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# **Headquarters Hotel Impact Study**

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## **Dallas Convention & Visitors Bureau**

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### **Dallas, Texas**

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**Submitted to:**

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December 18, 2001

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December 18, 2001

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Re: Headquarters Hotel Impact  
Analysis

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Dear Mr. Whitney:

Pursuant to our engagement with the Dallas Convention & Visitors Bureau (DCVB), HVS Convention, Sports & Entertainment Facilities Consulting (HVS) has prepared a facility Headquarters Hotel Impact Analysis.

The purpose of our study is to estimate the spending impact of the development of a new, full-service, convention-quality hotel in Dallas. This report documents our findings. The report also discusses approaches to financing a headquarters property and presents case studies of seven comparable projects.

We have enjoyed serving you during this engagement.

Very sincerely yours,

New York  
Denver  
San Francisco  
Miami  
Orlando  
Chicago  
Vancouver  
Toronto  
London  
New Delhi  
Singapore  
Mexico City  
São Paulo  
Buenos Aires

**HVS Convention, Sports &  
Entertainment Facilities Consulting**

# 1. Introduction

The Dallas Convention & Visitors Bureau (“Dallas CVB”) engaged HVS Convention, Sports, & Entertainment Facilities Consulting (“HVS”) to conduct an economic impact analysis of the affects of developing a hotel adjacent to the Dallas Convention Center (“DCC”). Members of the convention and tourism community in Dallas have worked for years to develop a headquarters hotel property to serve the thousands of out-of-town visitors that attend DCC events each year. To date, these efforts have yet to result in the development of a headquarters hotel property. The purpose of developing the proposed headquarters hotel is to enable the expanded and renovated DCC to attract a higher volume of conventions and tradeshows that require large blocks of hotel rooms. A headquarters hotel would enable the Dallas CVB to attract additional events by significantly enhancing the availability of convention-quality rooms convenient to the DCC.

## Study Objectives

The overall objective of this study is to provide the Dallas CVB, the area’s meetings and hospitality community, and the City in general an independent assessment of the extent to which a headquarters hotel will improve the performance of the DCC and to quantify the economic impact of the proposed development. This report also illustrates approaches to financing a headquarters hotel including descriptions of recent projects in other cities. This information will enable various decision makers to evaluate the merits of pursuing the project and investing the resources necessary to achieve its development.

## Methods and Contents

To accomplish the study objectives, HVS met with the Dallas CVB and discussed the operations of the DCC, possible scenarios for the addition of a headquarters hotel, and data on historical and booked demand. HVS performed research and analysis designed to estimate the level of spending impact that the DCC would generate both with and without the addition of a headquarters hotel. Analysis of financing options is based on HVS’ experience with headquarters hotel projects in other markets and on a review of the financing documents of the respective deals.

## The Current Hotel Development Proposal

The current proposal is to construct a 1,200 room convention center headquarters lodging facility to be known as the proposed headquarters development (the “headquarters hotel” or the “hotel”). The hotel will have a major national lodging brand. In addition to guestrooms, the hotel is expected to contain over 90,000 square feet of meeting space, a 275-seat main restaurant, a 75-seat specialty restaurant, three lounges with a total of 295 seats, a gift shop, a business center, an outdoor swimming pool and whirlpool, an exercise room, and approximately 1,000 parking spaces.

## Site Characteristics

The Dallas CVB has identified two potential sites for the proposed headquarters hotel. This analysis assumes that the proposed headquarters hotel would be built adjacent to the DCC and that there would be a pedestrian connection between the two facilities. As long as these site conditions are met, the findings of this analysis are applicable regardless of the site that is ultimately selected.

The current hotel proposal involves a site located adjacent to the DCC expansion in the Southwest edge of the Dallas downtown area. The DCC and the proposed site of the hotel are located immediately east on Interstate-35E, inside the system of interstate highways that ring the downtown area. The proposed site is bounded by the Houston Street Viaduct on the north and the Jefferson Viaduct on the south. Visibility from major highways would be excellent, although the site is somewhat removed from downtown commercial buildings.

The size of the subject land is not defined at this point. The Reunion Arena parking garage currently sits on the site and the hotel is to be built over the garage facility. The garage was originally built to support a high-rise structure, but HVS did not independently verify the capacity of the garage to support a 1,200-room hotel. Railroad right-of-ways for commuter and freight trains run under the DCC expansion and between the hotel site and the DCC. The Reunion Arena is immediately north of the site but no other street level development is immediately adjacent to the hotel. HVS did not assess any zoning limitations but according to DCC representatives, the land is not subject to either height or density limitations. As such, the size is considered to be adequate for the prospective use.

The subject site has some unorthodox features. Ground level drops below the two Viaducts that border the site. As a result of these site characteristics, the subject land on which the garage is located is well below ground level. HVS does not consider this characteristic of the subject land to be a mitigating

factor with regard to its use. Direct access to the site may be provided on the viaduct level and the site may alternately be accessed by an enclosed physical connection to the DCC that spans the railroad right of way. Access to the parking garage could be provided at ground level as well as from the level of the viaducts.

The other potential site the Dallas CVB has identified is eight acres of land located adjacent to the Center's Hall D. Unlike the Reunion Arena site, this site would require the construction of a new parking structure to accommodate the parking needs of a 1,200-room hotel.

#### Summary of Salient Data

A summary of salient data is presented below.

#### Historical and Booked Demand

The Dallas Convention Center provided HVS with event and attendance data for the years 1998-2000. HVS categorized the events according to the types listed in Table 1-1.

Table 1-1  
Dallas Convention Center Event Data 1998-2000

Type of Event	1998	1999	2000	Average
<b>Number of Events</b>				
Conventions	20	14	10	15
Tradeshows	18	32	31	27
Consumer Shows	11	14	14	13
Sports/Entertainment	12	4	1	6
Assembly	8	6	2	5
Total	69	70	58	66
<b>Attendance</b>				
Conventions	196,450	75,020	96,680	122,717
Tradeshows	266,100	354,500	252,500	291,033
Consumer Shows	480,500	408,000	167,300	351,933
Sports/Entertainment	108,000	15,000	5,000	42,667
Assembly	57,650	47,000	30,000	44,883
Total	1,108,700	899,520	551,480	853,233

Sources: Dallas Convention Center & HVS

#### Deficiency Report Interviews

The Dallas Convention & Visitors Bureau provided HVS with its deficiency report, which tracks potential business that currently eludes Dallas. HVS conducted a series of interviews with these deficiency report business

contacts. The number one reason these potential business contacts cited for not coming to Dallas was the lack of a headquarters hotel. The HVS survey of deficiency report business contacts suggests that approximately 39 of the 59 event planners, two out of every three, that chose not to use the Dallas Convention Center would have been more inclined to come to Dallas if a headquarters hotel were present.

#### Projected Demand

Based upon the data on historical and future demand, the deficiency report interviews, and their overall knowledge of the event market, the Dallas CVB projected the future number of events under two scenarios, one that assumes the hotel is not developed and another that assumes that it is built. Table 1-2 shows projected demand in a stabilized year, assuming sufficient time for advance marketing of both the expanded Dallas Convention Center and the headquarters hotel, under each scenario.

Table 1-2  
Projected Stabilized Demand With and Without a Headquarters Hotel

Event Type	Number of Events				Attendance			
	No HQ Hotel	HQ Hotel	New Events	Percent Change	No HQ Hotel	HQ Hotel	New Attendees	Percent Change
National Tradeshows/Conventions	22	32	10	45.5%	242,000	384,000	142,000	58.7%
State Tradeshows/Conventions	16	18	2	12.5%	128,000	153,000	25,000	19.5%
Consumer Shows	15	15	0	0.0%	405,000	405,000	0	0.0%
Arts & Entertainment	40	40	0	0.0%	280,000	280,000	0	0.0%
Meetings	40	50	10	25.0%	12,000	17,500	5,500	45.8%
Total	<b>133</b>	<b>155</b>	<b>22</b>	<b>16.5%</b>	<b>1,067,000</b>	<b>1,239,500</b>	<b>172,500</b>	<b>16.2%</b>

Source: Dallas Convention & Visitors Bureau

The bold figures in Table 1-2 reflect the greatest effect of the headquarters hotel in terms of new attendees and spending. The addition of a headquarters hotel would enable the DCC to attract 45.5 percent more national tradeshows and conventions, increasing attendance for these events by 58.7 percent. The increase for state-level events is lower because the new hotel would enable the DCC to attract a higher percentage of national events than it presently can. National events generate greater spending impacts than state events. Therefore, with an increased ability to attract national events, the Dallas Convention & Visitors Bureau will focus its efforts on significantly increasing the number and quality of the national events that come to Dallas.

## Room Night Estimates

Table 1-3 shows the estimated number of room nights DCC events generate and in-house group events in the headquarters hotel under each scenario.

Table 1-3  
Summary of Estimated Annual Room Nights

Source of Room Nights	No Hotel	Hotel	New Room Nights
DCC Group Demand	700,801	1,025,266	324,465
Headquarters Hotel Induced In-House Group Demand <sup>1</sup>	-	21,000	21,000
Total Room Nights	<u>700,801</u>	<u>1,046,266</u>	<u>345,465</u>
DCC Room Nights / DCC Exhibit Space	0.68	1.00	--

<sup>1</sup> Includes only new group room nights induced into the market, not total group room nights in the HQ Hotel.

Source: HVS

The development of the proposed headquarters hotel would generate an estimated 345,465 new room nights annually. Assuming a hotel occupancy rate of 65 percent, these new group room nights alone, not counting any other segments of demand such as corporate or leisure, could support 1,456 rooms in the market. The ratio of DCC event-related room nights to DCC exhibit space increases in the Hotel Scenario due to both the increase in the number of tradeshows and conventions and the shift towards more national events.

## Spending Impact Estimates

HVS estimated the spending impact of the proposed headquarters hotel development adjacent to the Dallas Convention Center by estimating total visitor spending from out-of-town event attendees at the Dallas Convention Center with and without the hotel. Table 1-4 shows the results of the HVS impact analysis.

Table 1-4  
Annual Direct, Indirect, and Induced Spending and Employment Impacts (year 2001 dollars in millions)

Type of Impact	No-Hotel Scenario		Hotel Scenario		New Impact	
	Spending	Jobs	Spending	Jobs	Spending	Jobs
Total Direct Impact	\$362.9	6,116	\$546.4	9,194	\$183.5	3,078
Indirect & Induced*	238.5	2,365	359.2	3,564	120.7	1,198
Total	<u>\$601.3</u>	<u>8,482</u>	<u>\$905.6</u>	<u>12,758</u>	<u>\$304.2</u>	<u>4,276</u>

\* Total industry output.

Source: HVS

The development of a new headquarters hotel would enable Dallas to attract \$183.5 million in annual, new direct spending into the area's economy. HVS also calculated the indirect and induced spending and employment impacts that this new direct spending would generate. Indirect and Induced spending is sometimes referred to as the multiplier effect of direct spending. Indirect and induced impacts reflect the result of the injection of additional spending into the economy. HVS utilized the IMPLAN input/output model to calculate both the indirect and induced spending and the employment impacts from the estimated direct spending. HVS estimates that the proposed headquarters hotel would enable Dallas to increase total new spending into the area's economy by \$304.2 million annually, which would support approximately 4,276 new full-time equivalent jobs.

The scenario with the hotel also includes the new group demand the hotel's meeting space would induce into the market, but this only accounts for 2 percent of the total room nights.

#### Summary of Primary Conclusions

A summary of HVS' conclusions is presented below.

- **The Need for More Convention Hotel Rooms**—Dallas has far fewer hotel rooms proximate to its convention center than most of its primary competitors for national convention and tradeshow business. This shortage of hotel rooms restricts the demand potential of the Dallas Convention Center and threatens to undermine the benefits of the ongoing expansion and renovation of this facility. Unless the supply of hotel rooms proximate to the DCC improves, the facility's market share of national conventions and tradeshows will actually decrease over the next ten years, despite the expansion and renovation project.
- **Hotel Supply is Primary Reason for Lost Business**—The lack of convention-quality hotel rooms proximate to the DCC is the primary reason that event planners elected to hold their events in competitive cities.
- **The Development of a Headquarters Hotel would Significantly Increase Demand at the DCC**—HVS projects that, in a stabilized year of demand, the DCC could host 50 conventions and tradeshows with the headquarters hotel, but only 38 without it. In addition, the average attendance at DCC events would be higher with the availability of a headquarters hotel. This increase in

demand potential, along with the in-house group demand new to the market that the hotel could attract, would result in an estimated \$304.2 million in additional spending in Dallas County and 4,276 additional full-time equivalent jobs.

- **Rationale Behind Public Support for Headquarters Hotel Development**—The large size and development cost of headquarters hotels, such as the one proposed in Dallas, makes entirely private development highly problematic. Communities use public support for headquarters hotels to make projects that would otherwise not occur and make them feasible. In the process, the project benefits from substantially lower borrowing costs than an entirely private financing would face.

The preceding includes only selected data and projections from the report. The reader should consult the full report for a complete understanding of the analysis and methodology employed in deriving the demand and impact estimates. The report includes the following sections:

**Section 2 Industry Trends**—This section analyzes current trends in the conventions, tradeshow and exhibition industries that may directly affect the performance of the DCC and the proposed hotel.

**Section 3 Peer Market and Facility Analysis**—This section includes a comparative analysis of Dallas with a set of six first-tier, peer markets and convention center facilities. This comparative analysis places Dallas' demand potential in context relative to these peer markets that compete for similar national convention and tradeshow events.

**Section 4 Demand Analysis**—This section includes an analysis of historical and future booked demand, a survey of general national association event planners, and a survey of specific event planners that have considered bringing their events to Dallas and elected to go elsewhere. The Dallas CVB maintains a list of these events that ended up in other cities in a deficiency report. HVS summarized this event information and used it in developing demand projections for the DCC with and without the proposed headquarters hotel. This section includes the demand projections for each scenario and the difference between them, which serves as the basis for the impact estimates in the following section.

**Section 5 Impact Analysis**—As the basis for spending estimates, HVS used the demand and attendance projections by type of event (conventions, tradeshows, meetings, etc.) with and without the new hotel, for the year when it projects that the DCC and new hotel would reach a stabilized level of demand. HVS estimated the spending of event delegates, associations, and exhibitors by type of expenditure to quantify two primary sources of spending impact: DCC event-related spending, and spending associated with induced in-house group demand attracted to the market by the hotel. HVS used the IMPLAN input-output model to estimate the indirect and induced impacts and also estimated the fiscal impact, that is, the government's share of total impact. The fiscal impact estimate includes the spending that is new to Dallas County and includes City and County taxes.

**Section 6 Bond Financing**—HVS reviewed various strategies for financing headquarters hotel projects. This assessment looks at the reasons why municipalities often elect to use tax-exempt financing for these projects. The section also addresses the relationship between the municipality, the developer, and the hotel operator and key issues that must be addressed in the negotiations between these parties.

**Section 7 Case Studies**—HVS worked with Dallas CVB representatives to determine a list of comparable headquarters hotel projects in other cities. This section provides a summary of the financing strategies used in recent headquarters hotel transactions in these markets.

**Section 8 Statement of Assumptions**—This section describes the primary assumptions HVS used in its analysis. HVS explains the intent of the report and various limiting conditions associated with the data it presents.

**Section 9 Certification**—HVS certifies various conditions regarding the report, including its contract with the client and the nature of its involvement in the project.

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## 2. Industry Trends

The purpose of this section is to describe the convention and meeting industry and analyze trends in the number of events, attendance, and supply of meeting and exposition facilities. The definitions provided herein will aid in understanding the convention center market analysis, and the industry trends will inform the projections of convention center performance.

**Types of Meetings and Facility Needs**

The meetings industry includes several types of events, from large trade and exhibition events to conferences and corporate meetings. Each type of event has unique facility needs. Certain events require large amounts of contiguous space and others require several smaller meeting rooms. A single event may use different types of space, including exhibit halls, banquet rooms, breakout meeting rooms, and theater seating. Event facilities need to offer the proportions of different types of space that are appropriate for their markets. Table 2-1 summarizes the key attributes of various types of meetings, including facility requirements.

Table 2-1  
Event Types and Characteristics

Event Type	Primary Purpose	Major Facility Requirement	Typical Facility Used
Social, Military, Educational, Religious, & Fraternal	Civic & social	Meeting and/or banquet space	Civic center or auditorium
Corporate & Other Meetings	Training and information exchange	Meeting space (minimal)	Hotels; Conference Centers; Convention Center Meeting Rooms
Conferences	Information exchange	Meeting space and banquet space	Hotels; Conference Centers; Convention Center Meeting Rooms
Conventions	Information exchange	Meeting space and banquet space	Hotels; Conference Centers; Convention Centers
Conventions with Exhibits	Information exchange and sales	Exhibition, breakout meeting space, and banquet space	Convention Centers
Tradeshows	Sales	Exhibition and breakout meeting space for some events	Convention Centers; Trademarks; Fairgrounds
Consumer Shows	Advertising and sales	Exhibition Space	Convention Centers; Trademarks; Fairgrounds
Combination Shows*	Advertising and sales	Exhibition Space	Convention Centers; Trademarks; Fairgrounds
Assemblies	Information exchange	Stage, seating, breakout meeting rooms	Convention Centers; Arenas; Stadiums; Fairgrounds

\*A tradeshow with private access is followed by a consumer show with public access.

Source: HVS

The following is a description of these various types of events:

**Social, Military, Educational, Religious, and Fraternal Events** — Referred to as “SMERF” events, these events include weddings, fund-raising events, educational seminars, religious gatherings, parties, and other community events that have a civic, social, or entertainment purpose. These events typically require a ballroom or multipurpose space where food and beverage services and, in some cases, entertainment can be provided. SMERF events are the most common type of events in most civic centers and locally oriented

conference facilities. Generally, SMERF groups are highly price sensitive with respect to hotel room and space rental rates.

**Corporate and Other Meetings** — Corporate meetings include training seminars, professional and technical conferences, sales meetings, shareholder events, product introductions, and management meetings. Attendance ranges up to 100, with an average of fewer than 50. These meetings are held in hotels with meeting space, conference centers, and sometimes in the meeting room blocks of larger convention centers. Corporate meetings usually require meeting rooms or ballroom space, but not exhibition space. Larger functions are sometimes held at convention centers. Corporate meeting planners and attendees prefer facilities with business amenities and a high-quality, professional appearance.

**Conferences** — Conferences are events held by associations, professional groups, and other membership organizations. These events do not usually require exhibit space, but are otherwise similar to conventions. They require meeting space for general sessions, food service areas, and breakout meeting rooms. Hotels and conference centers host the majority of conferences.

**Conventions** — Associations, professional groups, and other membership organizations hold conventions, with attendance ranging from 300 to 30,000 attendees. The larger of these meetings typically take place in convention centers with exhibit halls of 100,000 square feet or more. Smaller events are held in hotels and conference centers. Conventions usually consist of a number of concurrent meetings, with a few general sessions. Facility needs include assembly space for general sessions, banquet facilities, and numerous breakout-meeting rooms. Approximately two-thirds of conventions use exhibit space for displays and booths.

Conventions generate a greater amount of new spending in the area economy because a large percentage of attendees originate from outside the local area, typically stay several nights in the host city, and spend money on accommodations, food, retail goods, transportation, and entertainment. Spouses, family, or companions accompany about 40 percent of attendees. In order to properly accommodate conventions, an exhibit space of around 75,000 to 100,000 square feet is necessary. Without a dedicated exhibit space of this size, a market is limited to events that occur in individual hotel properties or conference centers.

**Tradeshows** — Tradeshows provide a means for wholesalers and retailers to transact business with industry buyers. Trade associations, independent show organizers, and other companies sponsor and produce trade shows. Similar to conventions, tradeshows require exhibit halls and are generally restricted to convention centers, as opposed to hotel or conference center event spaces.

Like conventions, tradeshows offer a forum for exchanging industry ideas. Tradeshows are more product and sales-oriented than conventions. They are exhibit-intensive, and exhibitors prefer column-free, single-story, open-space facilities. Exhibitors construct temporary custom booths for product display. Tradeshows typically attract a large number of attendees that originate from outside the host city, but their length of stay is shorter and their average spending lower than convention attendees. Many tradeshows are increasing the amount of meetings and other breakout sessions they conduct in order to augment the educational component of their events, attract more attendees, and keep them in the host city for longer periods of time.

**Consumer Shows** — Consumer shows are public, ticketed events featuring exhibitions of merchandise for sale or display. Consumer shows provide a means of product distribution and advertising. Some, such as auto and boat shows, have recreational and entertainment components as well. Consumer shows range in size from small local, specialized shows with a few hundred attendees to large shows with many thousands of attendees. The larger consumer shows may occur in convention centers, shopping malls, fairgrounds, and other public-assembly facilities with large exhibition areas.

Most attendees are local residents, although a few large consumer shows have a regional or national draw. Exhibitors often come from out of town and may follow a series of events occurring in different venues. Site selection considerations for consumer shows include the size and income of the local population, availability of facilities, and the number of competitive shows in the market. Many consumer shows are beginning to incorporate educational seminars, and the availability of meeting space is becoming increasingly important for these events.

**Assemblies** Assembly events usually fall under the category of SMERF events. They attract anywhere from 200 to 50,000 people or more and many require arena or stadium seating. These events do not usually require large amounts of exhibit and meeting-room space.

## Overall Facility and Event Characteristics

Convention centers typically provide several types of space that are used in different combinations depending on the type of event.

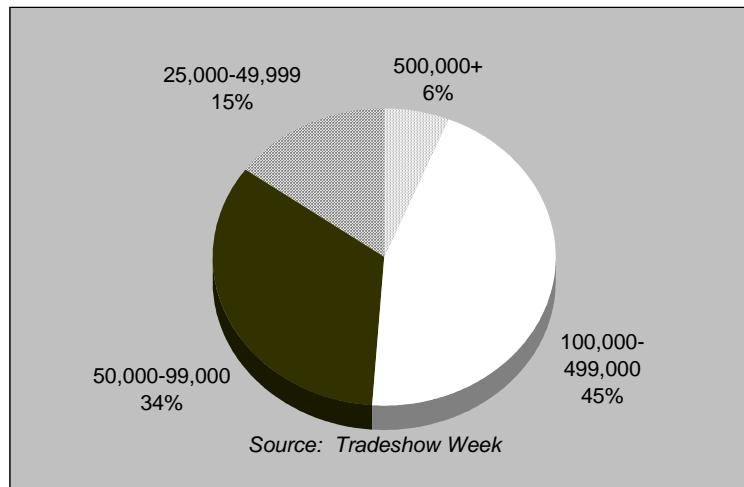
- **Exhibition space** — typically the largest single area in a convention center, with high ceilings and clear spans that limit the number of support columns in the room. Large contiguous areas are divisible with movable, soundproof walls so that the halls can be used in various configurations. Most exhibition halls have a low level of finish and their concrete floors are designed to support heavy loads. Neutral in their design, exhibit halls are more like empty stages that are appropriately decorated for each event. Loading docks with high doors allow easy loading access and trucks may be allowed to drive on the floor. Utilities for exhibition booths are provided from boxes in the floor or dropped from the ceilings. Utilities typically include electricity, telecommunications hookups, water, and sometimes, compressed air and natural gas.
- **Ballroom space** — primarily designed for food and entertainment functions. Ballrooms typically have the highest level of finish in the convention center with permanent carpet and various lighting fixtures. Like exhibit halls, ballrooms also offer high ceilings, clear spans, and divisible space with soundproof movable walls. Often used as assembly space or for entertainment events, ballrooms are usually equipped for staging presentations. Sound attenuation and sophisticated sound systems are also important features of a ballroom. Close proximity to kitchen facilities is vital for the efficient delivery of food service.
- **Meeting or breakout rooms** — intended for small groups and range from 500 to 10,000 square feet. They are often divisible into smaller units to provide maximum flexibility. Meeting rooms are characteristically carpeted and have a high level of finish. Most meeting spaces have flat floors and no fixed seating so that they can be configured for an assortment of meeting styles. Meeting rooms offer variable lighting setups, sound attenuation, and in newer facilities, access to advanced telecommunications technology. Some meeting rooms are designed exclusively for presentations and may have fixed tiered theater style seating and video projection capabilities. Boardrooms are elegant meeting rooms with the permanent installation of a conference table.

