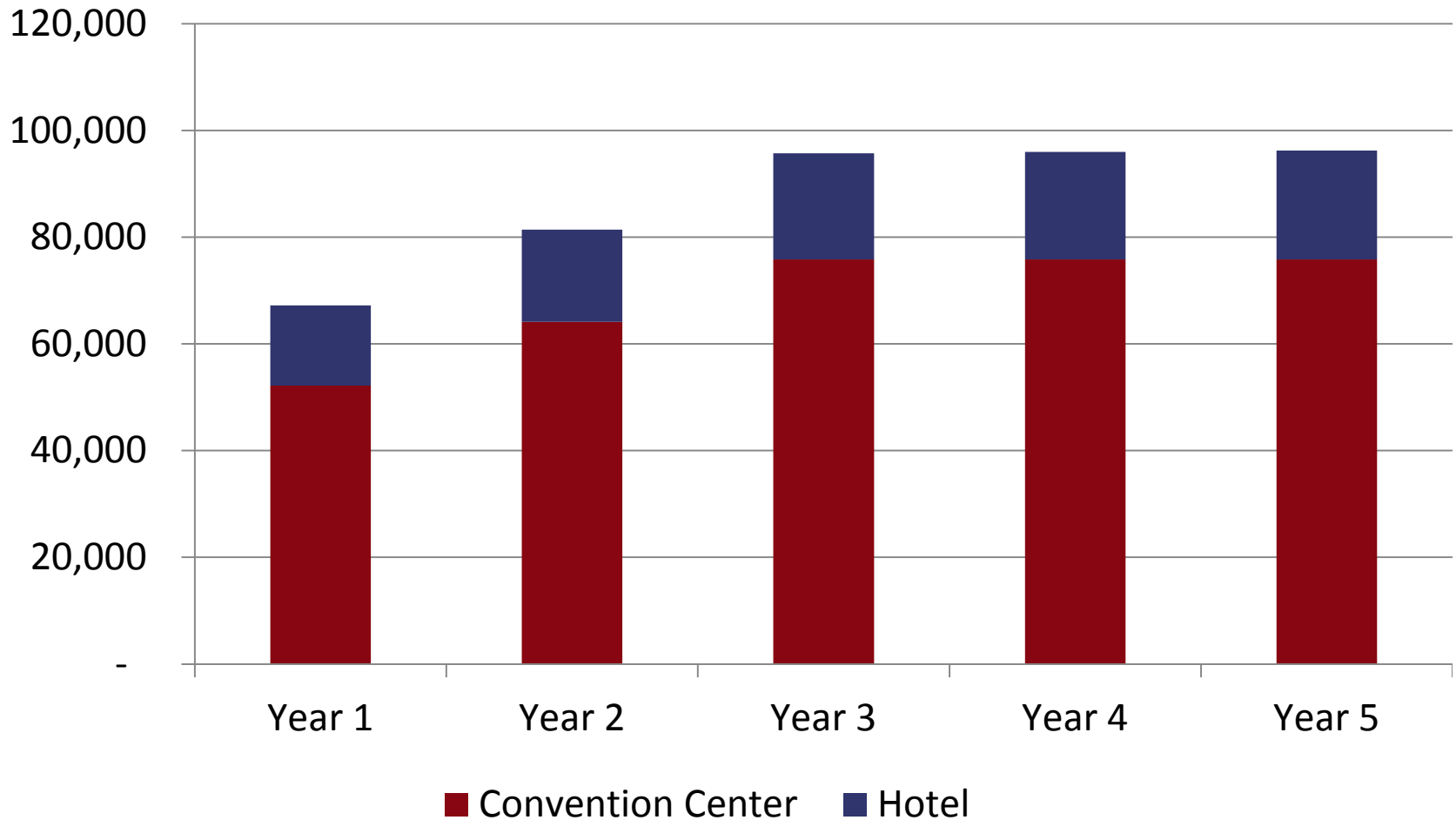
Room nights due to growth in convention center business forecast to increase by 76,000



In-house group, commercial, and leisure business in the HQ hotel would induce approximately 20,000 room nights



Total room nights induced by the project – 96,000 room nights by year three



Impact on Other hotels

- Assuming that the headquarters hotel could block a maximum of 300 rooms per night for a convention center event, HVS estimates that it would capture approximately 15 percent of the total room blocks for all events at the convention center.
- The headquarters hotel would also capture the all “in-house group” room nights.
- Of the total 96,000 new room nights generated by the project,
 - approximately 32,000 would be captured by the headquarters hotel
 - 64,000 would be accommodated by other hotels in the market.

Sources of Spending Impact

- Overnight attendees – spend on lodging, restaurant, retail, transportation, and entertainment .
- Daytrip Attendees—lower levels of daily spending by significant for Virginia Beach if they drive from other communities.
- Event Organizers – spend on lodging, food and beverage, facility rental and services, transportation and other.
- Exhibitors – spend on lodging, food and beverage, transportation, booth set up, equipment rental, and services.

