

# MADISON HOTEL FEASIBILITY STUDY

**SUBMITTED TO**  
The City of Madison

**SUBMITTED BY**  
C.H. Johnson Consulting, Incorporated

December 31, 2012

DRAFT



**JOHNSON  
CONSULTING**

Experts in Convention, Hospitality,  
Sport and Real Estate Consulting.

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**SECTION I**  
INTRODUCTORY LETTER



December 31, 2012

Madison Headquarters Hotel Committee  
City of Madison  
210 Martin Luther King, Jr. Blvd.  
Madison, WI 53703

Re: DRAFT Competitive Analysis and Headquarters Hotel Feasibility Study

Dear Committee Members:

**Johnson Consulting** is pleased to submit this draft report to the City of Madison regarding the feasibility of a hotel development to contribute to the economic development of Madison, and support operations of Monona Terrace. Pursuant to Johnson Consulting's engagement with the City of Madison, this draft report provides an analysis of the economic and demographic characteristics of Madison and the broader region; identifies and analyzes key characteristics of competitive and comparable venues and hotel developments; summarizes key observations from interviews and primary research; provides hotel program recommendations; and provides an assessment of the feasibility of a new headquarters hotel, including demand and financial projections. The analysis also assesses the impact on Monona Terrace and area hotels, assessing alternative size hotel offerings.

Johnson Consulting has no responsibility to update this report for events and circumstances occurring after the date of this report. The findings presented herein reflect analyses of primary and secondary sources of information. Johnson Consulting used sources deemed to be reliable, but cannot guarantee their accuracy. Moreover, some of the estimates and analyses presented in this study are based on trends and assumptions, which can result in differences between the projected results and the actual results. Because events and circumstances frequently do not occur as expected, those differences may be material. This report is intended for the clients' internal use and cannot be used for project underwriting purposes without Johnson Consulting's written consent.

We have enjoyed serving you on this engagement and look forward to providing you with continuing service.

Sincerely,

C.H. JOHNSON CONSULTING, INC.

**DRAFT**

CHARLES H. JOHNSON IV, PRESIDENT

## **SECTION II**

### INTRODUCTION & EXECUTIVE SUMMARY

## NATURE OF THE ASSIGNMENT, SUMMARY DATA AND CONCLUSIONS

### Subject of the Study

Johnson Consulting was retained by the City of Madison to prepare a feasibility study for a convention headquarters hotel to be located in downtown Madison, within close proximity to Monona Terrace Community and Convention Center. The planned hotel development is part of the City's efforts to increase convention business in Monona Terrace and to strengthen the facility's and the City's competitive position as a convention destination. The hotel is also part of the City's strategy to intensify development downtown to make it more vibrant.

### Objectives

In order to assess the economic feasibility and viability of adding a new convention headquarters hotel in downtown Madison, Johnson Consulting prepared a hotel feasibility study, with a focus on addressing the following framework questions:

- How has Monona Terrace Community and Convention Center been performing? How have Monona Terrace and the City of Madison positioned it among competing facilities and/or peer markets?
- How have Madison hotels been performing, market-wide and in downtown?
- What does future demand for Madison downtown hotels look like?
- What are the characteristics of events that have withdrawn and become Monona Terrace's lost business?
- Is a new Hotel feasible for the City of Madison? What is the impact of a new hotel to Monona Terrace events?

### Methodology

In order to complete its market analysis for the Project, Johnson Consulting performed the following tasks:

- Toured and analyzed existing hotels in the area and interviewed property management,
- Collected and analyzed data on the city-wide and competitive hotel markets,
- Assessed the experience of other similar-sized markets that utilize headquarters hotel properties, and evaluated insights from them for a new hotel in the market,

- Projected the number of room nights the Project will attract, as well as projected the number of room nights generated by the convention center for the hotel market overall,
- Developed a proforma operating projection for the proposed hotel facility based upon demand projections, a ratio analysis of revenue and expenses derived from a set of similar hotels in the market and in the US, the performance of similar facilities in other markets, the performance of the competitive hotel market, and Johnson Consulting's industry expertise,
- Projected net operating income of the property to stabilization and through the 10<sup>th</sup> year of operation, and
- Projected economic and fiscal impact of the Hotel, including its impact to Monona Terrace events.