- **Breakout space** — synonym for meeting and ballroom space. HVS' analysis of US convention centers shows that the average ratio of breakout space to exhibition space is 42 percent.
- **Assembly halls and theaters** — space frequently located within convention centers that generally has a large number of fixed seats and stages. Convention centers may also be connected to arena facilities which are occasionally used as assembly spaces for events with a large number of attendees.
- **Multi-purpose space** — area that can be used as an exhibit hall or a banquet space. Similar to exhibit halls, multi-purpose rooms offer the amenities necessary for hosting exhibitions, but the level of finish is more like that of a ballroom. A multi-purpose space may also combine arena and exhibit hall functions.
- **Pre-function space** — locations just outside of or adjacent to the event space. Pre-function areas support the circulation of pedestrian traffic through the facility, serve as registration areas, and are essential to the control of access to event spaces.
- **Back-of-house space** — storage, loading docks, administrative offices, service corridors, kitchens, mechanical spaces and other areas that are vital to the operation of the facility but not visible to the public.

Size of Convention Center Events

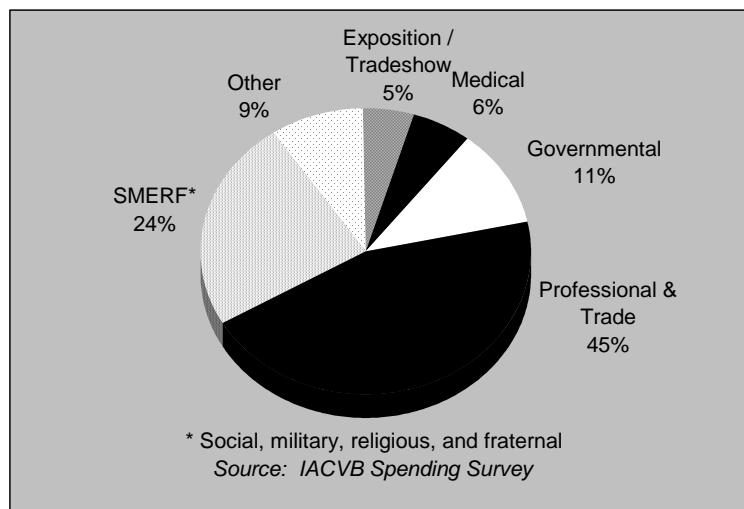
*Tradeshow Week's Major Exhibit Hall Directory 2000* reports the distribution of 270 convention centers with 25,000 square feet or more of exhibition space, as Figure 2-1 shows.

Figure 2-1  
Distribution of Convention Centers by Square Feet of Exhibit Space



Almost 80 percent of the facilities have between 50,000 and 499,000 square feet of exhibit space.

Figure 2-2  
Distribution of Convention Events by Type



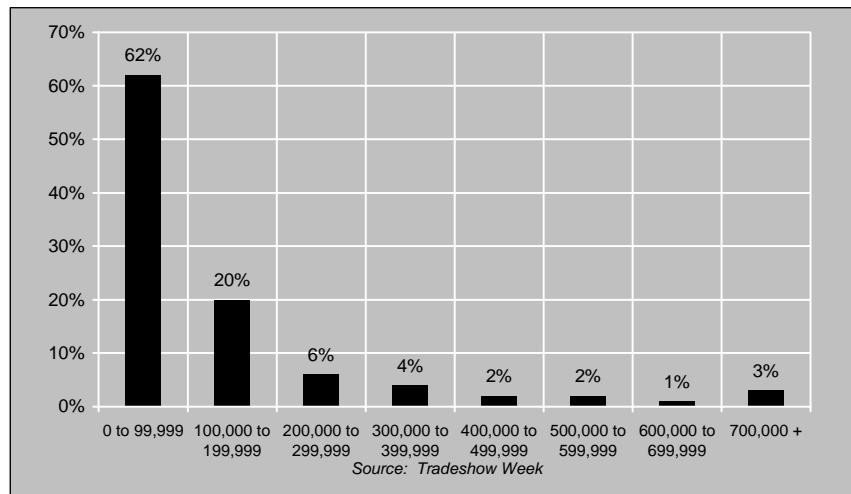
Trade and professional events account for the largest share of events. The other category includes club and corporate events.

*Tradeshow Week* annually publishes *Tradeshow Week Databook*, containing information on convention, tradeshows, and consumer shows that require exhibit space. Figure 2-3 shows the distribution of events by the amount of exhibit space they require.

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Figure 2-3  
Distribution of Events by Amount of Required Exhibit Space

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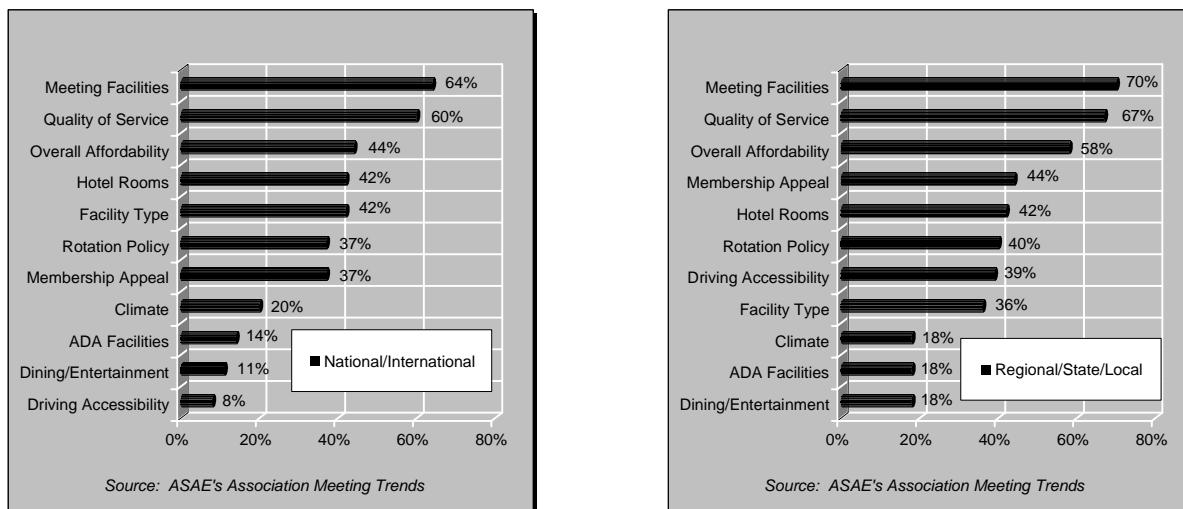


Among the events *Tradeshow Week* tracks, 82 percent use less than 200,000 square feet of exhibit space. However, this data partially reflects the distribution of facilities by size, and may not represent how much exhibit space existing events would use if larger facilities were available.

Event Planner Location Criteria

Figure 2-4 shows the criteria that convention and association event planners consider to be the most important in selecting a destination for their events.

Figure 2-4  
Share of Event Planners Citing Factors as “Very Important”, National vs. Regional



The survey asked respondents whether various site selection criteria were very important. Both convention and association event planners cited most frequently the availability of hotels and the affordability of the market as being very important.

Overview of  
Convention/Meeting  
Industry Trends

Trends in the meeting industry are likely to affect the demand for event space in Dallas. The convention/meeting industry is primarily composed of meetings, association conferences, and larger convention and tradeshow events.

*Meetings & Conventions Magazine* conducted a “2000 Meetings Market Study” with NFO Plog Research, Inc. (a research firm that has been doing market studies for the travel industry since 1974) that compiled and summarized data on the overall event industry. This study draws conclusions based on historical industry statistics and a survey of meetings planners who subscribe to *Meetings & Conventions Magazine*. The survey results are based on projections from the sample of 944 planners who responded out of 74,001 subscribers. Conducted every two years, the research focuses on the number and location of meetings, expenditures, number and type of attendees, characteristics of events planners, and the planners’ use of technology.

Figure 2-5  
Total Number of Events and Total Attendance in 1999

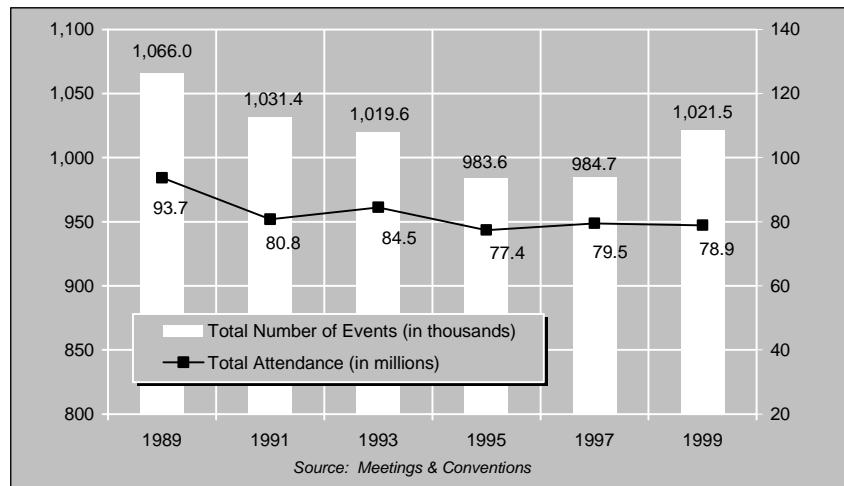


Figure 2-6 and Figure 2-7 show the number of events and attendance by type of event in 1999.

Figure 2-6  
Distribution of Events by Type

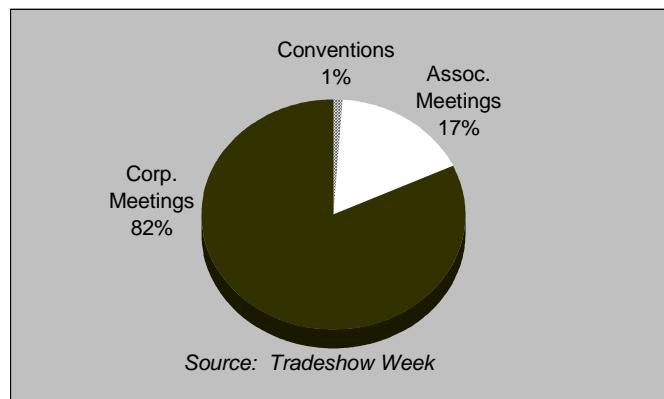
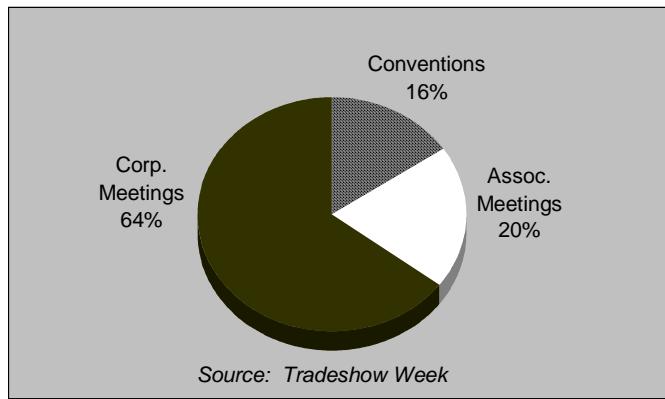


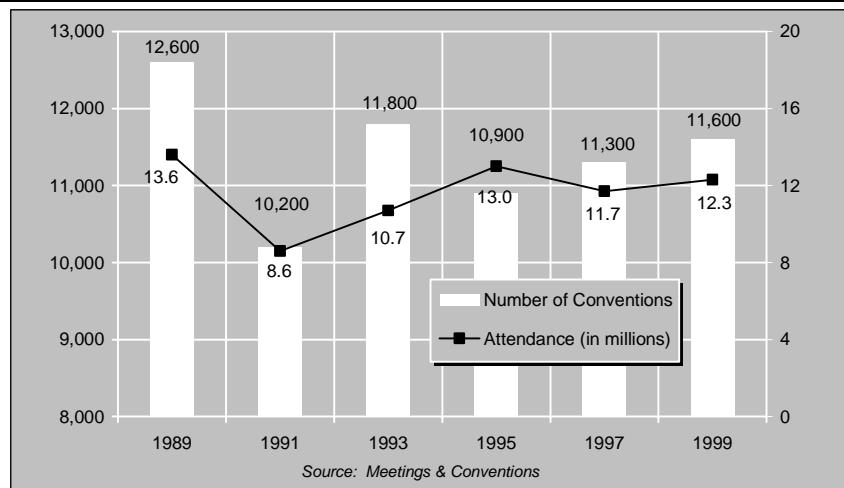
Figure 2-7  
Distribution of Attendance by Type of Event



Conventions account for only 1 percent of the overall number of events, but 16 percent of the overall attendance. Association events account for 17 percent of the overall events and 20 percent of the overall attendance. However, convention and association events generate larger shares of out-of-town attendees. Compared to corporate events, association events and conventions generate significantly greater economic impacts in their communities as a result of their larger attendance and the fact that many of these attendees are coming in from out-of-town and staying in hotels.

Analysis of trends over the past decade reveals that the industry has been relatively stable in terms of the overall number of events. Figure 2-8 shows the number and attendance of conventions occurring between 1989 and 1999.

Figure 2-8  
Number of Conventions and Attendees by Year



The overall number of events declined between 1989 and 1997. Attendance at conventions peaked in 1989 at 12,600 and fell by 8 percent to 11,600 ten years later.

#### Trends in Exhibition Space Supply

Table 2-2 shows the annual growth in available exhibition space in the United States and Canada.

Table 2-2  
Total Exhibition Space in the United States and Canada

Year	Square Feet (millions)	Percent Change
1996	62.0	--
1997	63.0	1.6%
1998	63.0	0.0%
1999	63.4	0.6%
2000	65.5	3.3%
2001	68.5	4.6%
2002	71.9	4.9%
2003	76.9	7.0%
Planned Beyond 2003	81.1	5.4%

Source: Tradeshow Week Major Exhibit Hall Directory

From 1996 through 2003, the compound annual growth rate of available exhibition space is expected to be 3.1 percent. In the next few years, the amount of exhibition space is likely to increase at well above three percent per year, which is the result of planning efforts that have occurred over the past five years.

Table 2-3 shows the historical growth of exhibition events, attendees, exhibiting companies, and net square feet (NSF) used by exhibitors. With respect to attendance trends, the *Tradeshow Week* numbers differ from the *Meetings & Conventions Magazine* data because their survey subjects represent different segments of the industry. The *Meetings & Conventions Magazine* data is based on a broad cross section of meetings planners and the majority of events in that survey are smaller meetings that occur primarily in hotels. Tradeshow week data focuses on larger consumer shows, trade shows, and conventions with exhibitions that typically occur in convention and exhibition centers.

Table 2-3  
Historical Annual Exhibition Growth – Percent Change

Year	Exhibition Events <sup>1</sup>	Attendees	Exhibiting Companies	NSF Used <sup>2</sup>
1990	13.7%	25.0%	10.0%	22.2%
1991	4.0%	-5.3%	9.4%	3.0%
1992	4.6%	8.5%	0.0%	10.6%
1993	2.6%	-5.2%	0.0%	5.7%
1994	3.5%	16.4%	8.3%	3.4%
1995	1.5%	36.5%	0.0%	12.0%
1996	0.5%	-12.9%	-3.8%	0.0%
1997	-1.5%	8.9%	0.8%	-0.7%
1998	-1.0%	0.0%	11.1%	-1.6%
1999	4.9%	-7.3%	7.9%	7.4%
2000	6.2%	9.8%	0.7%	7.0%
Average: 1990 - 2000	3.5%	6.8%	4.0%	6.3%

<sup>1</sup>Exhibition events with more than 30,000 square feet of exhibit space.

<sup>2</sup>NSF is the net square feet of exhibit space actually rented by exhibitors.

Source: *Tradeshow Week*

The Tradeshow Week data focuses on larger exhibitions, which suggests that growth among larger events was greater than the overall growth cited in the

*Meetings & Conventions Magazine* data. Over the past decade, average growth in demand for the events in this database has outpaced the average growth in supply. This growth reflects the growth in the overall economy, but it also reflects an increasing utilization of exhibitions as a means of marketing and sales. Various independent surveys of major businesses rank exhibitions as the second or third most common way companies spend their advertising and marketing dollars.

The cost effectiveness of tradeshows is the primary driver of their growth. According to a national survey conducted by Data & Strategies Group, Inc., closing a sale with an exhibition lead costs an average of \$625 and takes 1.3 follow-up calls compared to an average of \$1,117 and 3.7 phone calls for direct sales methods. Tradeshows bring together willing and qualified buyers with sellers. According to a *Tradeshow Week* survey, 75 percent of all buyers at tradeshows make at least one purchase while attending the exhibition.

#### Convention Center Expansion Activity

Within the next five years, planned expansions and new facilities would add nearly 15 million square feet of additional exhibition space to the inventory. However, as Table 2-4 shows, roughly 5.7 million square feet of these additions can be attributed to six facilities in first-tier markets that are undertaking large expansions or new construction.

Table 2-4  
Planned Expansions and New Construction in First-Tier Convention Markets

Facility	Square Feet of New Exhibit Space
World Expo Center (Orlando)	2,000,000
Orange County Convention Center	1,000,000
Las Vegas Convention Center	930,000
McCormick Place (Chicago)	610,000
Boston Exhibition Center	600,000
Georgia World Congress Center	450,000
Total	<u>5,590,000</u>

Source: *Tradeshow Week Major Exhibit Hall Directory*

Dallas often competes directly with first-tier facilities, which cater primarily to the large national events that are too big to be accommodated in anything but the largest facilities.

A number of facilities in markets similar in size to Dallas currently have plans to expand. The *2000 Tradeshow Week Major Exhibit Hall Directory* reports certain planned expansions and is not exhaustive of all peer facilities considering expansion. Recent and ongoing expansions account for 1.1 million square feet of additional exhibit space (with 2.0 million square feet already existing, an increase of 36.5 percent) and 331,881 square feet of additional meeting space (with 483,749 square feet already existing, an increase of 40.7 percent). HVS sees the current growth in the supply of exhibition and meeting space outpacing the demand for such space.

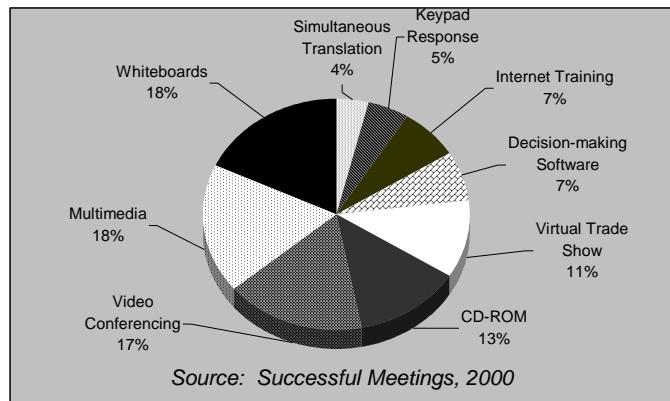
#### Use of Technology in Convention Centers

Overall, the meetings and conventions industry uses a moderate amount of technology during events, typically computers with Internet access and audiovisual presentation equipment. The industry, as a whole, lags behind other leading industries in terms of its incorporation of new technologies. The majority of conventions and conferences still require only basic technological amenities like a laptop or video projectors, items that all convention centers possess. Figure 2-9 shows the frequency with which different technologies serve as the primary method of delivering meeting content.

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Figure 2-9  
Technology Used to Deliver Meeting Content

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Multi-media, whiteboards and videoconferencing are the three most commonly used technologies for delivering meeting content.

### Implications of a Continuing Global Conflict on the Meetings/Conventions Industry

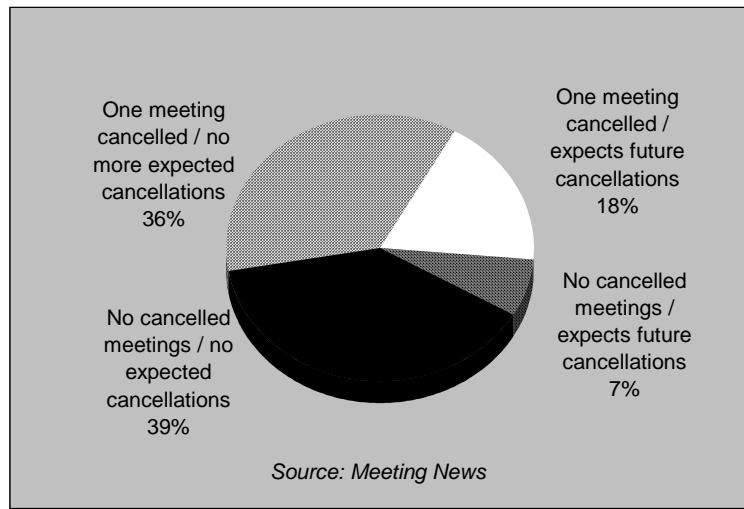
In the article titled “The Ground Has Shifted” in the October 1, 2000, issue of *Meeting News*, Equation Research posted the results of a survey of 722 meeting buyers one week after the September 11th terrorist attacks on New York City and Washington D.C. This atrocity had an instant impact on the meetings industry and the willingness of people to travel to events. The survey revealed two existing trends that may persist: more electronic conferencing via satellite broadcasting and the web, and an increase in regional meetings.

The attacks’ immediate effects on the convention and meeting industry played out differently in various types of markets. In larger national markets that attract attendees from throughout the country and the world, the weeks immediately following the attacks brought dramatic reductions in event activity and attendance at events that were held. The interruption in air service forced the postponement of some national and international events. Hotel occupancies, particularly in properties that have a significant amount of group business, were extremely low.

In second-tier markets that are oriented more towards state groups, the effects were not as pronounced. Attendees to many state events were able to arrange alternative transportation plans, as evidenced by the increase in car rentals, train and bus ridership during this period.

The *Meeting News* survey asked event professionals whether the terrorist attacks had influenced them to cancel meetings. Figure 2-10 shows the share of responses among four answers the survey provides.

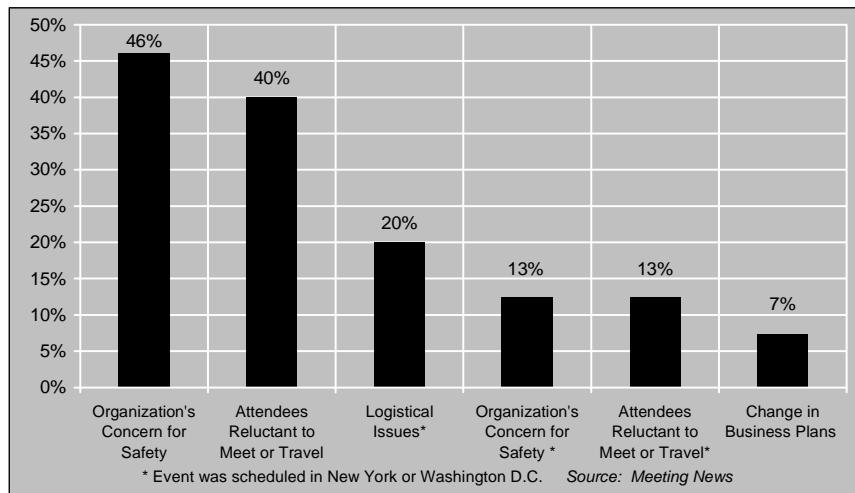
Figure 2-10  
Influence of Attacks on Events



Among these event professionals, 54 percent indicated that they had cancelled at least one of their events as a result of the terrorist attacks. However, almost 75 percent of the event planners indicated that they did not expect any future event cancellations. When asked whether their organization will be scheduling fewer meetings as a result of the attacks, 29 percent indicated that they expected a decrease in events. In addition, 54 percent of the responding meeting professionals indicated that they expected attendance at their meetings to decrease as a result of the attacks.