HVS Spending Assumptions

DMAI Data X Virginia Beach Index X inflation = Spending Assumption

- DMAI Spending Assumptions:
 - Food and Beverage
 - Lodging
 - Travel
 - Recreation
 - Etc.
- Corporate Travel Index:
 - Compares cost of business travel in top 100 markets
- Consumer Price Index Data from 2004- present to inflate data to 2009 dollars

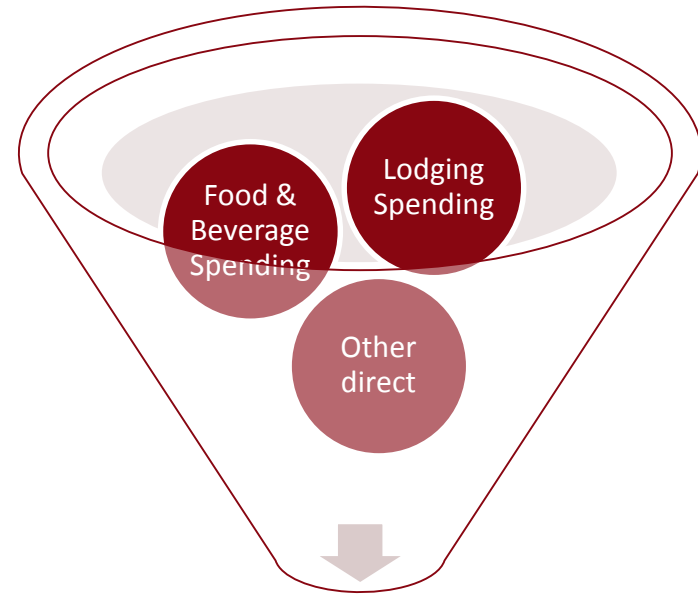
Direct Spending Estimates

Source	Estimated Amount per Day	Estimated Number of Trips/Stays/Attendees	Estimated Spending (\$ millions)
Overnight Attendees	\$243.84	95,890	\$23.4 M
Day Trips	\$51.10	103,295	\$5.3 M
Event Organizers (per attendee)	\$22.79	298,201	\$29.7 M
Exhibitors (per attendee)	\$99.47	298,201	\$6.8 M
		TOTAL*	\$65.1 M

*Subject to rounding error.

Induced and Indirect Impacts

IMPLAN - An input-output model that uses a matrix to depict the inter-industry relations of an economy. It shows how the output of an industry provides inputs to each other industry as well as final output.



Indirect	Induced	Employment
<ul style="list-style-type: none">• Business spending	<ul style="list-style-type: none">• Personal Income	<ul style="list-style-type: none">• Full and part-time jobs

Summary of Direct Induced and Indirect Impacts

	Spending (in thousands)	Jobs
City		
Direct	\$65,100	730
Indirect	20,400	170
Induced	24,200	210
Total	\$109,700	1,110

Annual Fiscal Impacts – City of Virginia Beach (for a stablized year stated in 2011 dollars)

Tax Category	Tax Base (\$)	Effective Tax Rate	Estimated Tax Revenue (\$)
Admissions	230,000	10.00%	23,000
Restaurant & Meals	20,908,000	5.50%	1,149,900
Transient Accommodations*	25,114,000	8.30%	2,084,500
Business License Tax	68,757,000	0.39%	270,400
Property Taxes (proposed hotel)	68,599,000	0.89%	610,500
Property Taxes	11,260,000	0.89%	100,200
Retail Sales**	51,954,000	2.30%	1,194,900
Business Property Tax	2,446,000	3.70%	90,500
Total			\$5,523,900

*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.

Present Value of Fiscal Impacts - \$71.4 million

- HVS estimated the present value new tax revenue to the City of Virginia Beach
- 20 year revenue stream
- 5% discount rate

Year	2011 Dollars*	Nominal Dollars	Discounted Values
2011	-	-	-
2012	-	-	-
2013	3,287,000	3,540,000	3,058,000
2014	4,695,000	5,182,000	4,263,000
2015	5,524,000	6,250,000	4,897,000
2016	5,524,000	6,406,000	4,780,000
2017	5,524,000	6,566,000	4,666,000
2018	5,524,000	6,730,000	4,555,000
2019	5,316,448	6,640,000	4,280,000
2020	5,316,448	6,806,000	4,178,000
2021	5,316,448	6,976,000	4,079,000
2022	5,316,448	7,150,000	3,981,000
2023	5,316,448	7,329,000	3,887,000
2024	5,316,448	7,512,000	3,794,000
2025	5,316,448	7,700,000	3,704,000
2026	5,316,448	7,892,000	3,615,000
2027	5,316,448	8,090,000	3,530,000
2028	5,316,448	8,292,000	3,445,000
2029	5,316,448	8,499,000	3,363,000
2030	5,316,448	8,712,000	3,283,000
		Total	\$ 71,358,000

Summary of Impacts

- The headquarters hotel will generate a significant number of new room nights in the market (96,000 by a stabilized year).
- Benefits to existing hotels include:
 - “Overflow room nights” – approximately 64,000 of the 96,000 new room nights would be captured by other hotels that provide room blocks for city-wide convention events.
 - New business in shoulder seasons would boost occupancies
 - Attracting delegates with improved spending profile (more Association and fewer SMERF groups).
- Protect the city investment in the convention center by improving its ability to compete.
- \$71.4 million present value of 20 years of fiscal impact.