### Executive Summary

There are several important questions that have been answered in this report. The questions and answers are summarized below.

#### *Is Madison an Attractive Location for Meetings and Conventions?*

Madison competes at a tier above its position, as opposed to smaller markets. Madison is a robust market due to the presence of the State capital, the University of Wisconsin and a strong and diverse employment base. Given these factors, and its Midwest location, Madison is in a peer set with destinations such as Minneapolis/St. Paul, Kansas City/Overland Park, Providence, Des Moines, Ft. Worth, Grand Rapids and other destinations. It is easy to fall into a trap of visualizing the City as small, and trying to compete at a tier below where the City should compete. However because of its assets, Madison is special and among a handful of cities that are able to compete against larger metropolitan areas.

Madison is a market rich with demand potential. More university, state, corporate, regional and national event potential exists. There are growth opportunities and corporations that need venues for their activities.

Further, continued efforts to improve the downtown area and provide more live, work and play options have and will continue to make Madison a walkable, convenient and desirable area for event attendees to visit, one of the key requirements for event recruitment to a destination. The Judge Doyle Square mixed-use development and the new Hampton Inn downtown, along with improvements to the Edgewater will only improve the attractiveness of Madison.

#### *How Competitive is Monona Terrace?*

Monona Terrace is a significant public asset that generates significant economic impact for the community. To retain and grow Monona Terrace's business, and to continue to be competitive in the marketplace and maintain the Center's viability, additional hotel rooms and function space must be added. Madison combined



with Monona Terrace is an attractive destination which is surrounded by corporations and associations that need venues for their activities.

Monona Terrace has lost a significant amount of business due to a lack of hotel room inventory within close proximity to Monona Terrace. It is very likely that a substantial share of potential business, in addition to lost business, has not even considered Monona Terrace and Madison in past years because event planners know there are insufficient hotel room blocks for their events. Currently, conferences and conventions held at Monona Terrace average a room block size of 300 rooms. Therefore in order to grow the business model a room block of at least 400 rooms is needed. The hotel market analysis completed in 2009 by Hunden Strategic Partners identified that need and this study confirms it.

Importantly, Monona Terrace is small for a City the size of Madison. A new hotel should have a substantial amount of meeting and ballroom space and serve as an extension of Monona Terrace to attract events. If something is not done to enhance capacity, the market will stay the same, or could be attacked by other markets and decline. Meeting space at the proposed new hotel at the Judge Doyle Square site is considered to be essential to Monona Terrace and for growth and economic impact to Madison.

### *What Size Hotel is Indicated?*

In most markets, average demand in excess of 70 percent occupancy indicates unaccommodated demand is occurring and during peak nights room demand leaks out of the market. The Madison market as a whole is not experiencing unaccommodated demand however the Downtown Hotel Market experienced seven months in 2011 where occupancy exceeded seventy percent. Several individual hotels have year round demand in excess of seventy percent.

Monona Terrace is heavily used, but the majority of events are smaller in size and shorter in event duration. Hotel-related reasons are the top, controllable, reasons for lost business by those who withdrew events from Monona Terrace and the City. Indeed, the Hilton was to be the prime hotel, but it is too small, and sufficiently sized room blocks are not available.

Lost business analysis reveals that events asking for 301 to 400 rooms during peak nights generally give the greatest impact to the City's economy. Madison also has capacity to attract events larger than this room block size. It does so several times a year, but has to use multiple hotels to get larger room blocks. Therefore, adding a new hotel so the City can accommodate up to 401-to-500 peak room nights and larger, regularly and consistently, is where help is most needed for Madison.

The Hunden report recommended a 400-room hotel, with the theory that its commitment plus the rooms at the Hilton will provide a block of 400 rooms. Offering a 400-room block in two separate properties is still less than ideal. It is our expectation that any proposed new hotel will be very successful and we fear that the same experience that has occurred with the Hilton will repeat itself with just a 400-room hotel and be



consumed by business and leisure demand. If a new Headquarters Hotel were to accommodate 400 peak rooms in its single property, its size needs to be 500 rooms and we suggest the City work hard to attract a hotel as large as this if possible, using the 400-room size as the minimum size acceptable. It is also imperative that a new hotel has a more robust room block agreement that gives Monona Terrace the support it needs.