The survey went on to ask respondents who had cancelled events the reasons for these cancellations. Figure 2-11 shows the most frequently mentioned reasons for meeting cancellations. Respondents cited more than one reason when applicable.

Figure 2-11  
Reasons for Meeting Cancellations



Concerns over travel safety were the most prevalent factor in the cancellation of events in the days following the attacks. If the event was planned to take place in New York City or Washington, D.C., 13 percent of the total number of responses from event professionals who cancelled events cited the sponsoring organization's concern for attendee safety. Another 13 percent cited attendee reluctance to travel as a reason for cancellations. However, such safety concerns were not limited to events scheduled for New York and Washington D.C. Of the responses from those who cancelled events occurring in other locations, 46 percent cited the organization's concern for attendee safety and 40 percent cited attendee reluctance to travel, indicating that the events of September 11 was the direct cause of a large majority of event cancellations.

An independently produced survey of the meeting industry by the association Meeting Professionals International cited in the discussion produced statistics similar to *Meeting News*:

- 24 percent made no meeting cancellations
- 49 percent expected to cancel some scheduled programs (of these, 19 percent cited safety issues and 41 percent mentioned financial issues as reasons for cancellation)

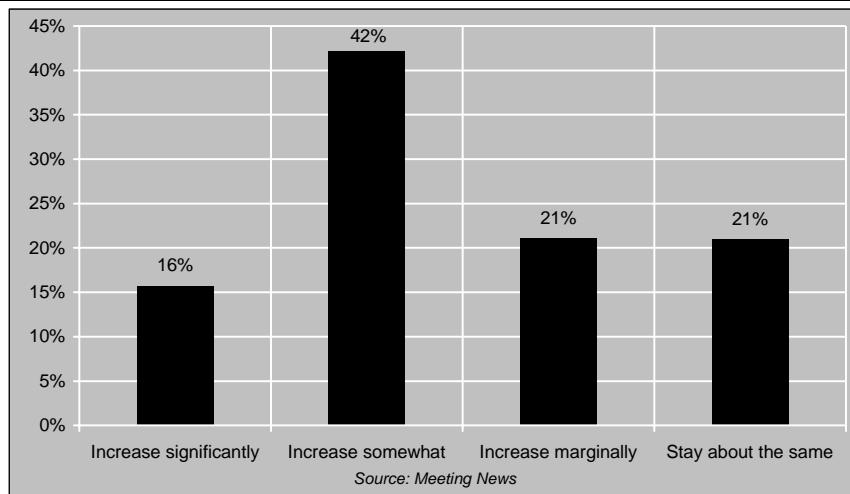
- 39 percent predicted up to 20 percent decrease in future meetings (Q4 2001 and Q1 2002)
- 24 percent expect no decreases.

One of the primary accelerating trend mentioned in the *Meeting News* survey is the potential increase in alternatives to convention and meeting events, such as video conferencing and other related technologies. Figure 2-12 shows meeting professionals' views concerning whether organizations will increase their use of electronic meeting methods such as video conferencing and web conferencing.

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Figure 2-12  
Organizations' Future Use of Electronic Meeting Methods

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A majority of respondents, 58 percent, indicated that as a result of the terrorist attacks they believed that their organization would increase the use of electronic meeting methods. The survey interprets the consensus from interviews with selected meeting professionals to be that the terrorist attacks will only accelerate existing technological trends, as opposed to causing fundamental changes in the industry or these trends.

The use of video and audio conferencing boosted dramatically after the September 11<sup>th</sup> attacks, with various sources estimating an increase between 10 to 50 percent. Historically, a similar spike in video conferencing usage occurred during the Persian Gulf War in 1991 that did not have a permanent effect on the attendance at meetings and conventions.

Meeting and convention industry specialists have speculated upon another post-attack phenomenon – an increase in regional meetings. The desire for safer and more easily accessible drive-in locations for events may encourage planners to use smaller markets. Like video conferencing, this effect is likely to be temporary.

#### Emerging Industry Trends

Over the past few decades, the meeting and convention industry has evolved dramatically from a budding industry to a more mature one that has become an important driver of the national economy. Currently, industry expenditure estimates are over \$40 billion per year. As an established industry, the rapid growth of the last four decades is not likely to persist. However, continued evolution and growth can be expected on a controlled scale. HVS has identified the following emerging industry trends.

- **Supply and Demand Equilibrium** — Since the majority of convention facilities involve public funding, the expected relationship between supply and demand found in the private sector does not necessarily hold true for the convention industry. Public entities are motivated to develop convention facilities because they seek to stimulate local economic activity by attracting new visitors to the community. These public entities are not constrained by the need to achieve a return on investment in the facility. Rather, convention centers are considered “lost leaders” for overall expenditures in the local economy. The consequence of this disengagement between the rationale for an increase in supply and the given available demand is likely to lead to an overbuilt situation, as currently planned new construction and expansions are completed. However, public entities are constrained by limitations on tax resources to support these developments. If convention centers do not produce the expected economic impacts, the justification for increasing public support of convention center development will become less politically viable. These political constraints are likely, in the long run, to keep the supply of space commensurate with demand.
- **Quality of Supply** — As the industry has matured and competition among cities has become more intense, meeting planner expectations for quality have increased. For example, the availability of a headquarters hotel property has become an essential piece of a convention center package. Cities without headquarters properties, frequently lose business to cities with a good “hotel package.” Similarly, advanced communications technologies in convention

centers are now routinely expected. Furthermore, surveys of meeting planners show that expectations for quality of services has become one of the most important site selection criteria. In an oversupplied market, quality expectations are likely to increase in importance.

- **Emergence of “Convention Cities”** – Several cities have emerged as primary convention destinations, such as Las Vegas, Orlando, New Orleans, and Chicago, among others. These cities have undergone rapid growth in the supply of hotels and convention centers that are quickly absorbed with new business. They have in common a broad tourist appeal and offer an appealing experience for the convention attendee. Their ability to attract a large number of attendees is a prime consideration in site selection. Cities with such strong appeal are likely to continue to be the most successful convention destinations.
- **Propensity to Travel** — Declining cost of travel (in real terms) and the increase in the propensity to travel has been a primary driver of long-term growth in the meetings and convention industry. Recent events that temporarily reduced the ability and desire to travel clearly demonstrated the importance of travel propensity to the industry. However, in the long-run, expansions in the transportation system and continued innovations that reduce costs and increase the ease of travel are likely to support the growth of the meeting and convention industry.
- **Improved Communications Technology** — Over the past decade, industry experts have engaged in a great deal of speculation that improvements in telecommunications technology will supplant the need for face-to-face meeting. To date, there is no evidence that video conferencing or the Internet has become a viable substitute for in-person communication. Society still prefers person-to-person interaction to exchange ideas and information, and to build relationships. To the extent that improvements in communications technology have contributed to overall economic growth, they have more likely fostered the growth of the meetings and convention industries.

## 3. Peer Market and Facility Analysis

The Dallas CVB and HVS selected a set of six peer facilities and markets to compare to Dallas in terms of their current and future convention and tradeshow demand potential. Comparison of Dallas to this set of selected peer markets assists HVS in developing demand projections for the DCC.

### Methodology

This section includes a comparative analysis of the peer markets and facilities and covers the following attributes:

- Square feet of function space by type in primary convention centers,
- Hotel room supply,
- Population, income, and employment,
- Square feet of market-wide exhibit space,
- CVB budgets,
- Air service,
- Hotel market occupancy and average daily rate, and
- Volume of convention and tradeshow demand.

HVS based the selection of peer markets on similarities in market size, event facilities, and the role they currently play in the event market. Dallas competes directly with the country's larger markets for premiere events, such as Anaheim, Atlanta, Chicago, New Orleans, Orlando, San Antonio, and similar markets for first-tier events.

Table 3-1 shows a summary of the amount of exhibit and breakout space in the primary convention facilities in each of the selected peer markets and information on the hotel supply accessible to each facility. The figures for square feet of exhibit space reflect the space that will be available once current and planned expansion projects are completed.

Table 3-1

Attributes of the Prime Convention Facility in Peer Markets and their Supporting Hotel Supply

Facility Attributes	Total Existing and Planned Exhibition Space (SF)	Number of Breakout Rooms	Square Feet of Breakout Space	Ratio of Breakout to Exhibition Space	Proximate Convention Hotels	Proximate Room Total-Within 2 Blocks	Convention Center Area Hotel Room Supply-Within 2 Miles
<b>Dallas Convention Center</b>	1,019,142	105	142,701	14%	Ramada Plaza	235	6,907
<b>Anaheim Convention Center</b>	815,000	51	125,000	15%	Hilton Anaheim, Anaheim Marriott	2,643	16,822
<b>McCormick Place Complex- Chicago</b>	2,810,000	139	393,365	14%	Hyatt Regency McCormick Place	800	4,160
<b>Georgia World Congress Center- Atlanta</b>	1,400,000	76	230,000	16%	Omni at CNN Center	470	10,729
<b>Ernest N. Morial Convention Center-New Orleans</b>	1,100,000	140	232,827	21%	Hampton Inn & Suites, Hilton, Holiday Inn Select, Wyndham Hotel	2,279	21,237
<b>Orange County Convention Center- Orlando</b>	2,100,000	141	352,740	17%	The Rosen Centre Hotel, Rosen Plaza, The Peabody Orlando	3,025	12,486
<b>Henry B. Gonzalez Convention Center- San Antonio</b>	440,000	67	206,509	47%	Hilton Palacio Del Rio, Marriott Riverwalk, Marriott Rivercenter	1,988	9,495
<b>Peer Market Average<sup>1</sup></b>	1,444,167	102	256,740	22%	N/A	1,868	12,488
<b>Dallas % of Average</b>	71%	103%	56%	64%	--	13%	55%

<sup>1</sup> Peer market average reflects the average of Dallas' peer markets, excluding the Dallas figures.

The DCC will be smaller than the peer market average in terms of square feet of exhibit and breakout space, but will be comparable to the facilities in Anaheim and New Orleans and larger than the facility in San Antonio. Each of Dallas' peer markets has a superior supply of hotel rooms proximate to their primary convention center. The supply of hotel rooms in the area surrounding the convention centers varies greatly among these peer markets, ranging from 4,160 rooms to 21,237 rooms. Compared to its peer markets, downtown Dallas' hotel supply has far fewer major national hotel brands. The appendix provides a comprehensive list of each city's convention-area hotel supply, including names of hotels, number of rooms, and approximate distance from the convention center.

#### Population and Income Comparisons

Although there is no direct correlation between population and the demand for events, population data reveals trends in the overall economic climate of an area and its ability to support both local consumer events and provide and maintain sufficient visitor-related infrastructure and attractions. High population or income density and/or growth rates can indicate significant capacity to support local public events and a likelihood that the area will add to its existing urban attractions. Strong population growth also suggests an increasing commercial and fiscal base to support convention facilities. Population changes often reflect underlying trends in business activity and the attractiveness of an area as a place to live and as a place to visit. Similar to population, income and employment statistics provide insight into the general health of the area's economy and its ability to generate locally based event demand and supply, and sustain visitor infrastructure and attractions.

Table 3-2 shows 2000 and 1990 population, per capita income, non-farm personal income, and non-farm employment figures for the peer markets.

Table 3-2  
Population and Income of Peer Markets

Market	MSA Population 2000	MSA Population 1990	Compound Annual Growth	Per Capita Income 1998	Non-Farm Personal Income (\$millions) 1998	Non-Farm Employment (thousands) 1998
L.A. / Anaheim	9,519,338	8,863,164	0.7%	\$26,773	\$246.7	5,305
Chicago	9,157,540	8,239,820	1.1%	\$33,181	\$263.7	4,933
<b>Dallas</b>	<b>5,221,801</b>	<b>4,037,282</b>	<b>2.6%</b>	<b>\$32,406</b>	<b>\$103.8</b>	<b>2,301</b>
Atlanta	4,112,198	2,959,950	3.3%	\$30,788	\$115.1	2,514
Orlando	1,644,561	1,224,852	3.0%	\$25,555	\$38.2	989
San Antonio	1,592,383	1,324,749	1.9%	\$23,800	\$36.6	884
New Orleans	1,337,726	1,285,270	0.4%	\$25,225	\$32.9	763
Comp Average	4,560,624	3,982,968	1.4%	\$27,554	\$122.2	2,565
Dallas % of Average	114%	101%	1%	118%	85%	90%

Source: Bureau of Economic Analysis

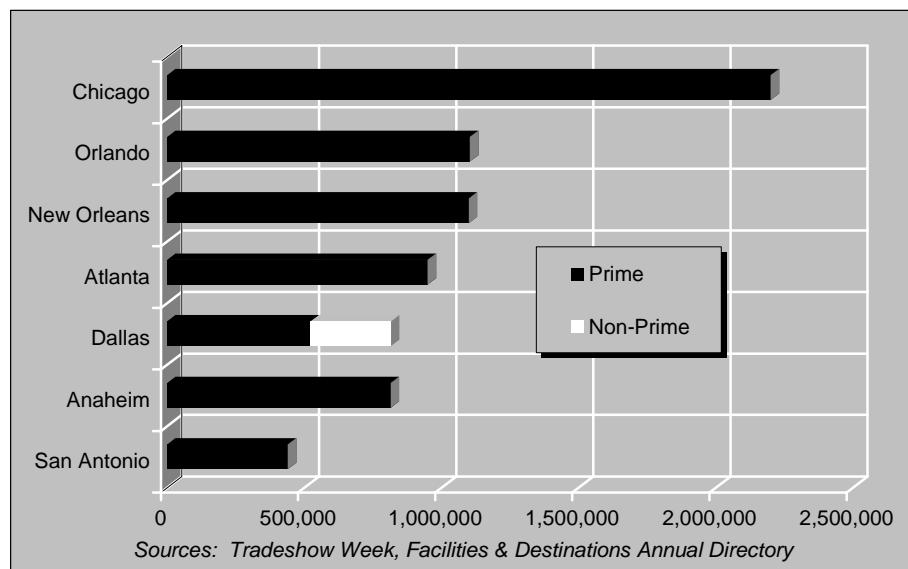
The Dallas MSA has the 3rd largest population out of the peer markets, with 5,221,801 residents. Dallas's annual growth percentage is 2.6, which is above the 1.7 percent average of the peer markets.

Per capita personal income reflects the relative spending capacity of local residents, and provides another benchmark for assessing the region's ability to develop and maintain both public and private services and attractions that help make an area an attractive place to live and visit. The Dallas MSA has the 3rd highest per capita income among the peer markets, at \$32,406.

#### Exhibit Space Analysis

Figure 3-1 shows the existing amount of prime and non-prime exhibit space contained in the peer facilities.

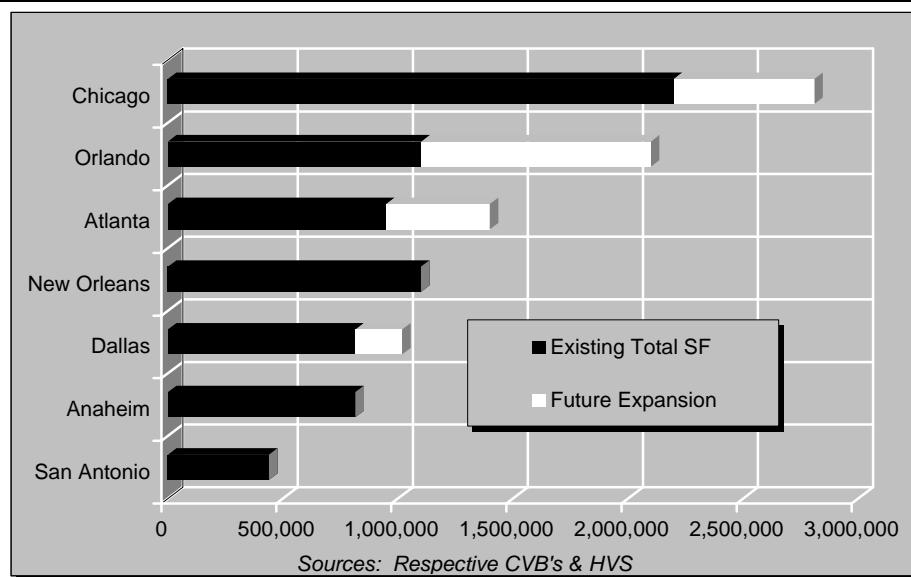
Figure 3-1  
Existing Prime and Non-Prime Exhibit Space



Dallas currently has 523,726 square feet of prime exhibit space and 816,142 square feet of total exhibit space, ranking ahead of only San Antonio among the peer markets in terms of prime exhibit space. Prime exhibit space includes a facility's primary, contiguous exhibit space and non-prime exhibit space includes any secondary halls that can accommodate exhibits.

Figure 3-2 shows the existing amount of exhibit space and the amount of planned exhibit space expansion among the peer facilities.

Figure 3-2  
Square Feet of Exhibit Space and Planned Expansions



The current expansion of the Center will increase its contiguous, single-level, prime exhibit space from 523,726 to 726,726 square feet, and a total of over one million square feet of exhibit space, including a separate 292,416 square feet of exhibit space that is on a different level from the main exhibit halls.

First-tier markets such as Dallas often have more than one facility that hosts conventions and tradeshows. The ratio of total exhibit space to population provides a measure of the relative amount of event space the peer markets offer. HVS compiled data on the total supply of exhibit space in convention center facilities in the metro area of each of the peer markets. For the purpose of this analysis, the totals include facilities with 100,000 square feet of exhibit space or more. HVS excluded a couple of facilities from the analysis that do not typically host convention and tradeshow events, including certain fairgrounds facilities and other facilities that normally host local, public events. Table 3-3 shows the existing and future per capita exhibit hall space in the peer markets.

Table 3-3  
Existing and Future Per Capita Exhibit Hall Square Footage

City	Current Exhibit Space	2000 MSA Population	Per Capita (in hundreds) Exhibit Hall SF	Exhibit Space in 2005	Estimated 2005 Population <sup>1</sup>	Per Capita (in hundreds) Exhibit Hall SF
New Orleans	1,340,030	1,337,726	100.2	1,340,030	1,364,751	98.2
Orlando	1,103,538	1,644,561	67.1	4,500,000	1,905,606	236.1
Atlanta	2,261,000	4,112,198	55.0	2,749,000	4,846,953	56.7
San Antonio	600,000	1,592,383	37.7	600,000	1,745,840	34.4
Chicago	3,425,100	9,157,540	37.4	4,035,100	9,654,046	41.8
Dallas	1,464,879	5,221,801	28.1	2,151,879	5,938,625	36.2
L.A. / Anaheim	2,385,382	9,519,338	25.1	2,385,382	9,865,423	24.2
Comp Average	1,852,508	4,560,624	40.6	2,601,585	4,897,103	53.1
Dallas % of Average	79.1%	114.5%	69.1%	83%	121%	68%

<sup>1</sup> Estimates of 2005 population based upon 1990-2000 average annual growth rates.

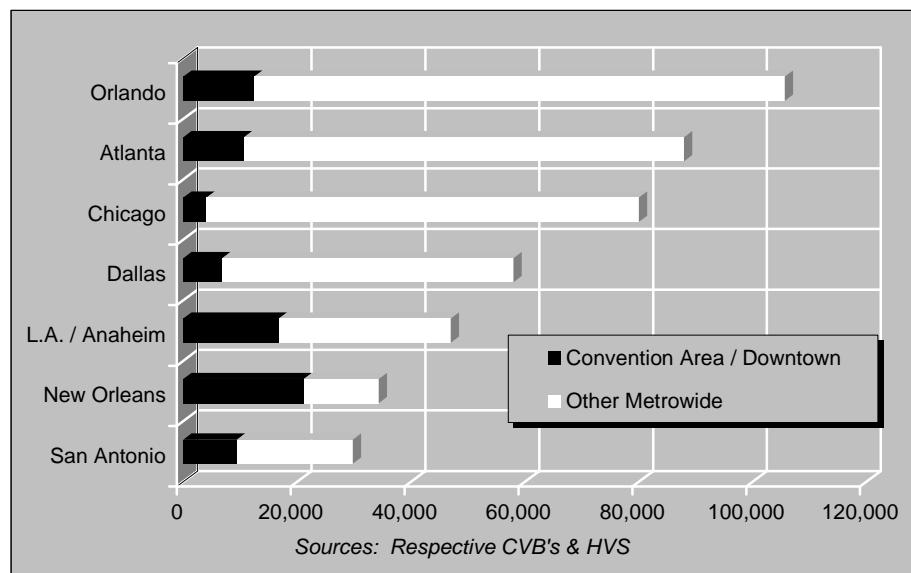
Sources: Tradeshow Week and Census Bureau

Dallas currently has 28 square feet of exhibit hall square feet per 100 people while the peer market average is 40.6 square feet. Upon completion of the Center's expansion and the addition of the 400,000 square feet Opryland Hotel Texas, the ratio of total exhibit space per 100 people will increase to 36.2. The fact that this ratio will still be one of the lowest of the peer markets, despite the addition of a large new facility, bodes well for the long-term demand potential for the Center, as it indicates that the market should not be over saturated relative to its size.

#### Availability of Sleeping Rooms

Figure 3-3 shows the availability of convention-center area and metro area hotel rooms in Dallas and its peer markets. For the purposes of this analysis, HVS defines convention center rooms as those that are within walking distance of the primary convention center in each market. The distance varies slightly from market to market, based on local conditions and the availability of data, but is approximately two miles.

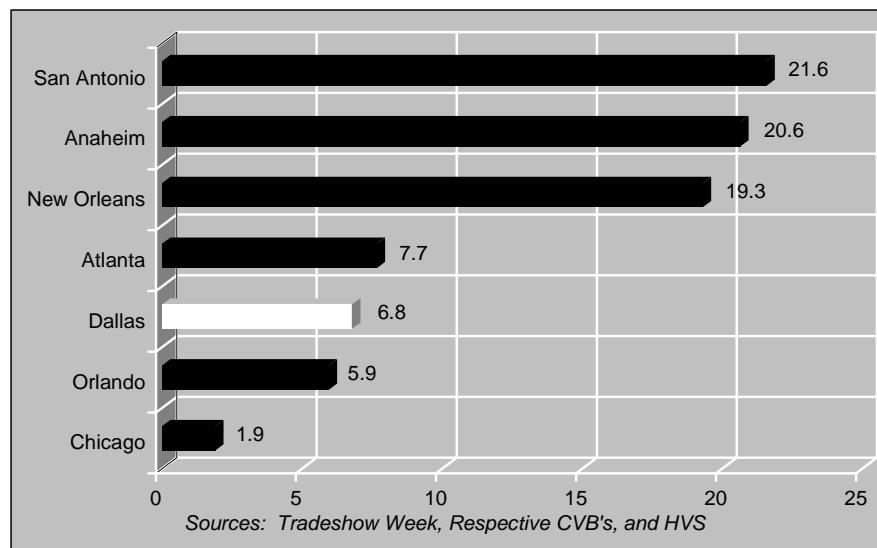
Figure 3-3  
Number of Hotel Rooms in Dallas and its Peer Markets



Currently, Dallas is lacking in the number of hotel rooms proximate to its convention center. Chicago, faced with a similar lack of proximate rooms near its convention center, built a publicly owned and operated on-site 800-room headquarters hotel. Chicago also relies on a relatively extensive bussing program to transport event attendees to and from downtown hotels. Outside of Chicago, Dallas' convention-area hotel supply of 6,907 rooms is considerably less than each of the other peer markets. An appendix to this report lists the hotels proximate to the primary convention facility in each of the peer markets.

Figure 3-4 shows the ratio of hotel rooms within walking distance of each primary convention facility to thousands of square feet of exhibit space, including planned expansions, in the peer markets.