It is our conclusion that this new hotel will induce more demand than it takes from other properties and will help the market and Monona Terrace to be stronger rather than weaker. Based on data presented in this report, both Ft. Worth and Baltimore achieved stronger convention center demand and better market wide ADR and occupancies after adding new group oriented hotels to their downtown sectors (this has also been the case in Dallas, Indianapolis, and several other cities analyzed for this report). We expect the same for Madison.

### *Is the Judge Doyle Square Site Attractive?*

Unless drastic measures are taken at a later time, the Judge Doyle Square is among the last sites near Monona Terrace to build hotel rooms close enough to make a difference in demand at the center. The proposed Judge Doyle Square development can address the most significant of the threats...more hotel rooms in close proximity to Monona Terrace.

The recommended program for the new Headquarters Hotel is a minimum of 400 rooms and preferably 500 rooms. The hotel should be supported with a total of 50,000 square feet of function space (or 100 square feet per room). This amount of ballroom and meeting rooms will allow the Hotel to co-host events with Monona Terrace, serving as a de facto “expansion” of the convention facility. The hotel should be a first-class, chain-affiliated operation.

The proposed new hotel with the amount of recommended meeting space will be a partner with Monona Terrace to serve larger events. The development agreement and room block agreement with the proposed new hotel has to be more aggressively written than the one with the Hilton. It needs to specify more of a partnership relationship with Monona Terrace and be firmer in room block size and hotel room rates. If a good agreement is structured, concerns about the competition between Monona Terrace and the hotel will be mitigated.

**SECTION III**  
ECONOMIC & DEMOGRAPHIC ANALYSIS

## ECONOMIC AND DEMOGRAPHIC ANALYSIS

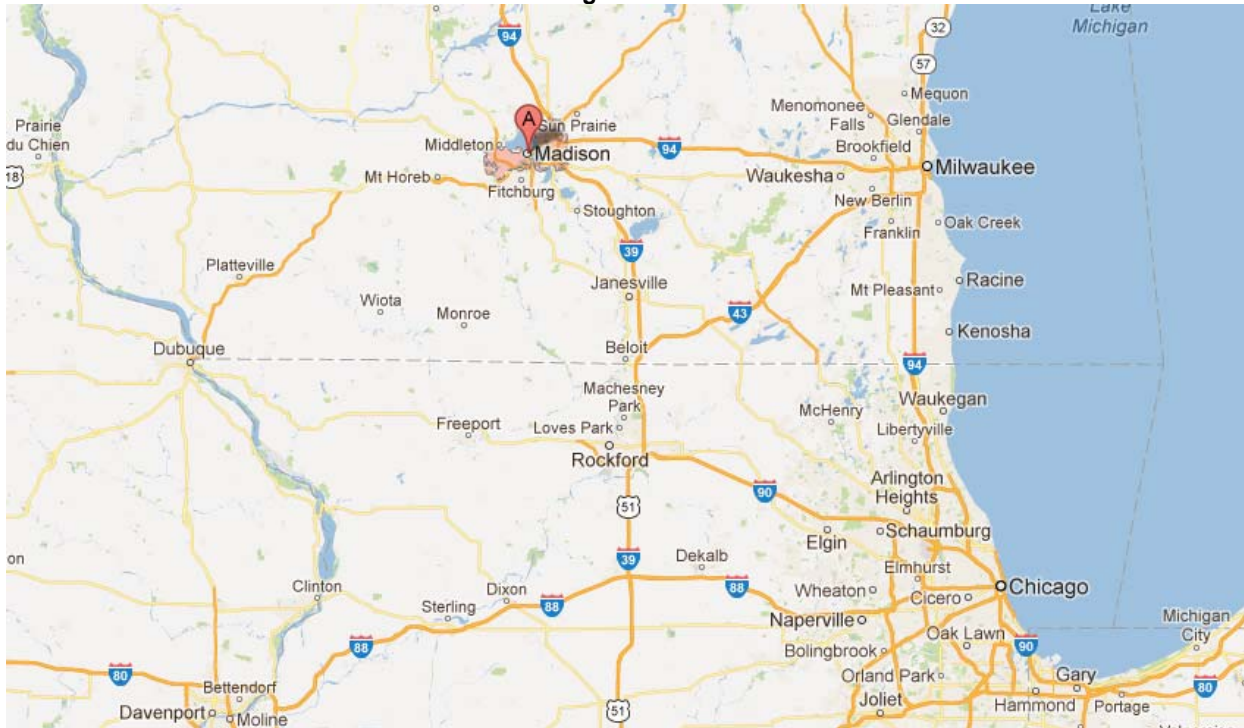
In order to analyze the market opportunity for a proposed headquarters hotel development, Johnson Consulting undertook a comprehensive review of market conditions in the City of Madison, relative to the broader metropolitan area, as well as state and national averages. The key objectives of this analysis are to identify structural factors, opportunities and weaknesses that may affect the market's ongoing competitive situation, and to gauge the level of support that exists for the development.

While characteristics such as population, employment and income are not strict predictors of the performance of convention, cultural, community or trade and exhibition facilities and their associated hotels, these metrics provide insight into the capacity of a market to provide ongoing support for facilities and activities. In addition, the size and role of a marketplace, its civic leadership, proximity to other metropolitan areas, transportation concentrations, and the location of competing and/ or complementary attractions, directly influence the scale and quality of facilities that can be supported within that particular market.

### MARKET OVERVIEW

Strategically located in south-central Wisconsin, just 75 miles from Milwaukee, WI and less than 150 miles from Chicago, Madison is the capital of Wisconsin and the second largest city in the State. The city covers an area of 85 square miles, comprised of 69 square miles of land and 16 square miles of water, and just over 10 percent of Madison's total area is parkland (roughly 4,500 acres). Madison was originally incorporated as a village in 1846 with a population of 626, but by the time Madison was incorporated as a city in 1856 the population had grown to 6,864. The first commercial districts were King Street and the East Main and South Pinckney sides of the Capital Square, and the first residential districts were established along Gilman, Gorham, Langdon, and Wilson Streets. Madison's development was driven largely by the growth of the State and County government and the University of Wisconsin-Madison, as well as several private sector industries such as Oscar Mayer, Ray-o-Vac, and the Fauerbach Brewery. More recently, Madison has seen growth in the health and biotech industries with Epic, one of the largest employers and a rapidly growing health system technology company, having its headquarters in the Madison area, and the University of Wisconsin having one of the largest research and technology programs in the World. Figure 3-1 provides a map of Madison and the surrounding region.

Figure 3 - 1



### CURRENT POPULATION

In 2011 the City of Madison had an estimated resident population of 235,016 persons, representing 20.2 percent of the total population of the Greater Madison metropolitan area. Between 1990 and 2011, the population of Madison increased at an average annual rate of around 1 percent (+1,996 persons per annum), which was slightly lower than the rate of growth observed throughout Greater Madison (1.4 percent per annum) but slightly higher than the growth rates recorded throughout Wisconsin (0.8 percent) and slightly lower than the U.S. as a whole (1.1 percent).

Table 3 - 1

Historic & Current Population - City of Madison (1990-2011)					
	1990	2000	2011	% Growth 1990-2011	CAGR* 1990-2011
<b>U.S.</b>	248,584,653	281,399,035	313,513,964	26.1%	1.1%
<b>Wisconsin</b>	4,891,760	5,363,658	5,741,249	17.4%	0.8%
<b>Madison MSA</b>	432,323	501,771	574,835	33.0%	1.4%
<b>Madison</b>	<b>193,721</b>	<b>209,385</b>	<b>235,016</b>	<b>21.3%</b>	<b>0.9%</b>

\* Compounded Annual Growth Rate  
 Source: DemographicsNow, Johnson Consulting

Total growth within Madison city limits has increased by 21.3 percent since 1990, or roughly 0.9 percent per year. This is lower than the Metropolitan Statistical Area (MSA) and the U.S., but better than the State of Wisconsin.