Figure 3-4  
Ratio of Convention Area Hotel Rooms to Square Feet of Exhibit Space in Thousands



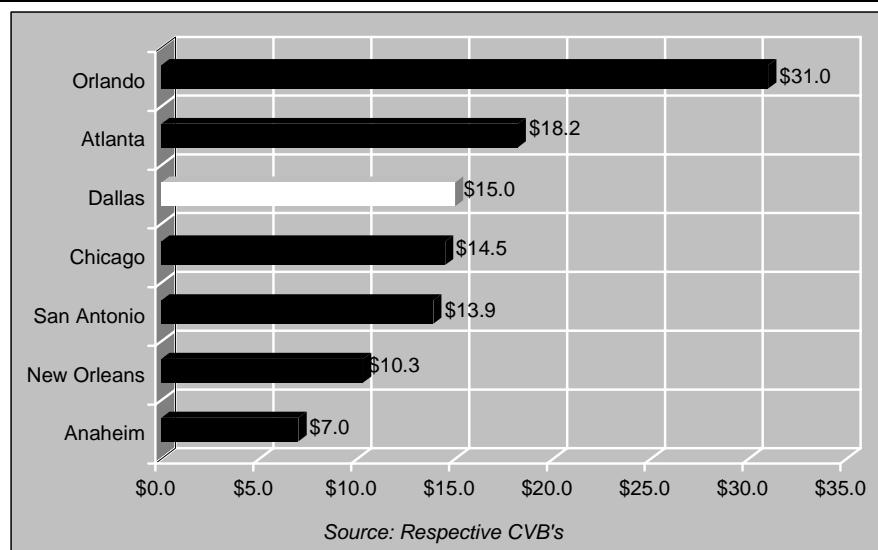
The markets with lower ratios in the preceding chart, such as Chicago, Orlando, Atlanta, and Dallas have relatively fewer nearby hotel rooms to serve convention center demand per square foot of future exhibit space. These cities augment their convention center area hotel supplies by using other downtown hotels or properties from other areas. Atlanta, Orlando, and Dallas are each in the process of adding significant amounts of exhibit space. This additional exhibit space may stimulate hotel development.

The addition of a 1,200-room headquarters hotel in Dallas would significantly improve the availability of rooms around the Center. These additional headquarters hotel rooms would provide the additional supply necessary to accommodate increased convention center demand related to the expanded exhibit space and simultaneously increase the demand potential of the DCC by providing it with a much-needed supply of connected, convention-quality rooms.

#### CVB Budgets

The budget of the convention and visitors bureau serving a particular market is one measure of the marketing resources available for promoting a convention facility. Figure 3-5 shows the annual CVB budgets for Dallas and its peer markets.

Figure 3-5  
Annual CVB Budgets of the Peer Markets (\$ in millions)



The annual CVB budget does not indicate the amount of money a particular CVB spends on marketing their convention facilities. The budget figures presented here include spending on destination marketing, tourism, and other typical CVB activities. Additionally, convention facilities may also spend money on marketing and promotion, which is not reflected in this data. However, the CVB budget figures indicate the relative amount of resources that are available to each bureau for marketing a city as a destination and its primary event facilities. Dallas ranks third among the peer markets in terms of overall CVB budget, which indicates that it has a competitive level of support for marketing the city as a destination.

Table 3-4 shows the ratio of annual CVB budgets to the number of metro area hotel rooms in Dallas and its peers.

Table 3-4  
Ratio of CVB Budgets Per Metro Area Hotel Rooms

City	Annual CVB Budget	Number of Metro Area Hotel Rooms	CVB Dollars per Hotel Room
San Antonio	\$13,890,000	29,829	\$466
New Orleans	\$10,299,500	34,350	\$300
Orlando	\$31,000,000	105,681	\$293
<b>Dallas</b>	<b>\$15,000,000</b>	<b>58,002</b>	<b>\$259</b>
Atlanta	\$18,200,000	88,000	\$207
Chicago	\$14,500,000	80,066	\$181
Anaheim	\$7,000,000	47,000	\$149
Comp Average	\$15,814,917	64,154	\$247
Dallas % of Average	94.8%	90.4%	104.9%

Sources: Respective CVB's and HVS

The Dallas CVB's annual budget per hotel room is \$259, which is approximately 105.5 percent of the average of its peer markets. As in Dallas, many CVB budgets are dependent on revenue generated from room taxes. For this reason, the relatively large size of the Dallas hotel market and higher than average room rate place the Dallas CVB at a competitive advantage with respect to marketing resources from room tax revenue. The level of marketing resources are more likely to affect performance in the national meetings market, which often requires more extensive marketing efforts than local and state markets. All indices reflect that Dallas has a competitive level of funding for marketing the city as a destination to national events and their attendees.

#### Air Service

The accessibility and affordability of a destination via air travel is an important consideration for planners of national and certain regional events because it affects a destination's ability to attract attendees. Table 3-5 shows the number of enplaned passengers and commercial flights in 2000, including all major commercial airports in each of the metropolitan areas. The data for Dallas includes both Dallas / Fort Worth International Airport and Love Field.

Table 3-5  
Air Service in Peer Markets in 2000

Market	Total Passengers	Commercial Flights/Year
Chicago	87,836,196	1,244,883
Atlanta	80,171,036	915,657
L.A. / Anaheim	75,879,716	1,754,766
<b>Dallas</b>	<b>67,764,671</b>	<b>1,094,569</b>
Orlando	30,822,580	368,172
New Orleans	9,874,257	159,579
San Antonio	7,307,282	245,737
Comp Average	48,648,511	781,466
Dallas % of Average	139%	140%

Sources: Airports Council International & airports

The level of air service Dallas offers ranks 4<sup>th</sup> in total passengers and 3<sup>rd</sup> in flights. The volume of air service in Dallas is comparable to the highest-ranking peers with major hub airports and gives it a relative advantage over markets like New Orleans and San Antonio.

Events and Attendance at Peer Facilities

Table 3-6 shows the number and estimated attendance of conventions and tradeshows in the primary convention centers in the peer markets for the most recent complete year for which data is available.

Table 3-6  
Convention & Tradeshow Events and Attendance at Peer Facilities in 2000

Event Type	Dallas Convention Center	Georgia World Congress Center	McCormick Place Complex	Anaheim Convention Center <sup>1</sup>	Ernest N. Morial Convention Center-New Orleans <sup>1</sup>	Orange County Convention Center-Orlando	Henry B. Gonzalez Convention Center-San Antonio <sup>1</sup>	Peer Average
Exhibit Hall Space	816,142	950,000	2,200,000	815,000	1,100,000	1,103,538	440,000	1,101,423
Number of Events	41	39	75	49	50	116	84	69
Attendance	349,180	610,500	1,568,152	567,000	731,974	921,247	278,060	779,489
Average Attendance	8,517	15,654	20,909	11,571	14,639	7,942	3,310	12,338

<sup>1</sup> 2001 data

Sources: Respective Convention & Visitor Bureaus & HVS

The supply of exhibit space reflects the amount of space available during the year that corresponds to the demand data, and consequently does not

include planned expansions. The demand data in Table 3-6 is drawn from the convention calendars of the respective convention and visitor bureaus in each market, and therefore primarily includes events that the CVB's booked. There is no standard method of classifying events by type in use among all convention center facilities, which complicates comparisons of demand among different convention centers. However, this demand data provides a sense of the overall level of convention and tradeshows occurring in these convention centers, the two types of events that generate the majority of out-of-town attendees and associated spending.

The DCC ranks below the peer average in terms of both number of events and attendance. The average attendance is considerably below most of its peers. This difference in attendance is partly attributable to the larger exhibit halls in all of the peers, except for San Antonio. The relative lack of hotel rooms proximate to the DCC also has a negative influence on its relative attendance level.

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## 4. Demand Analysis

HVS analyzed historical and booked demand at the DCC and surveyed event planners regarding their interest in, and impressions of, Dallas as a convention/meeting destination. HVS surveyed two groups of event planners. The first group includes planners of national association events that are listed in the deficiency report maintained by the Dallas CVB. The second group is composed of national event planners that have either held their events in one of the peer markets in the recent past, or are scheduled to hold their event in one of these markets. The purpose of this analysis is to provide a basis for projections of event demand and attendance at the DCC with and without the proposed headquarters hotel.

Historical Event Demand

The Dallas CVB provided information on past and future booked events including attendance figures, estimated room nights, and other event information. This list of events generally includes conventions, trade shows, assemblies, and other events that generate room nights. HVS classified the events by type according to a standard classification system it uses to analyze convention demand.

Table 4-1 presents a summary of events and attendance by type of event between 1998 and 2001. The event list includes only those events booked by the Dallas CVB and specifically excludes local events such as banquets, meetings, and other events. This analysis focuses on conventions and trade shows because these events require the largest room blocks. The availability of a headquarters hotel is the factor most likely to influence planners of conventions and tradeshows in deciding whether to place their event in the DCC.

Table 4-1  
Average Events and Attendance for Dallas CVB Bookings at the DCC 1998-2001

Event Type	Average Number of Events	Average Attendance	Total Attendance	Percent of Total Attendance
Conventions	14	7,104	99,450	38.4%
Tradeshows	16	7,986	127,775	49.3%
Assembly	4	7,938	31,750	12.3%
Total	<u>34</u>		<u>258,975</u>	<u>100.0%</u>

Sources: Dallas Convention & Visitors Bureau

Tradeshows were the most frequent type of Dallas CVB-booked event at the DCC during this period, and they contributed the second-highest total attendance. Assembly events, which contribute a small percentage of total attendance, consist primarily of religious gatherings.

Table 4-2 presents a summary of the number of average and total event days and the number of move-in and move-out days by category for 1998 through 2001.

Table 4-2  
Average Event Length in Days by Type of Event 1998-2001

Event Type	Average Show Days	Total Show Days	Percent of Total	Average Move-In/Move-Out Days	Total Move-In/Move-Out Days	Percent of Total
Conventions	3.6	50	38.2%	4.1	58	34.9%
Tradeshows	4.2	67	51.1%	6.1	98	59.0%
Assembly	3.5	<u>14</u>	<u>10.7%</u>	2.5	<u>10</u>	<u>6.0%</u>
Total		<u>131</u>	<u>100.0%</u>		<u>166</u>	<u>100.0%</u>

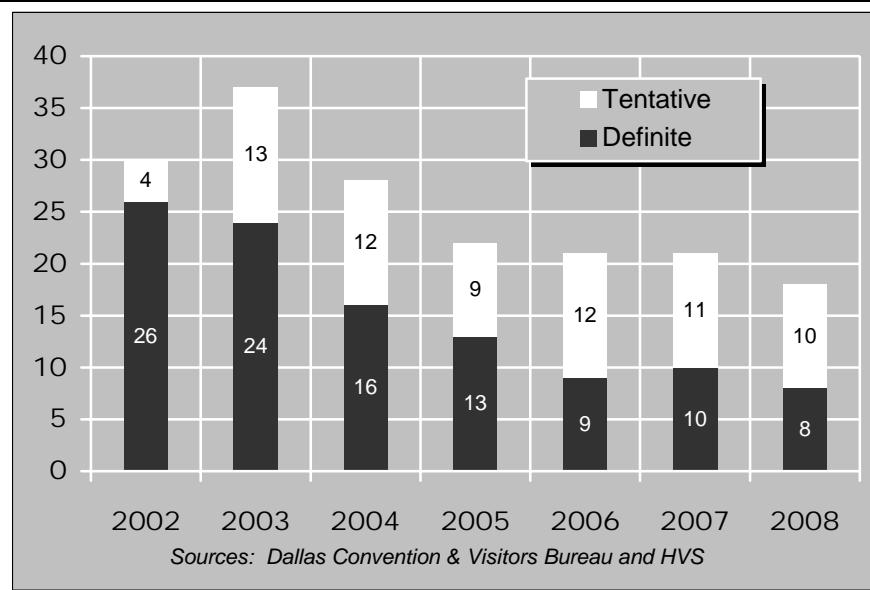
Sources: Dallas Convention & Visitors Bureau and HVS

This impact analysis uses the information on average show days and move-in/move-out days to help guide the assumptions for average event length for the impact estimates.

#### Future Bookings

The Dallas CVB provided HVS with a list of future booked events at the DCC. Figure 4-1 shows the number of tentative and definite events through 2008.

Figure 4-1  
Future Dallas CVB Event Bookings for the DCC



The future bookings show a typical pattern with the ratio of definite to tentative events and total events declining in out years. The planning horizon for the types of conventions and tradeshows that utilize a large convention center like the DCC is usually between five and ten years. Smaller events typically have planning horizons of fewer than five years.

#### DCC Event Data

HVS also obtained event data from the DCC itself to account for other events the DCVB does not track in its event database since it does not book all events at the DCC. Table 4-3 shows a summary of event by type for each year between 1998 and 2000.

Table 4-3  
DCC Event Data 1998-2000

Type of Event	1998	1999	2000	Average
<b>Number of Events</b>				
Conventions	20	14	10	15
Tradeshows	18	32	31	27
Consumer Shows	11	14	14	13
Sports/Entertainment	12	4	1	6
Assembly	8	6	2	5
Total	69	70	58	66
<b>Attendance</b>				
Conventions	196,450	75,020	96,680	122,717
Tradeshows	266,100	354,500	252,500	291,033
Consumer Shows	480,500	408,000	167,300	351,933
Sports/Entertainment	108,000	15,000	5,000	42,667
Assembly	57,650	47,000	30,000	44,883
Total	1,108,700	899,520	551,480	853,233

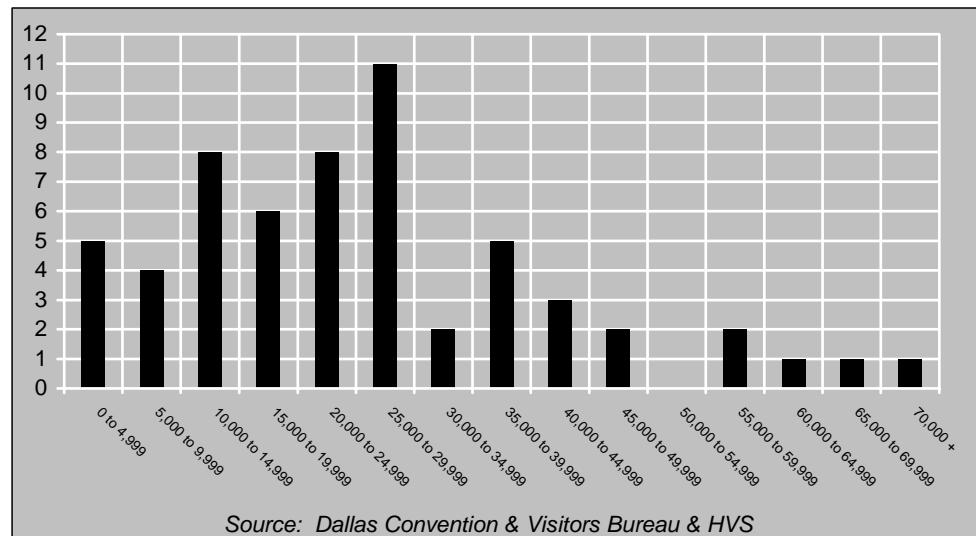
Sources: Dallas Convention Center & HVS

The DCC event list, which provides a more complete view of the event activity at the facility, reveals an average of 66 events per year and 853,233 attendees.

Deficiency Report  
Interviews

The Dallas CVB maintains a list of potential business that it calls a deficiency report. The business included in the deficiency report consists of events that were tentatively scheduled or those that previously considered using the DCC, but were lost to other convention venues. Figure 4-2 shows the number of total room nights each of these lost events generates.

Figure 4-2  
Distribution of Deficiency Report Events by Number of Room Nights



Over half, 56 percent, of the events have between 10,000 and 29,999 room nights. The average number of room nights among the 59 events on the Dallas CVB deficiency report is 26,587.

To validate the deficiency report data, HVS conducted a telephone survey of the national association event planners on this list. The intent of this telephone survey is to determine why these groups elected not to come to Dallas and whether the addition of a headquarters hotel would significantly alter the likelihood that they would consider Dallas in the future. Fifteen of the 22 event planners that HVS attempted to contact completed the survey.

The survey allowed respondents to cite multiple reasons if they had more than one. The absence of a headquarters hotel and inadequate lodging were easily the most frequent reasons cited for not bringing their events to the DCC. The inadequate lodging response refers more generally to the overall room supply and product in downtown Dallas, although the addition of a large, major-flag headquarters property would certainly improve lodging options. Only a couple of the respondents cited an inadequate amount of space within the DCC as a reason for not holding an event in Dallas.

HVS asked event planners whether the addition of a 1,200-room headquarters hotel would cause them to reconsider the DCC as a location for

their event in the future. Ten of the 15 lost business contacts said that they would be interested in using the DCC if the new headquarters hotel was developed. These results provide a strong indication that the absence of a headquarters hotel represents a primary deterrent to event planners that might otherwise bring their events to the DCC. The presence of a headquarters hotel is particularly important for conventions and tradeshows that draw many attendees and prefer rooms close to the facility.

Only five of the event planners indicated that the addition of a headquarters hotel would have no affect on their likelihood of using the DCC. They indicated either that their events were too large for the expanded DCC or that their hotel room needs were such that the addition of a single headquarters property would be insufficient.

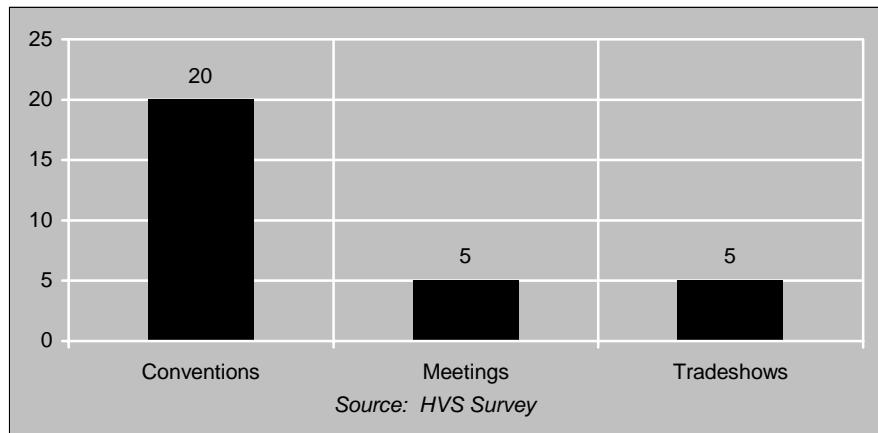
#### Survey of National Event Planners

HVS also conducted a telephone survey of national event planners that have recently held their events in one of Dallas' peer markets, but have not held an event in Dallas over the past few years. The intent of this survey is to determine the primary reasons why event planners that have elected to hold their event in one of Dallas' peer markets have selected those locations over Dallas. The survey asked these event planners a series of questions designed to determine their perception of Dallas as a convention / meeting destination and whether there was anything Dallas could do to help attract their event in the future.

The Dallas CVB provided HVS with a list of 60 national events that have recently been held in one of the peer markets, or are scheduled to occur in one of these markets. HVS completed 26 telephone surveys of these national event planners.

Figure 4-3 shows the number of events by event type conducted by the survey sample of national association event planners.

Figure 4-3  
Number of Events by Type Held by Surveyed National Associations



Most of the national event planners HVS surveyed planned conventions. Some of these respondents planned meetings and tradeshows.

Table 4-4 shows average event characteristics for square footage, attendees, peak room nights, and total room nights as indicated by the respondents.

Table 4-4  
Average Requirements of Respondents

Event Characteristics	Average Among Respondents
Square Feet of Exhibit Space	296,667
Square Feet of Meeting Space	103,333
Square Feet of Ballroom Space	40,000
Number of Attendees	11,804
Number of Peak Hotel Rooms	5,041
Total Room Nights	13,550

Source: HVS Survey

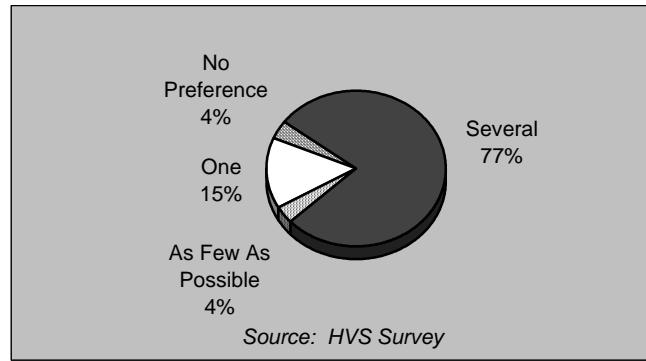
The respondents require an average of nearly 300,000 square feet of exhibit space, over 100,000 square feet of meeting space, and 40,000 square feet of ballroom space. Their events attract an average of approximately 12,000 attendees, requiring an average of 13,550 total hotel room nights and 5,000 rooms on a peak-night.

Figure 4-4 shows the typical methods in which the surveyed event planners prefer to achieve an adequate room block for their events.

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Figure 4-4  
Typical/Preferred Room Block Composition in Terms of Number of Different Hotels

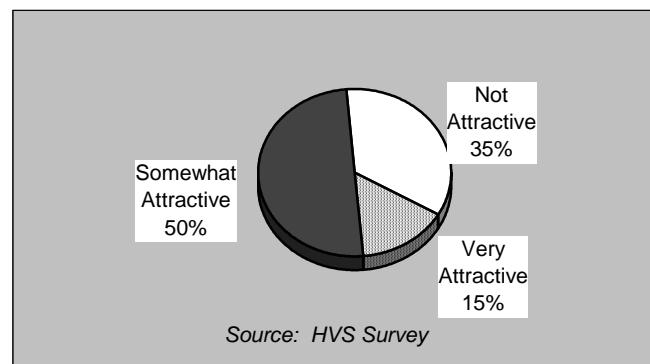
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Approximately 77 percent of the respondents achieve their room blocks through the use of several hotels because of the amount of attendees attracted to their events. Fifteen percent of the event planners assemble their room block in one hotel, when possible, most often a headquarters hotel. The remainder prefers as few hotels as possible or has no preference regarding how their rooms are blocked.

Figure 4-5 shows Dallas' overall level of attractiveness, assuming the completion of the current expansion and no major new hotel development, to the responding national association event planners.

Figure 4-5  
Attractiveness of Dallas as a Convention / Meeting Destination



Half of the respondents rated Dallas as somewhat attractive as an event destination and 15 percent rate it as very attractive. Thirty-five percent believe Dallas is not an attractive event destination.

Table 4-5 shows the specific comments from event planners on Dallas' strengths and weaknesses as a convention/meeting destination. HVS also asked event planners to name the one single thing that they would suggest that Dallas could do to improve its attractiveness as a destination for their event. The table lists the responses in order from most to least frequent.

Table 4-5  
Comments Regarding Dallas' Strengths, Weaknesses, and Suggested Improvements in Order of Frequency

Strengths	Weaknesses	Suggested Improvements
Accessibility	Undesirable Destination	Augment Marketing
Adequate Facility Size	Proximate Hotel Supply	Improve Attractions/Downtown
Hotels	Climate	Develop HQ Hotel
Market Strength	Inadequate Facility Size/Layout	Expand Facility
Right to Work	Lack of Local Support	Reduce Traffic
Quality of City	Difficult to Book Dates	More Technology Companies
Cost	Travel Costs	Decrease Rental & Labor Costs
Facility Staff	Inaccessible	
Climate	Lack of International Draw	

Source: HVS Survey

Event planners mentioned the accessibility of Dallas, afforded primarily by the high level of air service, far more often than any other strength. There was not as clear a consensus on the primary weaknesses of Dallas as a

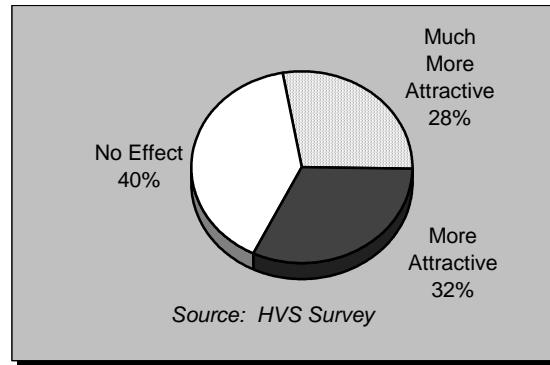
convention/meeting destination, although destination appeal and proximate hotel supply were mentioned most often. When HVS asked event planners to name one thing that Dallas could do to improve itself as a convention/meeting destination they mentioned augmenting the overall marketing efforts, improving the supply of attractions and appeal of downtown, and adding a headquarters hotel most frequently. The suggestions regarding marketing efforts imply that event planners believe Dallas has potential for demand growth as a convention/meeting destination. Some of the event planners that were most familiar with Dallas stressed the importance of improving the supply of hotel rooms proximate to the DCC.

Figure 4-6 shows the effect that the addition of a 1,200-room headquarters hotel would have on event planners views on the attractiveness of Dallas as a convention/meeting destination.

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Figure 4-6  
Effect of the Addition of a Headquarters Hotel on Dallas' Attractiveness as a Convention / Meeting Destination

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The attractiveness of Dallas as a convention / meeting destination is improved with the addition of a headquarters hotel. Among the national event planners HVS surveyed, 60 percent indicated that the addition of a headquarters hotel would increase Dallas' attractiveness as a location for their events.

#### Implications of Survey Results on DCC Event Potential

The interviews with deficiency report business contacts confirm that the addition of a headquarters hotel would significantly increase the DCC's demand potential. The results of this survey suggest that approximately 39 of the 59 event planners, two out of every three, that chose not to use the DCC would have been more inclined to use the DCC if a headquarters hotel were present. The deficiency report that the Dallas CVB maintains includes 1.55

million room nights. Applying the average number of room nights among the 59 events in the lost business reports of 26,587 yields over one million total room nights that the DCC could attract with access to a new headquarters hotel. Assuming that each event would, on average, come to the DCC once every seven years, the DCC could attract an additional 148,000 total room nights annually. This figure includes just a small portion of the incremental room nights the DCC could attract with the benefit of a headquarters hotel, as it reflects only the room nights the DCC could capture from events on the Dallas CVB's deficiency report. These figures do not include potentially unidentified event planners that might not have seriously considered Dallas due to the lack of nearby hotel rooms.

Surveys of national event planners provide a strong indication that the addition of a headquarters hotel would make Dallas a more attractive event destination. Despite the fact that event planners may not have considered bringing their events to Dallas in the past, 60 percent of them indicate that the addition of a headquarters hotel would make Dallas a more attractive location for their events. The addition of a headquarters hotel is important not only for the attraction of new events, but also for the retention of national events that currently have Dallas in their rotation.

#### Demand Projections

HVS's estimated demand using two scenarios:

- *No-Hotel Scenario*—The expansion and renovation of the DCC are successfully completed by the summer of 2002, but no additional hotel is developed adjacent to the convention center.
- *Hotel Scenario*—The expansion and renovation of the DCC are successfully completed by the summer of 2002, and a new 1,200-room headquarters hotel located on the proposed site is opened in 2005 or 2006.

The analysis uses demand projections for a stabilized year of demand. The term "stabilized demand" does not mean that the demand stops increasing. Rather, an improved facility reaches stabilized demand after sufficient time has passed since the announcement and completion of a project so that its demand potential is no longer restricted by the fact that it is a planned or a new facility. Booking a facility that is under development presents challenges because potential tenants must consider the possibility that the facility will not open as scheduled. In addition, some potential tenants are cautious of being one of the first events booked into a recently opened facility, due to

concerns regarding the potential for problems associated with new facilities. When a facility reaches its stabilized level of demand, it has achieved its demand potential relative to its peer facilities.

Large convention facilities, like the DCC, take longer than smaller facilities to reach stabilized demand. National conventions and trade shows that use a facility as large as the DCC typically have booking lead times of five to ten years. Assuming that the expansion and renovation of the DCC is completed by the summer of 2002, the improved facility will have five years of operation by 2007. If the headquarters hotel opens in 2005, the two facilities would have five years of simultaneous operations by 2010. The DCC and the proposed headquarters hotel would likely reach their combined demand potential, or stabilized demand, sometime between 2008 and 2010.

Table 4-6 shows HVS' demand projections for the DCC, with and without a headquarters hotel, when demand for the expanded and renovated DCC is expected to stabilize. The projections reflect the total demand for the DCC and include events that are not tracked in the Dallas CVB and DCC event information provided to HVS. As a result, the total number of events in the projection, including meeting and arts and entertainment events, will be higher than the totals shown in Table 4-1 and Table 4-3, which do not include all types of events.

Table 4-6  
Projected Stabilized Demand With and Without a Headquarters Hotel

Event Type	Number of Events				Attendance			
	No HQ Hotel	HQ Hotel	New Events	Percent Change	No HQ Hotel	HQ Hotel	New Attendees	Percent Change
National Tradeshows/Conventions	22	32	10	45.5%	242,000	384,000	142,000	58.7%
State Tradeshows/Conventions	16	18	2	12.5%	128,000	153,000	25,000	19.5%
Consumer Shows	15	15	0	0.0%	405,000	405,000	0	0.0%
Arts & Entertainment	40	40	0	0.0%	280,000	280,000	0	0.0%
Meetings	40	50	10	25.0%	12,000	17,500	5,500	45.8%
Total	<u>133</u>	<u>155</u>	<u>22</u>	16.5%	<u>1,067,000</u>	<u>1,239,500</u>	<u>172,500</u>	16.2%

Source: Dallas Convention & Visitors Bureau

The bold figures in Table 4-6 reflect the greatest effect of the headquarters hotel in terms of new attendees and spending. The addition of a headquarters hotel would enable the DCC to attract 33.3 percent more national tradeshows and conventions, increasing attendance for these events by 45.5 percent. The increase for state-level events is lower because the new

hotel would enable the DCC to attract a higher percentage of national events than it presently can, which generate greater spending impacts than state events. HVS projects a total of 135 events in 2007 without a headquarters hotel, with just fewer than 1.1 million attendees. With the addition of a headquarters hotel, these projections estimate that the number of events will be 155, a 15 percent increase. HVS projects attendance in the Hotel Scenario of approximately 1.24 million, an increase of 14 percent.

The number of conventions, tradeshows, and meeting events would increase due to the availability of the headquarters hotel. In the Hotel Scenario, the DCC attracts ten additional conventions and trade shows and ten additional meetings. The number of arts and entertainment events and consumer shows would not change with the addition of a headquarters hotel.

#### Comparison to Prior Projection

The Dallas CVB funded a market analysis for the current expansion and renovation project in 1997. This original market analysis included demand projections for a stabilized year of demand for the improved facility, which was estimated to occur in 2007. Table 4-7 shows a comparison of this prior projection and the HVS demand projections under the No-Hotel and Hotel scenarios.

Table 4-7  
Comparison of Prior & HVS Demand Projections

Event Type	Prior Projection	No-Hotel Scenario	Difference	Hotel Scenario	Difference
<b>Number of Events</b>					
Conventions/Tradeshows	66	38	-28	50	-16
Consumer Shows	8	15	7	15	7
Other	108	80	-28	90	-18
<b>Total</b>	<b>182</b>	<b>133</b>	<b>-49</b>	<b>155</b>	<b>-27</b>
<b>Average Attendance</b>					
Conventions/Tradeshows	12,860	9,737	-3,123	10,740	-2,120
Consumer Shows	50,187	27,000	-23,187	27,000	-23,187
Other	3,872	3,650	-222	3,306	-566
<b>Total Attendance</b>					
Conventions/Tradeshows	848,738	370,000	-478,738	537,000	-311,738
Consumer Shows	401,496	405,000	3,504	405,000	3,504
Other	418,133	292,000	-126,133	297,500	-120,633
<b>Total</b>	<b>1,668,367</b>	<b>1,067,000</b>	<b>-601,367</b>	<b>1,239,500</b>	<b>-428,867</b>

Sources: Dallas CVB & HVS

The most significant difference between the prior demand projection and either of the two HVS demand scenarios is the number of conventions and tradeshows. The current level of future bookings indicates that they are likely to achieve a lower number of conventions and tradeshows than was originally projected for the expanded and renovated facility. The prior demand analysis does not specify any assumptions regarding future hotel development. However, a survey of event planners included in the prior study revealed that even before the current exhibit space expansion, the supply of hotel rooms proximate to the DCC was a major concern. With an expanded exhibit hall, the supply of hotel rooms proximate to the DCC will be a greater problem than it was when this prior survey was conducted.

#### Induced Hotel-Based Group Demand

In addition to the increased event activity at the DCC, the new headquarters hotel would also attract new group demand into its in-house event space. This would enable the hotel to generate induced group demand through its marketing and sales efforts. International sales and reservation systems would provide access to large segments of potential demand. The increase in the amount of event space in the market would, by itself, enable the market to accommodate an increased amount of group demand over previous levels.

The current proposal the Dallas CVB is considering calls for 90,000 square feet of event space in the proposed headquarters hotel. This in-house event space would induce additional group demand into the market, as well as compete for existing hotel-based group events. HVS includes a factor for these additional, induced in-house group demand, but it only amounts to a small fraction of the total room nights.

#### Projected Room Nights

As a test of the reasonableness of room night projections, HVS collected data on room night generation from other major convention facilities as shown in Table 4-8. The data, mostly from 1998, is a couple of years old, but is still highly relevant to assessing the relationship between exhibit space, attendee, and room nights associated with convention center demand.

Table 4-8

Exhibit Space, Attendance, and Room Night Data for Selected Convention Centers (1998, unless otherwise noted)

Convention Center	Total Exhibit Space	Number of Delegates	Room Nights Generated	Room Nights Per Square Foot
Opryland-Nashville	400,000	1,500,464	893,873	2.23
New Orleans	1,100,000	1,318,886	2,027,100	1.84
Austin <sup>1</sup>	149,390	371,381	241,048	1.61
Indiana Convention Center	301,500	1,762,638	429,125	1.42
San Antonio	750,000	607,890	1,038,472	1.38
Houston <sup>1</sup>	451,500	542,491	379,874	0.84
Dallas Convention Center	815,852	816,400	600,180	0.74
Denver	300,000	180,018	212,864	0.71
St. Louis <sup>2</sup>	502,000	—	306,097	0.61
Pittsburgh	131,000	131,000	73,680	0.56
Cleveland	409,000	284,564	167,021	0.41
Average	482,749	751,573	579,030	1.12

<sup>1</sup> Denotes fiscal year figures - 1997/1998 (October - September)<sup>2</sup> Denotes 1997 figures.

Source: HVS International

The ratio of room nights to square feet of exhibit space varies widely, depending on the event mix in various facilities and the overall destination appeal of the markets.

Table 4-9 shows the estimated number of room nights generated by DCC events and the induced, in-house group room nights in the headquarters hotel under each scenario.

Table 4-9  
Summary of Estimated Annual Room Nights

Source of Room Nights	No Hotel	Hotel	New Room Nights
DCC Group Demand	700,801	1,025,266	324,465
Headquarters Hotel Induced In-House Group Demand <sup>1</sup>	-	21,000	21,000
Total Room Nights	<u>700,801</u>	<u>1,046,266</u>	<u>345,465</u>
DCC Room Nights / DCC Exhibit Space	0.68	1.00	--

<sup>1</sup> Includes only new group room nights induced into the market, not total group room nights in the HQ Hotel.

Source: HVS

The development of the proposed headquarters hotel would generate approximately 345,000 new room nights annually from additional events at the DCC and induced in-house group demand. The induced room nights estimate includes the additional room nights from the increased event demand at the DCC and a small factor to account for the induced in-house group demand the new hotel would attract to its function space. This induced in-house group demand estimate includes only the room nights that would be entirely new to the market and excludes any demand that may shift from other existing facilities in the market.

Assuming a hotel occupancy rate of 65 percent, these new group room nights alone, not counting any other segments of demand such as corporate or leisure, could support 1,456 rooms in the market. The ratio of DCC event-related room nights to DCC exhibit space increases in the Hotel Scenario due to both the increase in the number of tradeshows and conventions and the shift towards more national events.

#### Hotel Market Considerations

The addition of a 1,200-room headquarters hotel in downtown Dallas would have a significant impact upon the downtown hotel market in various ways. Initially, the large increase in supply would place downward pressure on occupancy and rate levels. However, as demand for the expanded DCC and the headquarters hotel approached stabilized levels, the additional demand attracted to the market would improve overall occupancy and rate performance in the market.

The experience of other markets that have added headquarters hotel properties to improve the demand potential of the convention centers has shown that any negative impacts upon occupancy and rate performance of existing downtown hotels has been temporary. The development of a

headquarters hotel produces a spike in the ongoing growth of room supply in a market that is absorbed through a combination of normal increases in room demand and the additional events and attendees attracted to the convention center the headquarters hotel is developed to support.

A detailed study of the Dallas hotel market is necessary to predict yearly occupancy and rate information for the downtown hotel market under the Hotel Scenario. This analysis provides the data on the increase in DCC event-related room night demand that a hotel market study would require.

#### Conclusion

This demand analysis reveals that the addition of a headquarters hotel property to support the expanded DCC would enable a significant increase in demand over a scenario without a headquarters hotel. Interviews with event planners that have considered Dallas and elected to hold their events elsewhere indicate that the lack of proximate hotel rooms was the leading factor in their decision. HVS' analysis estimates that the development of the proposed headquarters hotel would result in an increase of over 345,000 annual room nights in the market.

## 5. Impact Analysis

The potential for positive economic impact provides the primary rationale for public investment in convention center headquarters hotels. These headquarters-hotel properties enable convention centers to attract more and larger events, due to the increased availability of convenient, high-quality lodging for event attendees. Most attendees come from outside the area and spend significant amounts of money during shows and meetings and as tourists both before and after events. The economic impacts discussed in this section include only those impacts that result directly from activity at the DCC and at the proposed headquarters hotel, and they measure the amount of new spending that would occur in Dallas County. HVS, in consultation with the Dallas CVB, elected to use the County as the market area for the impact estimates, rather than just the City of Dallas, in order to have a large enough area to capture most of the direct and indirect and induced spending associated with DCC events.

HVS estimated the total direct, indirect, and induced spending in the economy and the increase in fiscal impact (tax revenues) that would result from this new spending. By using the County as the area of study, the fiscal impacts can include both City and County tax revenues.

### Methodology

HVS estimates the economic and fiscal impact of adding the proposed headquarters hotel by calculating the impacts under two scenarios: a No-Hotel Scenario and a Hotel Scenario. HVS' demand projections for the DCC provide the primary inputs for the economic impact model in each scenario.

### Summary of Results

The addition of a headquarters hotel has the potential to attract a total of 172,500 additional event attendees to the DCC at a point of stabilized demand. The resulting spending that these attendees would bring to the local economy would amount to more than \$304.2 million (year 2001 dollars) annually, in excess of the amount of spending in the No-Hotel Scenario. This additional spending includes the direct, indirect, and induced spending impacts from attendee, exhibitor, and association spending related to events at the DCC and the induced group demand at the proposed hotel.

## Description of Spending Types

HVS estimates three types of impacts in the analysis:

- **Direct impacts** include the delegate, association, and exhibitor spending resulting from the events and activities that adding a headquarters hotel would induce in the market. For example, a delegate's expenditure on a restaurant meal is a direct economic impact.
- **Indirect impacts** are the supply of goods and services resulting from the initial direct spending attracted by the headquarters hotel. 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 are within the County economy is counted as an indirect economic impact.
- **Induced 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 waitress at the restaurant may have more personal income as a result of the delegate's visit. The amount of the increased income that the waitress spends in the local economy is considered an induced impact.

Indirect and induced impacts are often referred to as multiplier effects. These effects, which vary based upon the specific characteristics of a market's economy, typically make up approximately 40 percent of the total economic impact.

The methodology HVS employs in its impact analysis avoids the primary problems associated with many impact analyses. Only new spending within the County that originates from outside the County is included in the estimate of direct spending. Spending by delegates who live within the County is a transfer of income from one sector of the area's economy to another. Therefore this analysis does not count the spending by County residents as a new economic impact. By excluding in-area spending, the delegate spending projections represent the net new economic impact created by the event activity at the DCC—a more accurate projection methodology than counting the gross economic impact. Secondly, the use of an input-output model specifically tailored to the County's economy enables HVS to estimate indirect and induced impacts as precisely as possible.

The exclusion of transfer spending in economic impact analyses on convention center demand is important because it isolates the new spending that a facility attracts into an area's economy. Convention centers can attract large numbers of attendees from the local market area to consumer shows. In addition, people from the local area may attend a tradeshow or convention that is held in their home area that they otherwise may not attend if it required them to travel. Only a small percentage of these local attendees are likely to travel to attend a specific event, regardless of where it is held. Therefore, the exclusion of the spending by these local attendees from the impact estimates provides the most accurate reflection of the new spending coming into the economy.

The analysis calculates the total direct, indirect, and induced spending resulting from the events and attendees at the DCC under both scenarios and the associated spending that they would generate in the economy. The Hotel Scenario also includes the spending associated with the additional group demand that the meeting space in the new headquarters hotel would induce in the market.

#### Direct Impacts

The direct impact projections are based on the demand projections for each scenario, presented in Section 4. The analysis estimates three categories of direct expenditures:

- **Delegate spending** is spending by delegates and other attendees to conventions and meetings. Delegates typically spend \$200–400 per day on lodging, food, local transportation, recreation and entertainment, and other items. Delegate spending is the single-largest source of direct economic impact.
- **Exhibitor spending** includes the local spending by exhibitors at conventions and tradeshows for services, as well as their personal expenditures. Exhibitors make expenditures for lodging, meeting room rental, food and beverage service, hospitality suites, equipment rental, and other services. Certain exhibitor expenditure categories, such as drayage and promotion, are not included because the analysis assumes that they are primarily non-local and occur outside the County.
- **Association spending** is the local spending within the area by organizations that sponsor conventions and tradeshows. Associations make expenditures for lodging, exhibit space rental, meeting room

rental, food and beverage services, equipment rental, staff living expenses, and other services.

Dallas participated in the 1993 International Association of Convention and Visitor Bureaus (IACVB) survey on event spending. Delegates, associations, and exhibitors who were involved in events in 67 U.S. and six Canadian cities participated in the study. IACVB updated the survey in 1998; however, Dallas was not one of the sample cities in this update. HVS uses the Dallas-specific figures from 1993, inflated to year 2001 dollars, to estimate direct delegate and association spending. The analysis uses overall IACVB spending figures to estimate exhibitor spending because the Dallas-specific figures do not provide sufficient information to calculate per-delegate spending.

The IACVB survey reports per-delegate association and exhibitor expenditures by category of expenditure. The survey also distinguishes between spending by out-of-town and in-town delegates in Dallas. The overall IACVB survey, which covers all participating markets, distinguishes between spending levels at events that have a national scope and spending at those with a state and local scope for small, medium, and large-sized markets. HVS used this overall survey data on scope for the large-market category (markets with a population of 1.5 million or more) to derive spending estimates for events by scope. The analysis employs assumptions regarding the distribution of events by scope to estimate total spending.

Figure 5-1 shows the distribution of average spending by delegates attending national events, inflated to 2001 dollars.

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Figure 5-1  
Average Spending by Type at National Events

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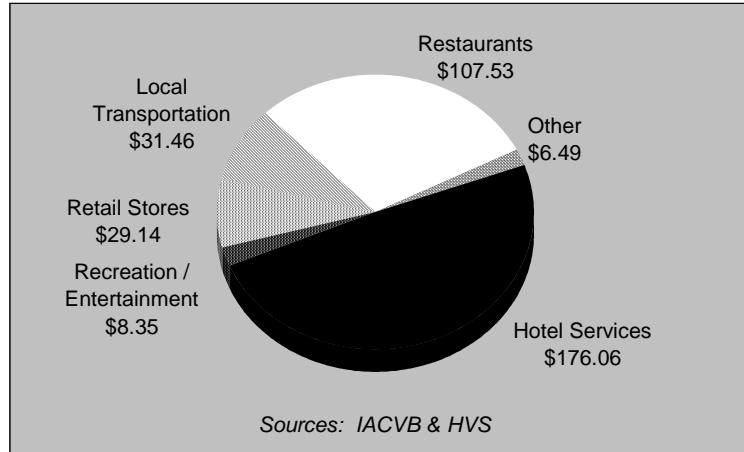
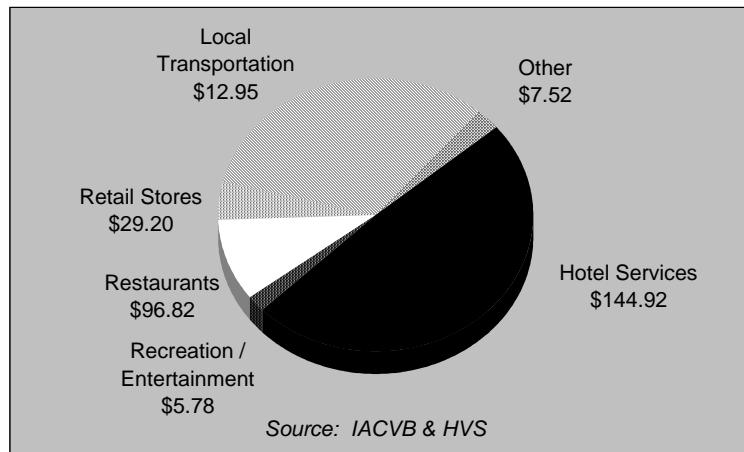


Figure 5-2 shows the distribution of average spending by delegates attending state and local events, inflated to 2001 dollars.

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Figure 5-2  
Average Spending by Type at State and Local Events

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The hotel services category includes expenditures on all hotel services, including telephone and other charges, and not just the room rate. Hotel services represent the largest category of expenditures, followed by restaurants, for national and state and local events.

Exhibitor spending is the second-largest category of direct spending and includes meeting room rental, food and beverage services, hospitality suites, equipment rental, and other services. The estimate of exhibitor expenditures per delegate day in the overall IACVB survey of large markets is \$97.26 for national events and \$49.36 for state and local events.

Associations that sponsor conventions and tradeshows make expenditures on the rental of exhibit space and meeting rooms, food and beverages, staff expenses, and other services. Based on the IACVB survey for Dallas, the estimate for per-delegate-day association expense is \$14.15 for national events and \$17.55 for state and local events. The per-delegate-day expense for national events is less due to the higher average attendance at events with a national scope.

#### Indirect and Induced Impacts

HVS utilized the IMPLAN input-output model to estimate indirect and induced impacts. IMPLAN is a nationally recognized model commonly used to estimate economic impacts. An input-output model generally describes the commodities and income that normally flow through the various sectors of the 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 projected direct spending in the two impact scenarios. The IMPLAN model accounts for the specific characteristics of the County's economy and estimates the share of indirect and induced spending that it will retain.

HVS categorized the projection of net new direct expenditures for delegates, associations, and exhibitors at the DCC into various sectors of the economy. These categorized direct-spending numbers provided the inputs for the IMPLAN model. HVS then used the model to calculate the indirect and induced spending resulting from the direct spending. Because all input data are net new direct expenditures, the indirect and induced impacts are also net new effects and exclude transfer spending.

#### Estimated Direct, Indirect, and Induced Impacts

The demand and operating projections presented earlier in this report comprise the inputs for the economic impact analysis. Estimating the net new economic impacts on Dallas County required assumptions regarding the percentage of events that would be national, as opposed to state and local, in scope and regarding whether attendees at these events originate from outside the County.

Table 5-1 shows HVS' assumptions, by scope and type of event, concerning the percentage of events by scope and the percentage of attendees who would originate from outside the County.

Table 5-1  
Summary of Assumptions Regarding Event Scope & Attendee Origin

**Event Scope (origin of attendees)**

Event Type	No-Hotel Scenario		Hotel Scenario	
	National	State & Local	National	State & Local
Conventions/Trade Shows	55%	45%	64%	36%
Consumer Shows	--	100%	--	100%
Arts & entertainment	--	100%	--	100%
Meetings	50%	50%	50%	50%

**% of Attendees from Outside Dallas County (Both Scenarios)**

Event Type	National	State & Local
Conventions/Trade Shows	90%	75%
Consumer Shows	--	40%
Arts & entertainment	--	10%
Meetings	90%	70%

Source: HVS

The addition of a headquarters hotel would enable the Dallas CVB to attract a higher ratio of national events that require larger room blocks than Dallas hotels can now provide to the DCC. Therefore, under the Hotel Scenario the number of events would not only increase, but the average spending impact per event also increases.

Table 5-2 shows the total projected direct delegate, exhibitor, and association spending originating from outside the County that occurs within the County in each scenario. All direct spending originating from outside the County represents a net new spending impact. However, a portion of the direct spending would occur outside the County. To address this issue, HVS employs a set of assumptions regarding the proportion of spending that would occur outside the County, based on the volume and quality of the area's tourism infrastructure and the proximity and attractiveness of surrounding communities. The estimates for auto rentals reflect the one-third sharing formula between the cities of Euless (where Dallas-Fort Worth International Airport is located), Fort Worth, and Dallas and the share of auto

rentals occurring at Love Field in Dallas. The spending originating from outside the County that occurs within the County constitutes the net new direct economic impacts and the inputs for the IMPLAN model.

Table 5-2  
Estimated Direct Spending (Year 2001 Dollars in Millions)

Type of Spending	Percent Occurring within Dallas County	No-Hotel Scenario	Hotel Scenario	Incremental New Spending
<b>Direct Delegate Spending</b>				
Local Gov Transportation	95%	\$8.9	\$14.2	\$5.4
General Merchandise Stores	85%	31.5	46.2	14.7
Eating and Drinking	90%	94.3	140.2	45.9
Gas	85%	3.2	4.2	1.1
Hotel	90%	153.2	233.2	80.0
Auto Rental <sup>1</sup>	32%	3.8	6.0	2.2
Sporting Events	95%	3.2	4.6	1.4
Amusement and Recreation	85%	3.6	5.6	2.0
<b>Subtotal</b>		<b>\$301.5</b>	<b>\$454.2</b>	<b>\$152.7</b>
<b>Direct Association Spending</b>				
Eating and Drinking	100%	\$8.7	\$12.4	\$3.7
Miscellaneous Retail	100%	2.9	4.2	1.2
Services to Buildings	100%	1.6	2.2	0.7
Advertising & Promotion	100%	0.6	0.9	0.3
Hotel	100%	2.0	2.8	0.8
Equipment Rental	100%	1.8	2.6	0.8
<b>Subtotal</b>		<b>\$17.7</b>	<b>\$25.2</b>	<b>\$7.5</b>
<b>Direct Exhibitor Spending</b>				
Eating and Drinking	95%	\$18.2	\$27.9	\$9.7
Services to Buildings	95%	10.1	15.6	5.4
Advertising & Promotion	90%	1.8	2.7	1.0
Hotel	100%	7.2	11.1	3.9
Equipment Rental	100%	6.3	9.7	3.4
<b>Subtotal</b>		<b>43.7</b>	<b>67.0</b>	<b>23.3</b>
<b>Total Spending</b>		<b>\$362.9</b>	<b>\$546.4</b>	<b>\$183.5</b>

<sup>1</sup> Reflects assumption that 75% of rentals occur at Dallas airports, 85% of airport rentals occur at DFW and the 1/3 sharing formula between Euless, Fort Worth, and Dallas for DFW rentals.

Sources: International Association of Convention & Visitor Bureaus & HVS

The direct economic impact includes spending by out-of-town delegates, associations, and exhibitors. Delegates make up most of the direct economic impact, with \$301.5 million in annual new spending in the No-Hotel Scenario

and \$454.2 million in the Hotel Scenario. Adding association and exhibitor spending, the projections estimate that approximately \$362.9 million in total annual new direct spending would come from outside the County in the No-Hotel Scenario and \$546.4 million in the Hotel Scenario. The net new spending would occur in job-intensive service industries such as hotels, food service establishments, and retail stores.

The IMPLAN model projects the indirect and induced effects generated by the estimate of net new spending that occurs in the County. Table 5-3 shows the projected net new direct, indirect, and induced economic impacts and jobs in the County in each scenario that are attributable to the event activity at the DCC and the induced group demand in the event space in the headquarters property in the Hotel Scenario. The new impacts in each scenario represent only the net new direct spending originating from outside the County and the resulting indirect and induced impacts of this new direct spending. Although the impacts are in 2001 dollars, they represent comparative levels of activity after demand has stabilized.

Table 5-3  
Total Spending (Year 2001 Dollars in Millions) & Employment in the Two Scenarios

Type of Impact	No-Hotel Scenario		Hotel Scenario		New Impact	
	Spending	Jobs	Spending	Jobs	Spending	Jobs
<b>Direct by Source</b>						
Delegate	\$301.5		\$454.2		\$152.7	
Association	17.7		25.2		7.5	
Exhibitor Spending	43.7		67.0		23.3	
<b>Total Direct Impact</b>	<b>\$362.9</b>	<b>6,116</b>	<b>\$546.4</b>	<b>9,194</b>	<b>\$183.5</b>	<b>3,078</b>
<b>Indirect*</b>	<b>\$104.2</b>	<b>973</b>	<b>\$157.2</b>	<b>1,468</b>	<b>\$52.9</b>	<b>495</b>
<b>Induced*</b>	<b>134.2</b>	<b>1,393</b>	<b>202.0</b>	<b>2,096</b>	<b>67.8</b>	<b>703</b>
<b>Total</b>	<b>\$601.3</b>	<b>8,482</b>	<b>\$905.6</b>	<b>12,758</b>	<b>\$304.2</b>	<b>4,276</b>

\* Total industry output.

Source: HVS

HVS projects that the proposed headquarters hotel would attract \$304.2 million in additional direct, indirect, and induced spending into the County economy in excess of that in the No-Hotel Scenario. This new spending would support an additional 4,276 jobs in the County.

#### Fiscal Impacts

Fiscal impacts consist of tax revenues that result from the net new spending and income related to the activities at the DCC, and in the Hotel Scenario

from the induced in-house group demand at the headquarters hotel. The analysis determines the increase in tax revenues the spending will generate in each scenario within the County. These fiscal impacts represent the incremental tax revenue collected by various units of local government associated with the net new economic activity related to the proposed hotel. For example, the analysis estimates the occupancy tax revenue from an overnight stay by a delegate attending an event and considers it to be a fiscal impact.

This analysis estimates fiscal impacts in the County. Like the annual spending estimates on which they are based, the report presents the fiscal impacts in 2001 dollars for demand in a stabilized year.

The fiscal impacts are the government's share of total economic benefit. The fiscal impacts represent only a fraction of the overall spending impact to the economy, as they are only the public sector's increase in tax revenue resulting from the overall increased spending in the economy. Fiscal impacts partially offset the capital and operating expenditures required to support the development of the hotel. Although the incremental tax revenues are rarely sufficient to pay for a project in full, fiscal impacts are important because they improve the public sector's ability to pay for projects. The overall economic impacts, including the fiscal impacts, provide the primary rationale for public participation in the project.

Since the direct spending impacts reflect only the new spending coming from outside the County, the fiscal impacts similarly reflect only the tax revenue generated from the spending that is new to the County economy. Table 5-4 summarizes the relevant tax rates utilized to estimate the overall fiscal impacts of the project.

Table 5-4  
Summary of Tax Rates and Tax Base

Tax	Rate	Tax Base
Local Sales Tax <sup>1</sup>	2.0%	sales of eligible goods and services
Local Occupancy Tax	9.0%	rental revenue from hotel rooms
Local Property Taxes		
Hotel	\$1,810	average assessed value per hotel room
Other <sup>2</sup>	0.701%	gross retail sales volume
Auto Rental Tax		
City	5.0%	revenue from auto rentals
Airport Fee	10.0%	revenue from auto rentals

<sup>1</sup> Includes only local component of sales tax.  
<sup>2</sup> Property tax per square foot divided by sales per square foot.

Sources: Texas Comptroller of Public Accounts, Central Dallas Association, Dallas Central Appraisal District, and HVS

This analysis considers four major categories of tax revenue.

### **Sales Tax**

Municipalities in Texas have a local option to levy a sales tax of up to 2.0 percent and the City of Dallas levies the full 2.0 percent local sales tax. For the purposes of estimating the sales tax base, the analysis considers only the taxable portions of direct, indirect, and induced spending as part of the tax base.

In addition to the direct expenditures, the tax base includes a portion of employee income that is spent on taxable goods. An estimated 23 percent of household income is expended on goods that are subject to the sales tax. This percentage of direct, induced, and indirect employee income is added to the estimate of the sales tax base.

### **Occupancy Tax**

The rental of short-term accommodations of less than 30 consecutive days in Dallas is taxed at a local rate of 9.0 percent. The estimates of local hotel tax revenues are based on the number of room nights generated by event activity, multiplied by an average daily room rate, multiplied by the local 9.0

percent tax rate. The estimate of room nights includes the rooms associated with DCC event demand and the induced in-house group demand at the proposed hotel.

### **Property Taxes**

The direct, indirect, and induced spending associated with the activity at the DCC causes the development of hotels and other types of commercial real estate that are subject to the property tax. This analysis estimates two types of property tax impacts. The first is the impact of additional hotel development and the resulting property taxes on these hotels. The analysis estimates the number of room nights that events at the DCC generate and calculates the number of hotel rooms these room nights would support in the market. This analysis assumes an overall occupancy rate of 63 percent, meaning that, on average, hotel rooms in the market are occupied for 230 days per year.

HVS collected data on the assessed value per hotel room in eight hotel properties that are likely to service DCC room night demand. The average assessed value per hotel room was \$66,545. Applying the total property tax rate in the City of Dallas to the average assessed value per room yields an average property tax per room of \$1,810.

In addition to hotels, restaurant and retail spending by event attendees supports other commercial development. The additional sales associated with the activity at the DCC would cause a marginal increase in commercial development beyond the development that would otherwise occur. The analysis considers the property taxes on the new commercial development to be new fiscal impact.

HVS collected data on seven selected retail and restaurant establishments that are representative of the types of places where event delegates spend their money during their time in Dallas. The selected establishments included both downtown restaurants and shops proximate to the DCC and suburban venues.

The average assessed value per square foot of retail space among these establishments is \$64. HVS interviewed municipal planning and development staff, developers, and the Central Dallas Association to collect information regarding retail sales per square foot in Dallas. Based on these interviews, the analysis uses an assumption of \$250 per square foot in retail sales. A significant effort is underway to revitalize the downtown retail

market in Dallas, and the Central Dallas Association commissioned a study, completed in 1998, to outline a strategic plan for the downtown core. Depending on how successful the City and various other public and private interests are in revitalizing the downtown core, average sales per square foot could increase substantially, possibly approaching \$400 per square foot, in the years to come. If the character of retail in downtown Dallas, which is directly accessible to the DCC and its attendees, changes considerably, the average amount of retail spending would change accordingly.

### **Auto Rental Tax**

The current local auto rental tax is 5 percent. In addition, the Dallas/Fort Worth International Airport levies a 10.0 percent assessment on auto rentals that occur on airport land.

Table 5-5 shows the projected net new fiscal impacts in the County under each of the two scenarios.

Table 5-5  
Estimated Fiscal Impact (Year 2001 Dollars in Thousands)

Type of Tax	No-Hotel Scenario	Hotel Scenario	New Tax Revenue
Sales Tax	\$3,433	\$5,098	\$1,664
Local Occupancy Tax	9,134	13,637	4,502
Property Tax			
Hotel	5,518	8,238	2,720
Other	1,203	1,786	583
Local Auto Rental Tax	188	299	110
Airport Fee for Auto Rental	357	567	210
Total	<u><u>\$19,834</u></u>	<u><u>\$29,624</u></u>	<u><u>\$9,790</u></u>

Source: HVS

The Hotel Scenario generates an estimated \$9.8 million more in fiscal revenue in excess of the No-Hotel Scenario.

The municipalities within Dallas County, particularly the City of Dallas, will incur expenses related to providing services arising from the additional event volume at the DCC that are not estimated in this analysis. These expenses include police, fire protection, emergency medical services, traffic control, street maintenance, sanitation, and other ongoing operating expenses

required to maintain the environment around the facility. A portion of these costs is fixed, but a portion will vary with the volume of event activity. These inevitable costs would, to some extent, decrease the overall fiscal benefit resulting from the increased event activity. Precise estimates of these costs are complicated by the nature of the activities involved. However, they are immaterial relative to the benefits of the spending associated with the additional event demand.

### Summary of the Economic and Fiscal Impact Analysis

By enabling the DCC to host more events that attract out-of-town attendees, the headquarters hotel would increase the amount of occupied rooms, spending, and associated impacts in the area. This comparison of the two scenarios, with and without development of the headquarters hotel, reveals an estimated \$304.2 million in incremental spending impact annually, supporting an incremental increase of 4,276 jobs. This infusion of spending into the County's economy would generate approximately \$9.8 million in additional annual tax revenues for the municipalities within the County.

Table 5-6 shows a summary of the estimated impacts associated with the addition of a headquarters hotel at the DCC.

**Table 5-6**  
Summary of Impacts Associated with the Development of a Headquarters Hotel

Type of Impact from Headquarters Hotel	Amount of Impact
Additional DCC Conventions & Tradeshows	10
Additional DCC Other Events	10
Induced Room Nights <sup>1</sup>	345,465
Additional Economic Spending Impact (millions)	\$304.2
Additional Fiscal Revenue (millions)	\$9.8
Additional Employment	4,276

<sup>1</sup> Includes induced in-house room nights new to the market

Source: HVS

The additional demand potential at the DCC that the proposed headquarters hotel would enable generates significant room night, spending, tax revenue, and employment impacts for the Dallas economy.

## 6. Bond Financing

### Overview

Convention centers stimulate local economic activity by attracting new visitors to the local community. In an increasingly competitive convention market, success in achieving this goal increasingly depends on the ability to accommodate visitors in hotels proximate to the convention center. These hotels serve as headquarters for convention attendees and are called “headquarters hotels.” To attract more visitors, many cities are pursuing development of quality, full-service hotels adjacent to their convention centers. Section 7 presents case studies of several cities that have recently developed headquarters hotels using some form of public financing assistance. Table 6-1 shows first-tier cities and their intentions for the development of headquarters hotels.

Table 6-1  
First-Tier Cities’ Plans for Headquarters Hotels

City	Number of Rooms	Status	Public Support
Chicago	800	Complete	Yes
Minneapolis	816	Complete	Yes
San Antonio	1,000	In Planning Stages	Yes
Houston	1,200	Scheduled completion in 2003	Yes
Boston	1,120	Planned for 2003 or 2004	Yes
Dallas	1,200	Under Consideration	Undetermined
Los Angeles	1,400	In Planning Stages	Undetermined
San Diego	1,200	RFQ issued, 2004	Undetermined
New Orleans	1,500	Under Consideration	Undetermined
San Francisco	500-800	Under Discussion	Undetermined
Las Vegas	--	None Planned	--
New York City	--	None Planned	--
Orlando	--	Several Existing Hotels	--
Atlanta	--	None Planned	--

Source: HVS

Two cities in the above list have already constructed headquarters hotels through public support. Three other cities are currently planning or

developing headquarters hotels that will benefit from public support. Five additional first-tier markets, including Dallas, are considering headquarters hotel projects and have yet to determine whether, and to what extent, the public sector will support the project.

Conventional financing for headquarters hotel properties presents great challenges, with only a handful of institutional lenders financing hotels in the current economic environment. The financing that is available imposes a 50 to 60 percent loan to value limit and prices loans at 3.0 to 4.0 percent over the London InterBank Offering Rate. Equity investors in hotel financings require 20 to 30 percent returns in a three to seven year holding period.

The high cost of conventional financing, combined with the high construction cost of quality, full-service properties, has caused 100 percent of the convention center headquarters hotel projects in the last five years to use some form of public sector incentives. In the cities where the public sector does not provide incentives, the proposals tend to languish. In cities such as Boston and Overland Park, attempts to finance headquarters hotels privately, without any public subsidy, failed. Current proposals have been reorganized to include various forms of public assistance.

Public sector incentives and funding support for a convention center hotel can come from a variety of sources: contributions of land, infrastructure, and parking facilities; direct subsidy payments; contingent pledges of financial support; or converting hotel ownership to a public entity and thus providing access to tax-exempt bond financing. After examining the public sector incentives needed to launch the convention center hotel, many cities have chosen to substantially lower borrowing costs by using tax-exempt financing.

To use tax-exempt financing, the hotel owner must be a public sector entity, or the hotel property must be located in a federal empowerment zone. Often, the public sector owner either is a newly created public-benefit corporation or becomes a new operation under the convention center organization. State law typically determines the appropriate structure of the ownership entity, whether a public-benefit corporation, a not-for-profit corporation, or an entity within a department of city government.

Over the past 12 months, several cities have used public ownership of their convention headquarters hotel development to finance projects with tax-exempt bonds. Recently financed properties using public ownership and tax-exempt bonds include headquarters hotels in Austin; Sacramento; Overland

Park, Kansas; and Myrtle Beach, South Carolina. The balance of this section of our report describes the financial structuring considerations for a publicly owned convention center hotel property.

#### Bond Financing Alternatives

Just as there are different alternatives for public sector incentives for headquarters hotel developments, there are also varieties of financing methods from which to choose. The essential difference among the financing alternatives is the allocation of risk and reward of the hotel operation. The risk of the hotel's operating success must be allocated among the owner (the city), the lenders (bond investors), and the property manager (hotel operator). In the current climate, investors are unwilling to purchase bonds without the owner (city) assuming a share of the risk. In addition, by shielding investors from sole responsibility for net operating deficits, cities can lower borrowing costs. Lower borrowing costs enable a greater cash flow and better prospects for strong net income and long-term success. From the city's perspective, there is a tension between offering investors the greatest assurance and prudent application of the public's funds.

During the last 12 to 24 months, publicly owned convention center hotel financings have generally included a three-tier allocation of risk. With this allocated risk structure, the bond financing is a tiered debt structure, with first-lien senior debt, second-lien subordinate debt, and a small third-lien purchased by the hotel operator and/or developer.

#### First-Lien Non-Recourse Bonds

The first-lien senior bonds have first claim on the hotel's net operating income and generally are sized to a 1.60 to 2.25 times debt coverage ratio. Debt coverage ratio is annual net operating income divided by annual debt service. Typically, the first-lien bonds are payable only from hotel operations and have no guarantees or back-up support of public sector resources. Thus, the first-lien bonds are "non-recourse bonds," because no financial resources other than the hotel operating revenues are pledged to pay debt service. The first-lien bondholders have a first mortgage on the hotel property. The financing team often will structure the first-lien debt coverage ratio high enough so that the first-lien bonds can attract an investment grade rating of at least "Baa" or "BBB" from Moody's Investors Service or Standard & Poor's, respectively. The appropriate debt coverage ratio for a first-lien non-recourse bond is 1.60 times, 2.25 times, or somewhere in between depending on the credit features of the issuance.

#### Second-Lien Bonds

The second-lien subordinate bonds have a secondary claim on the hotel's net operating revenue. The second lien on hotel revenues alone does not provide

sufficient certainty to attract investor capital at reasonable borrowing costs. Public sector support is necessary to make the second lien marketable. The public sector support is a pledge to fill any shortfalls in the event that hotel operations, after paying first-lien debt service, generate less than what is needed to pay second-lien debt service. The public sector support should be sufficient so that the second-lien bonds earn at least "A/A" ratings, thereby reducing borrowing costs. The public credit support often is in the form of a contingent pledge of public resources in the event that the hotel's net income is not sufficient to pay second-lien debt service.

Bonds with a second lien on a hotel's net operating revenues without public sector backing typically are not rated investment grade. Thus, to stimulate a transaction to go forward and to lower the interest rate on the second-lien debt to a reasonable rate, most cities whose convention center headquarters hotel programs have moved ahead have provided some form of public sector support for the second-lien bonds. Some cities provide this support with grants or direct cash contributions, thus eliminating the need for second-lien bonds. Others provide a credit support mechanism that improves the creditworthiness of second-lien bonds to investment grade. In these cases, if the hotel property performs as expected, the public sector will not make a financial contribution. The public financial contribution only occurs if the hotel's operating revenue is not sufficient to cover the second-lien bonds.

The distinction between sources of payment and sources of credit support is important. The expectation is that the hotel operation will generate sufficient funds to pay for the second-lien debt service if it performs reasonably close to projections. However, because of the inherent uncertainty of any projection of future financial performance, borrowing using the second lien on hotel revenues as the only source of credit support is very expensive. The public sector support provides a credit backstop with a stronger certainty than a hotel's net income projections. The source of credit support may become a source of payment, but only in the event of hotel performance well below expectations.

Headquarters hotel developments have utilized alternative forms of public support including the following.

- *General Obligation Pledge*—A general obligation pledge is the lowest-cost alternative and the simplest to explain to investors. However, it has the greatest legal constraints (debt limits) and creates the greatest political challenges. We are aware of only one large city that has

chosen general obligation debt as the alternative to support the second-lien bonds for their convention headquarters hotel property (Trenton, New Jersey).

- *Pledge of Dedicated Taxes*—A more common approach for providing public support for convention center hotel projects is a pledge of dedicated taxes. This approach may be more acceptable to the City and its citizens. Common dedicated taxes to provide credit support for these types of developments include: sales taxes, hotel taxes, restaurant taxes, auto rental taxes, or a pledge of certain state formula distributions.
- *Credit-Enhancing Legal Structures*—Sometimes pledged taxes lack a track record and/or are less creditworthy, thus requiring a higher coverage level and limiting the amount of debt that they can support. In such cases, creative structuring alternatives can help maximize the debt capacity leveraged by a weaker revenue stream. Three techniques that can improve “bankability” include a governmental, general-fund lease, and annual appropriation pledge, or a moral obligation pledge from a creditworthy government sponsor.

Third Tier Junior  
Subordinate Bonds  
Purchased by Hotel  
Operator and  
Developer

Financings for several of the headquarters hotel developments have included a third-lien debt, junior-lien bonds sold to the private sector participants. Given that subordinated bonds are being sold to project participants, debt service coverage requirements can be more arbitrary.

For subordinate bonds to qualify as a tax-exempt debt (as opposed to an equity investment), federal tax regulations require an analysis of a reasonable expectation that the subordinate debt can be paid. To defend the position that the contribution is a debt investment and not an equity investment, bond counsel typically will require that the coverage ratio on such bonds be at least 1.10. In addition, some projects have included a rate covenant that requires that revenues be determined based on a coverage requirement of between 1.15 to 1.25 times total debt service.

Important Credit  
Features of Tax-exempt  
Hotel Debt

There are several factors that influence the characteristics of first-lien and second-lien bonds. A review of the factors involved in formulating project financing will enable a better understanding of the requirements for public participation in the development of headquarters hotels.

## Construction Risk

The tax-exempt market is more accustomed to evaluating and ascertaining construction risks than the taxable fixed-income markets. Tax-exempt investors are well-versed in the credit analysis of construction contracts and the accompanying guarantees of performance the contracts require. Taxable financings often are paired with significant equity investments. In the event of construction cost overruns, the equity investor, rather than the debt provider, is expected to fund the unexpected costs. However, the publicly owned hotel financings lack this feature, so that there is a correspondingly greater priority in containing construction risks.

An essential element of success for publicly-owned hotel financings is the choice of a qualified general contractor. The general contractor must provide a guaranteed maximum-price contract, agree to complete construction by a certain date, and pay liquidated damages equal, at a minimum, to debt service on the bonds for any delay beyond the guaranteed completion date. The general contractor must demonstrate its market-accepted financial strength to fulfill its obligations under the contract or must provide for third-party support of those obligations in the form of guarantees or bonds. The public sector ownership entity, or occasionally the hotel operator, assumes any construction risks the general contractor or developer does not insure.

## Uncertain Revenue Streams

Investors are generally cautious with respect to any “to-be-built” project with no operating history. In contrast, a typical debt offering is secured by an operating property with a known revenue stream. In addition to the critical construction risks, investors in hotel bond financings must consider:

- The limited area of economic activity from which to realize revenues,
- Sensitivity to economic and competitive conditions,
- Inherent uncertainty of revenue projections, and
- Limited ability to raise revenues if usage is lower than expected, given that the property is typically owned by a single-purpose entity that lacks resources other than the revenues of the project itself.

These features of a hotel project limit how much projected revenues can be leveraged. Thus, investors will (a) impose high coverage levels, (b) require strong legal protections, and (c) discount future growth of revenues.

## Performance Incentives

An investor concern in publicly owned hotel financing is the relative absence of strong performance incentives. Typically, a private hotel manager is hired

to operate the hotel and is responsible for producing revenues. However, in a tax-exempt financing, the private party cannot be paid based on any measure of profits of the property because of the limitations imposed by tax regulations, specifically those regarding Qualified Management Agreements.

Having a property manager without a profit motive to perform well causes investors to worry about the financial performance of the property. Consequently, investors look for features that create an incentive for the hotel operator to perform, yet that comply with the tax regulations. Incentive features such as a subordinated management fee or investment by the operator in a third-lien, junior subordinated bond help address this concern. These subordinated fees or third-lien investments are paid only after meeting operating expenses, debt service, and funding reserve requirements.

The hotel operator must covenant to operate the hotel to satisfy first-class hotel performance standards, to be compensated based on a predetermined fee schedule as set out in a qualified management agreement, and to maintain the hotel in good condition. As stated above, regulations for tax-exempt bonds do not permit the hotel operator to be compensated primarily on the basis of a share of net operating income. Termination standards based on performance tests are a common feature of publicly owned hotel financings and are included to create an incentive for good performance. The performance tests require the operator to achieve predetermined levels of gross revenue or to generate occupancy and room rates comparable to or better than a competitive set of properties.

A rate covenant is typical in hotel financings and is a strong structural component of a transaction. A rate covenant will provide investors with specific rights in the event the hotel does not perform (i.e., meet a predetermined debt service coverage level).

#### Rationale for the Project

Investors evaluate the rationale for public investment and support of the convention center hotel and the convention center industry. Investors begin by applying the concept of “essential public purpose”—meaning that, in times of fiscal strain, public bodies are most likely to reserve adequate funding for essential public purposes (law enforcement, fire protection, water and sewer plant operation) and are most likely to reduce spending by cutting non-essential purposes (tourism advertising, cultural programming, operation of sports arenas). Because the health and safety of a citizenry are not endangered if there is a default on a hotel financing and the property is shuttered, a hotel property is considered a non-essential purpose. Therefore,

a city must present investors with evidence of a considered strategy that justifies a potentially significant public contribution to support the city's convention and hotel industry.

**Reliability and Credibility of Projections**

Bond investors carefully evaluate the hotel feasibility study. Most credit analysts scrutinize feasibility reports carefully. Investors use the feasibility study to assess demand for the project and must be convinced that the demand described in the feasibility study actually will develop in the market. Investors ultimately must view positively:

- The potential demand for the hotel,
- The economic profile of the greater metropolitan market, and
- The expected future growth in the demand for convention space.

They will have to be satisfied that the projected average daily room rate and occupancy levels are appropriate for the proposed hotel.

**Development Team and Hotel Operator**

Investors must have confidence in the development team, the composition of which is an important credit consideration. Because the non-recourse financing will be payable solely from hotel revenues, investors must be satisfied that the team has the ability to:

- Manage the complex development of the hotel,
- Complete construction of the hotel based on a date-certain and on a guaranteed maximum-price construction contract,
- Market and maximize usage of the hotel on a long-term basis, and
- Successfully operate the hotel.

**Debt Service Structure and Reserve Funds**

The debt service structure must balance the requirement for sufficient debt service coverage and an understanding that a hotel will provide an increasing amount of net revenues, as occupancy rates and average daily room rates rise over time. Because the revenue stream supporting the debt will increase as the hotel achieves its stabilized level of operations, and because investors have approved hotel credits that rely on a reasonably increasing debt service structure, such a debt service structure can be proposed.

Investors require a generously funded debt service reserve requirement for first-lien bonds. The greatest concern regarding a hotel's performance arises during its initial years of operation, that is, from opening to stabilized operation. A debt reserve funded from bond proceeds is intended to mitigate

the risks of under performing during this critical initial period. Typically, the initial funding is from the proceeds of the bond issue in an amount equal to 10 percent of proceeds. Reserve funds also address investor concerns over the volatility of the lodging during periods of economic downturn. Following the commencement of operations, additional deposits are required until the total debt reserves equal two full years of first-lien non-recourse debt service. Within the “waterfall” of priority of funds, the additional deposits to the first-lien debt service reserve fund are made after paying operating costs, first-lien debt service, and second-lien debt service.

#### Selecting an Approach for Dallas

Selecting from the alternatives for public sector support for the Dallas convention center hotel project will be one of the most crucial decisions that the City will confront.

The pledged security shapes the discussions with rating agencies, credit enhancement providers, potential investors, and, perhaps most importantly, the citizens of Dallas. The variable features of each alternative include initial financial contribution, potential contingent financial contribution, the City’s debt loads, and debt limits. The City must assess each alternative according to Dallas’s legal and financial parameters and political realities.

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## 7. Case Studies

HVS selected six cities that have recently financed headquarters hotels as case studies to serve as examples of how a project may be financed. The case studies include projects in:

- Austin, Texas,
- St. Louis, Missouri,
- Myrtle Beach, South Carolina,
- Overland Park, Kansas,
- Sacramento, California
- Chicago, Illinois, and
- Houston, Texas.

HVS selected these projects to represent a cross section of recent publicly supported headquarters hotel projects that effectively dealt with financing issues similar to those Dallas has encountered. The financing structures of these projects reflect the current requirements of investors in high-yield bonds.

Development costs for the projects ranged from \$110.7 million to \$279.9 million. The total development cost includes the cost of construction, pre-opening, financing fees, capitalized interest, and reserve funds. In some cases, the project included the development of parking facilities, and these costs are also included in the comparison, as are all project-funded costs. Table 7-1 summarizes the projects presented in the case studies.

Table 7-1  
Case Studies

City	Austin, TX	Houston, TX	St. Louis, MO	Myrtle Beach, SC	Overland Park, KS	Sacramento, CA	Chicago, IL
<b>Total Development Cost (TDC)<sup>1</sup></b>	\$279,875,000	\$265,000,000	\$265,545,000	\$78,445,000	\$96,835,000	\$110,670,000	\$166,125,000
<b>Number of guest rooms</b>	800	1,200	1,081	404	412	500	800
<b>Hotel Operator</b>	Hilton	Hilton	Marriott Renaissance	Radisson	Sheraton	Sheraton	Hyatt
<b>Month of bond financing</b>	Jun-01	Apr-01	Nov-00	May-01	Dec-00	Apr-99	Feb-96

<sup>1</sup> Total Development Cost includes the entire cost of making the property operational, including construction costs, financing fees, capitalized interest during construction, and reserves funded from bond proceeds. It also includes costs for parking facilities, if any, constructed under the same financing program as the hotel.

Source: Respective Facilities and HVS

All the projects involved some form of public ownership and the use of tax-exempt financing. Debt was issued in two or three tiers, with the sponsoring municipality providing some form of support. Table 7-2 summarizes the financing structure and form of public support.

Table 7-2  
Financing Structure (Percent of TDC)

City	Austin, TX	Houston, TX	St. Louis, MO	Myrtle Beach, SC	Overland Park, KS	Sacramento, CA	Chicago, IL
<b>1<sup>st</sup> Mortgage "Non-Recourse" Bonds</b>	39.1% plus 48.2%	None	36.9%	52.0%	64.4%	83.0%	79.5%
<b>City-Supported 2<sup>nd</sup> Lien Bonds</b>	0.0%	100.0%	0.0%	30.0%	25.4%	0.0%	0.0%
<b>3<sup>rd</sup>-Lien Bonds purchased by Development Team</b>	7.3%	None	9.8%	0.0%	6.0%	3.7%	0.0%
<b>City Cash or Property Contribution</b>	5.4%	None	30.4%	15.5%	4.0%	13.3%	20.5%
<b>Other</b>	0.0%	None	22.8%	2.5%	0.0%	0.0%	0.0%
<b>Form of City support</b>	Cash contribution	City bonds secured by hotel tax, certain parking revenue and HB 2282 rebates	Grants, deeply subordinated debt	Annual appropriation pledge of general fund	Pledge of hotel taxes subject to annual appropriation	Cash contribution; bargain lease of parking garage	Cash contribution

Sources: Respective Facilities and HVS

## Overland Park, Kansas

Overland Park is located in the fast-growing suburban area of the Kansas City metropolitan area. Concurrent with the hotel construction, the City is building a convention center with 60,000 square feet of exhibit space, 15,000 square feet of meeting space, and 25,000 square feet of banquet facilities. A sky bridge will connect the hotel to the adjacent convention center. The hotel will contain 412 guest rooms. Table 7-3 shows a summary of key characteristics of the Overland Park project.

Table 7-3  
Key Characteristics of the Overland Park, KS Convention Center Hotel Project

Project Attributes		
Total Development Cost (TDC)	\$96,835,000	
Number of guest rooms	412	
Hotel Operator	Sheraton	
Month of financing	December, 2000	
Financing Structure		
Financing Structure	Amount	Percent of TDC
1 <sup>st</sup> -Lien City-supported bonds	\$62,535,000	64.40%
2 <sup>nd</sup> -Lien City-supported Bonds	\$24,600,000	25.40%
Development team purchase of 3 <sup>rd</sup> -Lien Bonds	\$5,800,000	6.00%
City property contributions	\$3,900,000	4.00%
Form of City support for 1 <sup>st</sup> and 2 <sup>nd</sup> -Lien bonds	Annual appropriation of hotel tax	

Sources: HVS and City of Overland Park

### City Financial Support

Overland Park is contributing two types of financial assistance to the project: a property contribution and credit support. The city is contributing the hotel site, valued at \$3.9 million, via a subordinate ground lease. The ground lease provides that in the event of default on the bonds and foreclosure, the site would become the property of the bondholders. Payments to the City under the ground lease are a function of the hotel's financial performance and are forecast to begin in 2005 in the amount of \$91,000 and are projected to increase to \$200,000 by 2012. Payments under the ground lease are subordinate to the payment of debt service on the first-lien and second-lien bonds and funding various reserves. In addition to the ground lease, the city

also contributed a central plant for the convention center and hotel and intends to recover the hotel's share of these costs through unsubordinated central plant lease payments.

The City provides its credit support through a highly structured Debt Service Support Agreement (DSSA). The DSSA supports both the first-lien and second-lien bonds, but that support terminates when the hotel meets specified financial benchmarks. The DSSA calls for the City to deposit a portion of its hotel tax in a City-controlled reserve fund, then make an annual appropriation of the reserve fund to the bond trustee to satisfy any deficiencies of net operating revenues available to pay debt service. The transfer of money to the bond trustee is subject to an annual appropriation. However, failure of the administration to include this appropriation as a recommendation in the City budget proposal forwarded to the City Council will constitute an event of default under the ground lease. In addition, if the City Council does not include the appropriation in the approved annual budget for the following fiscal year, any amounts appropriated for the then current year will be required to be transferred to the bond trustee. In addition, during any fiscal year for which the approved budget does not include an appropriation to provide the debt service support, the City will be prohibited from using its hotel tax revenues for any purpose other than the DSSA.

#### Financing Structure

The first-lien bonds provided 64.6 percent of the total development cost and have a 2.0 times coverage ratio forecast for the second year of operation. The first-lien bonds are interest-only through 2009 and have ascending debt service from 2010 to 2032. The first-lien bonds are rated "BBB-" by Fitch Investors Service and were sold at a yield of 7.47 percent.

The second-lien bonds provided 25.4 percent of the total development cost and have a 1.34 times debt coverage ratio forecast for the second year of operation. The second-lien bonds also pay interest-only through 2009 and ascending debt service from 2010 to 2032. The second-lien bonds are not rated and were sold at a 9.00 percent yield.

The first-lien and second-lien bonds each have two debt service reserve funds (DSRF). The primary DSRF for each is funded by the initial bond proceeds equal to 10 percent of the original principal amount of the bonds. The Supplemental DSRFs are not funded initially but are funded from the hotel's net operating income until the sum of the primary and supplemental DSRFs is equal to the next two years' debt service.

Members of the development team (the hotel operator and the hotel developer) purchased the \$5.8 million of third-lien bonds, representing 4.0 percent of total development cost. The third-lien bonds are zero coupon bonds, yielding approximately 11 percent with a first payment forecast in 2005, the third year of operation.

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## Myrtle Beach, South Carolina

Myrtle Beach is a major tourist destination located in the center of a 60-mile long strand of coastal beaches. This region has been ranked fifth in the United States for leisure destinations by tourism researchers D. K. Shiffler & Associates. The convention center has 100,000 square feet of column-free exhibit space and 32,500 square feet of meeting and ballroom space. The City intends to expand the convention center by adding an additional 100,000 square feet of convention space.

The project includes a 404-room Radisson Hotel, a 412-space parking garage and refurbishing of the convention center's 32,500 square feet of meeting and ballroom space. The hotel will not include meeting or ballroom space. Table 7-4 shows a summary of key characteristics of the Myrtle Beach headquarters hotel project.

Table 7-4  
Key Characteristics of the Myrtle Beach, SC Headquarters Hotel Project

Project Attributes		
Total Development Cost (TDC)	\$78,445,000	
Number of guest rooms	404	
Hotel Operator	Radisson	
Month of financing	May, 2001	
Financing Structure		Percent of TDC
1 <sup>st</sup> -Lien "Non-Recourse" bonds	\$40,845,000	52.00%
City-supported 2 <sup>nd</sup> -Lien Bonds	\$23,500,000	30.00%
Radisson cash contribution	\$2,000,000	2.50%
City property contributions	\$12,100,000	15.50%
Form of City support for 2 <sup>nd</sup> -Lien bonds	Annual approp. pledge	

Sources: HVS and Myrtle Beach CVB

#### City Financial Support

The City's contributed property provided 15.5 percent of the total development cost and totaled \$12.1 million. Contributed property included a 2.7-acre site for the hotel and the pre-refurbishment value of the 32,500 square feet of meeting rooms, ballrooms, kitchen area, and associated furniture, fixtures, and equipment. The City is also providing what amounts to a tax abatement on the property. The third component of City financial support is credit support for the second-lien bonds through a general-fund annual appropriation pledge to pay shortfalls, if any, in the second-lien bond DSRF.

#### Financing Structure

The first-lien bonds provided 52 percent of total development cost and carried a forecasted 2.70 times debt coverage ratio for the third year of operation (which is the first year of stabilized operation). The first-lien bonds mature in 35 years, with level debt service from years 3 through 35 and are rated BBB- by Standard & Poor's.

The second-lien bonds provided 30 percent of the total development cost and have a 1.57 times debt coverage ratio forecasted for the third year of operation. The second-lien bonds also are amortized over 35 years, with level debt service from years 3 through 35. With the credit support of the City's general-fund annual appropriation pledge, the bonds were rated investment-grade and were thus eligible for bond insurance from MBIA and were rated AAA by Standard & Poor's.

Radisson, the hotel operator, provided 2.5 percent of the total development cost, with a \$2 million cash contribution that will be paid on the date the hotel opens.

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## St. Louis, Missouri

St. Louis has invested heavily over the last ten years to become a competitive second-tier convention city. In 1993, St. Louis opened its expanded convention center and now has 500,000 square feet of exhibit space. In 1996, an adjacent 65,000-seat indoor stadium opened. Although St. Louis has five large hotels, (910, 780, 672, 538, and 454 rooms, respectively), the closest is nine blocks from the convention center.

The \$265 million headquarters hotel project includes renovation of two historic buildings; construction of a new hotel tower; and a new ballroom, banquet, and meeting room complex. A separate \$27.1 million financing program paid for an adjacent 880-space parking garage.

The sale of historic and other tax credits provided \$43.5 million of funding for the St. Louis project, or 16.3 percent of total costs.

To claim historic credits, the federal tax code requires that the property be owned by a private entity. Therefore, a private entity, not the City, owns the St. Louis hotels. The bonds qualify for tax exemption because the property is located in a federal empowerment zone. Table 7-5 shows key characteristics of the St. Louis headquarters hotel project.

Table 7-5  
Key Characteristics of the St. Louis, MO Headquarters Hotel Project

Project Attributes		
Total Development Cost (TDC)	\$265,545,000	
Number of guest rooms	1,081	
Hotel Operator	Marriott Renaissance	
Month of financing	November, 2000	
Financing Structure		
Financing Structure	Amount	Percent of TDC
1 <sup>st</sup> -Lien, "Non-Recourse" bonds	\$98,000,000	36.90%
City-support	\$80,695,999	30.40%
Hotel Operator Loans	\$10,000,000	3.80%
Owner equity from tax credits	\$43,400,000	16.30%
Owner loans and standby loans	\$16,000,000	6.00%
Form of City support for 2 <sup>nd</sup> -Lien bonds	Grants and deeply subordinated loans	

Sources: HVS and St. Louis CVB

#### City Financial Support

The City provided \$80.7 million of grants and deeply subordinated loans, representing 30.4 percent of total development costs. In addition, it appears that the City provided land at a below-market cost. St. Louis secured control of the two historic hotels and the two new development sites and then transferred these properties to the development partnership for \$4.86 million. The St. Louis financing does not include bonds secured by a second lien of hotel revenues with a city credit backstop.

#### Financing Structure

Net operating revenues of the hotel project provide the sole support for the \$98,000,000 in bonds, representing 36.9 percent of total development costs. The projected debt coverage ratio is 2.0 times in the second year of operation and 2.4 times in the third year of operation. The bonds are interest-only through 2009 and with level debt service payments from 2010 to 2035. The bonds carry "Baa" ratings from Moody's Investors Service.

As stated above, the other major funding sources were the City's \$80.7 million of grants and deeply subordinated loans and \$43.5 million from the sale of historic and other tax credits, representing 30.4 percent and 16.3 percent of total development costs.

Marriott International Credit Corporation guaranteed \$10.0 million of second-lien loans, and the development partnership provided \$16.0 million of loans

and contingent lines of credit, representing 3.8 percent and 6.0 percent of total project costs, respectively. Interest earnings on unspent bond proceeds fund the remaining project costs.

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## Chicago, Illinois

Chicago's McCormick Place convention center is the largest in North America. Following an expansion completed in 1997, McCormick Place has 2.1 million square feet of exhibit space, 168,000 square feet of ballrooms and meeting space, and a 4,300-seat auditorium.

The mid-1990s expansion required the condemnation of a 614-room hotel that was adjacent to the convention center. The next-closest full-service hotel was 2.5 miles away. While the expansion was under construction, the public entity that owns McCormick Place sought a replacement headquarters hotel. After a request for proposals process for private hotel developers, the convention authority decided to be the owner of the new hotel and to finance it with tax-exempt bonds. The \$166 million development included an 800-room hotel and a 660-space parking garage. The McCormick hotel financing represented the first completed financing of a publicly owned hotel for a convention center headquarters hotel in a major city financed with non-recourse bonds secured by the hotel's net operating revenues. Table 7-6 shows a summary of key characteristics of the McCormick Place headquarters hotel project.

Table 7-6  
Key Characteristics of the Chicago, IL Headquarters Hotel Project

Project Attributes		
Total Development Cost (TDC)	\$166,125,000	
Number of guest rooms	800	
Hotel Operator	Hyatt	
Month of financing	February, 1996	
Financing Structure	Amount	Percent of TDC
1 <sup>st</sup> -Lien, "Non-Recourse" bonds	\$132,125,000	79.50%
Public sector equity contribution	\$34,000,000	20.50%
Hotel Operator Loans	none	
Form of public sector support	Cash contribution	

Sources: HVS and McCormick Place

Public Sector Financial Support

The public sector financial support was a \$34 million cash contribution from the convention center authority. The majority of these funds were harvested from a restructuring of the public authority's investment funds. The McCormick hotel financing does not include bonds secured by a second lien of hotel revenues with a city credit backstop.

In addition, the convention center authority makes a \$700,000 annual contribution to the hotel bond trustee. This covenant improved forecasted debt coverage for the initial years of projected operation. The authority receives a rebate of its annual contribution at the end of each hotel fiscal year.

Financing Structure

The hotel's net operating revenues and the authority's \$700,000 annual contribution secured the net hotel bond proceeds of \$132,125,000, representing 79.5 percent of total development costs. The projected debt coverage ratio was 1.87 times in the fourth year of operation. The bonds were interest-only for five years, with level debt service payments from years six to 30. The bonds carried "BBB-" ratings from Standard & Poor's. The hotel operator did not make a loan to or investment in the development.

In 2000, the McCormick Hotel was refinanced under the authority's general bonding program, and the non-recourse hotel revenue bonds were defeased, which means that debt service is provided by escrowed government obligations so the bonds are no longer part of the obligation to the issuer.

## Sacramento, California

Sacramento, with a population of 400,000, is California's state capital. The City's convention center expansion was completed in 1996, and the center now offers 136,500 square feet of exhibit space; 31 meeting rooms, including a 24,500 square foot ballroom; and an auditorium with 2,450 seats.

Of the two hotels near the convention center, one was not consistently available for group room blocks, and the other did not satisfy the standards of business travelers. The City's convention center authority had commissioned two separate studies that concluded that the convention center would benefit significantly from a large, upscale hotel capable of making significant room-block commitments.

Table 7-7 shows a summary of key characteristics of the Sacramento convention center expansion project.

Table 7-7  
Key Characteristics of the Sacramento, CA Headquarters Hotel Project

<b>Project Attributes</b>		
Total Development Cost (TDC)	\$110,670,000	
Number of guest rooms	500	
Hotel Operator	Sheraton	
Month of financing	April, 1999	
<b>Financing Structure</b>		<b>Percent of TDC</b>
1 <sup>st</sup> -Lien "Non-Recourse" bonds	\$91,872,000	83.00%
Public sector equity contribution	\$8,000,000	7.20%
Value of public sector long-term bargain lease on garage	\$6,700,000	6.10%
Developer purchase of subordinated bonds	\$4,097,800	
Form of public sector support	Cash; bargain lease of garage	

*Sources: HVS and Sacramento CVB*

Public Sector Financial Support

Sacramento provided two types of public financial support, totaling \$14.7 million, or 13.1 percent of total development costs. First, the City redevelopment authority made an \$8 million cash grant toward project costs.

Second, the City provided a long-term bargain lease of an existing parking garage to the newly created public benefit corporation that owns the hotel. The 36-year garage lease provides for two 10-year extensions and the option to purchase the garage. The 1,081-space garage was completed and operating at the time of the bond financing, and therefore the hotel project did not need to bear the cost of constructing new parking spaces.

The lease payments to the city were \$50,000 in 1999, rising to \$350,000 in 2015. The lease payments are subordinate to the senior bonds. The net operating income of the garage, after all operating expenses and lease payments to the City, is projected to be \$900,000 to \$1 million after the hotel opens. The present value of the garage's net operating income is approximately \$6.7 million. The net operating income of the garage is pledged as security for the hotel bonds. The Sacramento hotel financing does not include bonds secured by a second lien of hotel revenues with a city credit backstop.

#### Financing Structure

The bonds for the Sacramento hotel were fully non-recourse, secured only by the net operating revenues of the hotel property and garage. The net operating revenues secured \$9.19 million of net hotel bond proceeds, which represented 83.0 percent of total development costs. The projected debt coverage ratio was 1.73 times in the third year of operation. The bonds were interest-only for five years, with level debt service payments from years six to 30. The bonds were not rated and were sold at a yield of 6.32 percent.

The hotel bonds are also secured by two debt service reserve funds, initially funded in an amount equal to 10 percent of the original principal amount of the bonds. Net income from the property will be applied to make additional deposits to the reserve funds until their balances equal two years of debt service payments. In addition, net revenues will be applied to fund an emergency expense fund until its balance reaches \$5 million.

The hotel operator did not make a loan to or investment in the development. The hotel developers provided a portion of the property for the hotel site and in payment thereof accepted a subordinate bond valued at \$4,097,800. The subordinate bond is payable only from excess cash flow from the hotel and garage and is subordinate to the requirements to fund the debt service reserve fund and the emergency-expense fund.

The Sacramento hotel financing was offered in April 1999, a time when there was strong demand for high-yield municipal bonds. In mid-2001, the demand has lessened substantially. It would be extremely difficult for Sacramento or

any other city to duplicate the significant advantage and low yields of Sacramento's 1999 hotel financing.

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## Austin, Texas

Austin opened its convention center in 1992, with an expansion scheduled for completion in 2002. The expanded facility will feature 246,000 square feet of exhibit halls, two ballrooms totaling 66,700 square feet, and meeting room space totaling 54,700 square feet.

Austin does not have a suitable convention center headquarters hotel. A 1997 study indicated that 31 percent of potential users who chose other cities cited hotel-related factors for not choosing Austin. Currently, the largest hotel in Austin has 448 rooms and is 0.7 miles from the convention center (approximately 13 blocks).

The hotel project will provide 800 rooms adjacent to the convention center and will include 600 underground parking spaces, two ballrooms of 28,000 and 15,000 square feet, respectively, and additional meeting room space. The hotel structure will also include additional mixed-use elements financed separately from the bonds and will include 195,000 square feet for residential loft and penthouse apartments, 29,000 square feet of retail, and 150 additional parking spaces. Table 7-8 shows a summary of key characteristics of the Austin headquarters hotel project.

Table 7-8  
Key Characteristics of the Austin, TX Headquarters Hotel Project

<b>Project Attributes</b>		
Total Development Cost (TDC)		\$279,875,000
Number of guest rooms		800
Hotel Operator		Hilton
Month of financing		June, 2001
<b>Financing Structure</b>		
Financing Structure	Amount	Percent of TDC
1 <sup>st</sup> -Lien "Non-Recourse" bonds	\$109,375,000	39.10%
2 <sup>nd</sup> -Lien "Non-Recourse" bonds	\$135,000,000	48.20%
3 <sup>rd</sup> -Lien Bonds purchased by Development Team	\$20,500,000	7.30%
Public sector equity contribution	\$15,000,000	5.40%
Form of public sector support	Cash contribution	

Sources: HVS and Austin CVB

Public sector financial support

The public sector financial support is solely a cash contribution of \$15,000,000, accounting for 5.4 percent of total development costs. The Austin hotel financing does not include bonds secured with a city credit backstop.

Financing Structure

The Austin hotel financing featured three tiers of debt secured by net hotel revenues and without any public sector credit support. Investors purchased the first two tiers, representing 87.3 percent of the total development costs. The project development team purchased the third-lien bonds, representing 7.3 percent of total development costs.

The first-lien bonds provided \$109.4 million toward project costs and were structured as 30-year bonds with interest-only for five years and ascending debt service from years six to thirty. The forecast debt coverage ratio in the third year of operation is 3.16 times.

The second-lien bonds providing \$135,000,000 toward project costs also were structured as 30-year bonds, with interest-only for five years and ascending debt service from years six to thirty. The forecast debt coverage ratio in the third year of operation is 1.53 times. The second-lien bonds are credit-enhanced by a surety policy from a division of Zurich Financial Services. The surety premium was \$35 million. Because of the surety, the second-lien bonds are rated "Aa3" by Moody's Investors Service and "AA" by Standard & Poor's. The hotel development team purchased \$20.5 million of third-lien bonds.

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## Houston, Texas

Houston developed its hotel financing program in conjunction with the financing for a significant expansion of its George R. Brown convention center (“GRB Expansion”). The GRB Expansion will add 700,000 square feet to GRB, including 480,000 additional sq. ft. of exhibit space, bringing its total to 871,000 sq. ft. of exhibit space. The GRB Expansion also adds 77,900 sq. ft of meeting rooms, which will result in total meeting room space of 135,000. The GRB Expansion will also add a sky bridge to the new hotel and development of new food and beverage outlets at GRB.

The hotel will be 1,200 rooms with 90,000 sq. ft. of exhibit space and directly adjacent to GRB. The expansion project also includes a 1,600-space parking garage, and half of the garage spaces dedicated to hotel use. The hotel is to be owned by a special purpose corporation, but effectively controlled by the City’s Convention and Entertainment Facilities Corporation.

Table 7-9  
Key Characteristics of the Houston, TX Headquarters Hotel Project

Project Attributes		
Total Development Cost (TDC)	\$265,000	
Number of guest rooms	1200	
Hotel Operator	Hilton	
Month of financing	April, 2001	
Financing Structure	Amount	Percent of TDC
1 <sup>st</sup> -Lien "Non-Recourse" bonds	No "non-recourse"	0.00%
2 <sup>nd</sup> -Lien "Non-Recourse" bonds	\$265,000,000	100.00%
3 <sup>rd</sup> -Lien Bonds purchased by Development Team	None	0.00%
Public sector equity contribution	none	0.00%
Form of public sector support	Bonds secured by hotel tax and parking revenue	

Sources: HVS and Houston CVB

The budget for the overall development program is \$450 million, allocated as follows:

- \$165 million – GRB Expansion
- \$265 million – 1,200 room hotel
- \$20 million – 1,600 space parking garage

Public sector financial support

A single bond financing plan is paying for the \$450 million GRB Expansion/ hotel / parking garage development. The bonds are secured by:

1. 5.65 percent of the Houston's 7 percent hotel tax (2000 revenues of \$34.3 million);
2. Certain of Houston's owned parking garages (2000 revenues of \$8.1 million); and
3. A 10-year rebate of certain taxes from the operation of the hotel and exclusive hotel parking, as permitted by HB 2282 approved in 1993 (estimated 2005 revenues of \$9.3 million and 2014 revenues of \$13.9 million).

No bonds were offered secured by net operating revenues of the hotel. The hotel corporation is to make a “rent”/ “debt service” payment to Houston’s Convention and Entertainment Facilities Department equal to the amount of bond debt allocated to the hotel project and one-half of the parking garage project.

The three defining characteristics of the Houston Hotel financing are:

1. Financing the hotel with the same revenue sources that would be expected to finance a convention center (i.e. the hotel taxes);
2. Exercising the option created by the Texas Legislature to get a rebate of taxes generated by the hotel and portion of the parking garage dedicated to hotel’s exclusive use; and
3. No debt secured directly by hotel operations. The City is taking the entire credit risk for the profitability of hotel operations.

The tax rebates include the following tax revenues generated by the convention center headquarters hotel and associated parking:

1. Sales taxes imposed by the State of Texas, City of Houston and Harris County Metropolitan Transit Authority at a cumulative rate of 8.25 percent;
2. Hotel occupancy taxes impose by the State, Harris County and the City, at a cumulative rate of 15 percent; and
3. A mixed beverage tax imposed by the County and City at a rate of 3 percent.

#### Financing Structure

The GRB Expansion/hotel/ parking project bonds were a combination of fixed rate debt and variable rate debt. The final maturity of bonds was 32 years and the bonds were insured by AMBAC, and therefore carry ratings of “Aaa/ AAA”.

The bonds have steadily ascending debt service payments. In 2006, total debt service is \$39 million, in 2015 it is \$46 million and in 2032 it is \$50 million. The projected debt coverage ratio on the bonds ranged from 1.51 times in 2003 and steadily increased to 2.01 times in 2014, the final year of the 10-year rebate period for taxes generated by the project assets. The projected debt coverage ratio for 2015 is 1.83 times.

The bonds required a Debt Service Reserve fund equal to the average annual debt service over the life of the bonds. Half of the DSRF requirement was funded with bond proceeds and the other half was satisfied with an insurance surety policy from AMBAC.

**Hotel Operator Contribution**

Hilton is the hotel operator under a 15 year qualified management contract. Hilton paid the public hotel corporation a \$6 million inducement fee in the form of a 0 percent self-amortizing loan. The \$6 million can be used, among other possible purposes, for working capital. The principal balance of the loan will automatically reduce, without payment, after initial occupancy of the hotel by 1/180th per month.

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## 8. Statement of Assumptions

HVS prepared this report for the purpose of estimating the spending impact of the proposed headquarters hotel in the Dallas County economy. The report is to be used in whole and not in part. It is not intended, and should not be used, for any other purpose. None of this material may be reproduced in any form without our written permission, and the report cannot be disseminated to the public through advertising, public relations, news, sales, or other media.

The Dallas CVB developed the demand projections HVS used to estimate the spending impact. HVS has reviewed these projections and believes that they are reasonable given the information provided by the Dallas CVB and the DCC on historical demand and future bookings, but HVS has not performed its own demand analysis. There will usually be differences between projections and actual results, because events and circumstances frequently do not occur as expected. Any such differences may be material. Should any of the assumptions or conditions found during the conduct of this analysis change, the results would require re-evaluation for possible modification in light of the changed circumstances.

The findings presented herein reflect our analysis of primary and secondary sources of information. All information, financial operating statements, estimates, and opinions obtained from parties not employed by HVS International are assumed to be true and correct. We can assume no liability resulting from misinformation. The procedures we performed are limited in nature and extent, and such procedures do not constitute an audit, examination, compilation, or review in accordance with standards established by the American Institute of Certified Public Accounts. Therefore, we do not express an opinion in any other form than the opinion expressly stated in this statement of assumptions. HVS has no responsibility to update this report for events and circumstances that occur after the date of this report.

Creating an economic impact study is both a science and an art. Although this analysis employs various mathematical calculations to provide value

indications, the final estimate is subjective and may be influenced by our experience and other factors not specifically set forth in this report. Our assumptions regarding average spending by delegates, associations, and exhibitors are based on survey data compiled by third parties. HVS believes that this survey data is reliable, but cannot independently verify its accuracy.

HVS is 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. It is agreed that our liability to Dallas CVB is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the Dallas CVB, 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.

HVS International prepared this study. The staff of HVS International as employees, rather than as individuals renders all opinions, recommendations, and conclusions expressed during the course of this assignment.

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## 9. 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 analysis;
7. That no one other than those listed above and the undersigned prepared the analyses, conclusions, and opinions concerning this assessment of spending impact; and
8. That our engagement in this assignment was not contingent upon developing or reporting predetermined results.

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**Giancarlo Turano**  
Associate

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**Paul Sajovec**  
Senior Vice President

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**Thomas Hazinski**  
Managing Director

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## Appendix - Peer Market Convention Area Hotel Supplies

### Introduction

HVS selected six national peer markets that were assessed as part of a comparable market and demand analysis in section three, Market and Demand Analysis. Dallas competes directly with the country's larger markets for premiere events, such as Anaheim, Atlanta, Chicago, New Orleans, Orlando, San Antonio, and similar markets for first-tier events. This appendix presents the data collected by the respective CVBs on each peer market's convention-area hotel supply.

Anaheim Convention-Area Hotels (within one mile of the Anaheim Convention Center)

Hotel Name	Number of Rooms	Hotel Name	Number of Rooms
Alamo Inn	86	Embassy Suites Disneyland Park	201
Anabella Hotel	360	Embassy Suites Hotel Anaheim	375
Anaheim Angel Inn	61	Fairfield Inn- Anaheim Hills	161
Anaheim Astoria Inn & Suites	33	Four Points Sheraton	248
Anaheim Fairfield Inn by Marriott	467	Hacienda Inn & Suites	40
Anaheim Fantasy Inn & Suites	45	Hampton Inn & Suites	172
Anaheim Marriott	1,050	Hawthorn Suites	130
Anaheim Marriott Suites	371	Hilton Anaheim	1,600
Anaheim Travelodge at the Park	57	Hilton Garden Inn	169
Anaheim Vagabond Plaza Hotel	300	Hilton Suites Anaheim/Orange	230
Best Western Anaheim Inn	88	Holiday Inn Anaheim at the Park	252
Best Western Anaheim Sportstown	72	Holiday Inn Anaheim Resort Area	263
Best Western Courtesy Inn	35	Holiday Inn Express Maingate	104
Best Western Park Place Inn	199	Holiday Inn Hotel & Suites	253
Best Western Raffles Inn & Suites	110	Homewood Suites	166
Best Western Stardust	103	Howard Johnson Plaza Hotel	317
Best Western Stovall's Inn	290	Hyatt Regency Orange County	396
Best Western Stovall's Pavillions	100	Islander Inn & Suites	34
Candy Cane Inn	172	Jolly Roger Hotel	60
Carousel Inn & Suites	132	Little Boy Blue Motel	19
Carriage Inn	51	Park Inn International	121
Castle Inn & Suites	198	Park Vue	90
Comfort Inn & Suites	136	Peacock Suites	140
Comfort Inn Maingate	67	Portofino Inn & Suites	188
Country Inn Anaheim/Orange	129	Quality Inn Maingate	285
Crowne Plaza Resort	384	Radisson Hotel Maingate	315
Days Inn & Suites	81	Ramada Anaheim	233
Days Inn Disneyland West	43	Ramada Inn Maingate	180
Days Inn Maingate	63	Ramada Limited Maingate	60
Days Inn Orange	30	Ramada Limited Suites	94
Days Inn Park South	126	Red Roof Inn	233
Desert Inn & Suites	144	Residence Inn Anaheim	200
Desert Palm Inn & Suites	100	Sheraton Anaheim Hotel	489
Disneyland Hotel	990	Staybridge Suites	149
Disney's Grand Californian Hotel	750	Super 8 Anaheim	100
Disney's Paradise Pier Hotel	510	Super 8 Park Motor Inn	172
Dolphin Cave Resort	136	Travelodge International Inn	119
Doubletree Hotel Orange	461	Tropicana Inn & Suites	195
Dupre	54	Villager Lodge	192
Econolodge at the Park	35	West Coast Hotel	500
Econolodge Maingate	50	Woodfin Suite Hotel	124

Source: Anaheim / Orange Visitor and Convention Bureau

Atlanta Convention-Area Hotels

Hotel Name	Number of Rooms	Distance From Facility (in blocks)
Omni Hotel at CNN Center	470	connected by skywalk
Embassy Suites Downtown/Centennial Park	321	1
Holiday Inn Downtown	260	2
Westin Peachtree Plaza	1,068	3
Wynham Atlanta Hotel	312	3
The Ritz-Carlton Atlanta	441	5
E Hotel	223	8
Courtyard by Marriott Downtown	211	9
Fairfield Inn Downtown	242	9
Hampton Inn & Suites Downtown	77	0.1 mile
Super 8 Hotel And Conference Center	238	0.1 mile
Quality Hotel Downtown	75	0.2 mile
Days Inn Downtown	263	0.5 mile
Hyatt Regency Atlanta	1,264	0.5 mile
Marriott Atlanta Marquis	1,675	0.5 mile
Residence Inn Downtown	160	0.5 mile
Sheraton Atlanta Hotel	765	0.5 mile
Suite Hotel at Underground Atlanta	157	0.5 mile
AmeriSuites Downtown	94	1 mile
Atlanta Capitol Plaza	416	1 mile
Hilton Atlanta	1,224	1 mile
Best Western Inn at the Peachtrees	112	1 mile
Travelodge Downtown	71	1 mile
Hampton Inn Stadium	87	2 miles
Renaissance Atlanta Downtowm Hotel	503	2 miles

Source: Atlanta Convention & Visitor's Bureau

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Chicago Convention-Area Hotels

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Hotel Name	Number of Rooms	Distance From Facility (in blocks or miles)
Hyatt Regency McCormick Place	800	connected
The Wheeler Mansion	11	1
Amber Inn	110	4
Bronzeville's First Bed & Breakfast	9	11
Best Western Grant Park Hotel	172	.5 mile
Congress Plaza Hotel & Conference Center	851	1.5 miles
Travelodge Chicago	250	1.5 miles
Essex Inn At Grant Park	254	2 miles
Hilton Chicago	1,544	2 miles
Hyatt Printers Row	159	2 miles

Source: Chicago Convention & Tourism Bureau

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Dallas Convention-Area Hotels

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Hotel Name	Number of Rooms	Distance From Facility (in blocks or miles)
Ramada Plaza Hotel Dallas Convention Center	235	0
Hyatt Regency Dallas	1,122	2
Hotel Lawrence	118	3
Adolphus Hotel	428	4
The Magnolia Hotel	330	4
Fairmont Hotel	550	4
Dallas Grand Hotel	710	5
Hampton Inn - West End	311	6
The Aristocrat Hotel	172	7
AmeriSuites-Dallas West End	149	9
Adam's Mark Hotel Dallas	1,841	11
Le Meridien Dallas	407	12
Bradford Homesuites Downtown	146	1.25 miles
Clarion Inn Market Center	62	2 miles
Best Western Market Center	98	2 miles
Wyndham Garden Hotel Dallas Market Center	228	2 miles

Source: Dallas Convention & Visitor's Bureau

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New Orleans Convention-Area Hotels (under two miles from the Morial Convention Center)

Hotel Name	Number of Rooms	Hotel Name	Number of Rooms
A Hotel - The Frenchman	27	International House	119
Ambassador Hotel	73	La Quinta Inn & Suites	166
A-Quarter Esplanade	5	Lafayette Hotel	44
Avenue Plaza	252	Lamothe House	29
Baronne Plaza Hotel (Travelodge)	177	Landmark French Quarter	99
Best Western Parc St. Charles	123	LaSalle Hotel	60
Best Western Patio Downtown	75	Le Meridien New Orleans	445
Bienville House Hotel	83	Le Pavillon Hotel	227
Chateau Dupre Ramada	54	Le Richelieu in the French Quarter	86
Chateau Hotel	45	Maison Dupuy Hotel	198
Chateau Sonesta Hotel	261	Maison Orleans Hotel	80
Clarion Grand Boutique Hotel	44	Marquette House Hostel	14
Clarion Historic French Market	74	Marriott Renaissance	280
Clarion Hotel	170	Monteleone Hotel	635
Columns Hotel	19	New Orleans Hilton Riverside	1,602
Comfort Suites	102	New Orleans Marriott	1,290
Courtyard by Marriott (Julia St.)	203	OMNI Royal Crescent Hotel	102
Courtyard by Marriott (St. Charles)	140	OMNI Royal Orleans Hotel	346
Dauphine Orleans Hotel	109	Pelham Hotel	60
Days Inn Canal	216	Place D'Armes Hotel	79
DoubleTree Hotel New Orleans	368	Prince Conti Hotel	53
Drury Inn Suites	150	Prytanis Inns	80
Economy Lodge	100	Quality Inn Maison St. Charles	130
Embassy Suites	372	Quality Inn Midtown	103
Empress Hotel	36	Queen and Crescent	196
Fairmont Hotel University Place	700	Radisson Hotel New Orleans	759
French Quarter Courtyard Hotel	33	Ramada Plaza on Bourbon	186
French Quarter Suites	30	Residence Inn by Marriott	230
Garden District Hotel - A Ramada Plaza	160	Ritz-Carlton	452
Grenoble House	17	Royal Sonesta	500
Hampton Inn & Suites (across street)	288	Royal St. Charles	143
Hampton Inn Downtown	186	Sheraton Hotel	1,139
Hampton Inn Garden District	100	Sleep Inn New Orleans	129
Hawthorne Suites	122	Soniat House	31
Hilton Garden Inn	282	Springhill Suites	208
Holiday Inn Chateau LeMoyne	171	St. Ann Marie Antoinette	66
Holiday Inn Downtown Superdome	297	St. Charles Inn	40
Holiday Inn French Quarter	276	St. James Hotel	86
Holiday Inn Select (across street)	182	St. Peter Guest Homes	27
Hotel Inter-Continental	512	The Ponchartrain Hotel	119
Hotel Maison Deville & Audubon College	24	The Prytanis Park Hotel	60
Hotel Monaco	251	The St. Louis Hotel	71
Hotel Provincial	107	W French Quarter	100
Hotel St. Helene	26	W New Orleans	439
Hotel St. Marie	94	Whitney - Wyndham	93
Hotel St. Pierre	75	Windsor Court	324
Hotel Villa Convento	25	Wyndham at Canal Place	439
Hyatt Regency	1,184	Wyndham Historical Hotel	211
Iberville Suites	235	Wyndham Hotel (across street)	207

Source: New Orleans Metropolitan Convention & Visitor's Bureau

Orlando Convention-Area Hotels

Hotel Name	Number of Rooms	Distance From Facility
Peabody Orlando	891	across street
Rosen Centre Hotel	1,334	adjacent
Rosen Plaza	800	adjacent
Days Inn Convention Center	221	2 blocks
Hilton Garden Inn - Orlando Sea World	233	.75 mile
Sierra Suites Hotel Pointe Orlando	137	.75 mile
Extended Stay America (Westwood Blvd.)	119	1 mile
Holiday Inn Hotel & Suites Convention Center	150	1 mile
AmeriSuites Orlando/Convention Center	152	under 1.5 miles
Best Western Plaza International	673	under 1.5 miles
Comfort Inn International Drive	112	under 1.5 miles
Country Inn & Suites International Drive	170	under 1.5 miles
Courtyard by Marriott International Drive	151	under 1.5 miles
Doubletree Castle Hotel	216	under 1.5 miles
Embassy Suites International Drive/Convention Center	245	under 1.5 miles
Embassy Suites International Drive/Jamaican Court	246	under 1.5 miles
Fairfield Inn by Marriott International Drive	135	under 1.5 miles
Hampton Inn Convention Center	170	under 1.5 miles
Hawthorn Suites Orlando Sea World	150	under 1.5 miles
Homewood Suites Hotel International Drive	252	under 1.5 miles
Howard Johnson Lodge	223	under 1.5 miles
La Quinta Inn & Suites Orlando Convention Center	185	under 1.5 miles
La Quinta Orlando International Drive	200	under 1.5 miles
Masters Inn International Drive	121	under 1.5 miles
Quality Inn Plaza	1,020	under 1.5 miles
Radisson Bacelo Hotel	521	under 1.5 miles
Red Roof Inn Convention Center	134	under 1.5 miles
Renaissance Orlando Resort	780	under 1.5 miles
Residence Inn by Marriott Convention Center	124	under 1.5 miles
Sheraton World Resort	1,102	under 1.5 miles
Springhill Suites by Marriott Convention Center	167	under 1.5 miles
Summerfield Suites by Wyndham International Drive	146	under 1.5 miles
Travelodge Orlando South	144	under 1.5 miles
Wyndham Orlando Resort	1,052	under 1.5 miles

Source: Orlando / Orange County Convention & Visitor's Bureau

San Antonio Convention-Area Hotels

Hotel Name	Number of Rooms	Distance From Facility (in blocks)
Hilton Palacio Del Rio	481	across the street
Marriott Riverwalk	511	across the street
Fairmount Hotel	37	1
Marriott Rivercenter	1,001	1
La Quinta Convention Center	190	2
Plaza by Marriott	252	2
Holiday Inn Express	116	2.5
Menger Hotel	317	3
Westin Riverwalk	473	3
Holiday Inn Historic Crocken	204	4
Homewood Suites Riverwalk	146	4
Hyatt Regency Riverwalk	632	4
Amerisuites Riverwalk	132	4
Gunter Hotel	322	5
Hampton Inn	169	5
La Mansion Del Rio	337	5
Ramada Emily Morgan	177	5
Red Roof Inn	215	5
Riverwalk Plaza	132	5
Sumner Suites Riverwalk	132	5
Drury Inn & Suites Riverwalk	150	6
Holiday Inn Riverwalk	313	6
Residence Inn Marriott Alamo Plaza	220	6
St. Anthony Hotel, Wyndham Heritage	352	6
Alamo Travelodge	81	8
Courtyard by Marriott	149	8
Fairfield Inn by Marriott	110	8
Residence Inn Marriott Market Square	95	8
Woodfield Suites	150	8
Holiday Inn Market Square	315	9
La Quinta Market Square	124	10
Adam's Mark Riverwalk	410	11
Havana Riverwalk Inn	27	12
Microtel Inn & Suites	85	12
Radisson Market Square	250	12
Hawthorne Suites Riverwalk	149	13
Four Points Sheraton North	324	14
Days Inn Downtown	90	15
Rodeway Inn	125	16

Source: San Antonio Convention & Visitor's Bureau