### PROJECTED POPULATION GROWTH

Population projections indicate that the population of the Madison MSA will reach 586,279 persons in 2015 and further increase to 670,683 by 2030. Between 2011 and 2030, the population of the City is projected to grow at an average annual rate of 0.8 percent. This is slightly higher than the rate of population growth forecast throughout Wisconsin (0.6 percent per year) and slightly lower than the rates forecast across the U.S. as a whole (0.9 percent per year).

**Table 3 - 2**

Population Projections - Madison MSA (2011-2030)			
	Madison MSA	Wisconsin	U.S.
<b>2011</b>	574,835	5,741,249	313,513,964
<b>2015</b>	586,279	5,781,800	325,539,790
<b>2020</b>	613,194	6,004,230	341,386,665
<b>2025</b>	643,234	6,203,710	357,451,620
<b>2030</b>	670,683	6,377,040	373,503,674
<b>CAGR*</b>	0.8%	0.6%	0.9%
* Compounded Annual Growth Rate Source: U.S. Census Bureau, State of Wisconsin, Johnson Consulting			

### AGE CHARACTERISTICS

The age characteristics of Madison are generally consistent with those of the Madison MSA, Wisconsin, and the U.S. as a whole. Madison comprises a lower proportion of older residents aged 55 years and above (20.0 percent) than the MSA (22.6 percent), Wisconsin (25.9 percent), and the U.S. (24.8 percent) and also a lower proportion of children aged less than 15 years, accounting for 14.8 percent of the population of the City compared to 18.4 percent of the metropolitan population, 19.4 percent of the State, and 19.8 percent of the national population. Madison also comprises a higher proportion of teens and young adults aged 15-24, accounting for 22.4 percent of the City’s population, compared to 15.4 percent in the Greater Madison area, 13.8 percent in Wisconsin, and 14.1 percent throughout the U.S.

**Table 3 - 3**

Age Distribution - City of Madison (2011)								
Age Group (Years)	Madison		Madison MSA		Wisconsin		U.S.	
	No.	%	No.	%	No.	%	No.	%
0-4	13,433	5.7%	35,583	6.2%	361,093	6.3%	20,515,002	6.5%
05-14	21,281	9.1%	70,169	12.2%	750,506	13.1%	41,650,303	13.3%
15-19	16,796	7.1%	36,323	6.3%	402,888	7.0%	22,380,439	7.1%
20-24	35,872	15.3%	52,221	9.1%	391,346	6.8%	21,925,644	7.0%
25-34	45,599	19.4%	89,314	15.6%	728,886	12.7%	41,703,842	13.3%
35-44	27,805	11.8%	76,443	13.3%	732,931	12.8%	41,722,752	13.3%
45-54	27,222	11.6%	82,913	14.5%	881,985	15.4%	45,694,540	14.6%
55-64	24,527	10.4%	67,771	11.8%	706,632	12.3%	37,049,733	11.8%
65-74	11,438	4.9%	32,914	5.7%	404,583	7.0%	22,053,995	7.0%
75-84	7,275	3.1%	19,767	3.5%	260,686	4.5%	13,245,781	4.2%
85+	3,778	1.6%	9,438	1.6%	119,681	2.1%	5,561,498	1.8%
<b>TOTAL</b>	<b>235,026</b>		<b>572,856</b>		<b>5,741,217</b>		<b>313,503,529</b>	

*Source: DemographicsNow, Johnson Consulting*

**MEDIAN AGE**

In 2011 the median age of residents of the City of Madison was 30.9 years, which was substantially lower than figures recorded for the Greater Madison metropolitan area (35.2 years), Wisconsin (38.4 years), and the U.S. as a whole (37.1). Between 2001 and 2011, the median age of residents of Madison has increased at a steady rate of 1.6 percent per annum, reflecting the overall shift towards an aging population, but still remaining below the rates of growth observed at the metropolitan, state, and national levels.

**Table 3 - 4**

Median Age - City of Madison (2001-2011)				
	1990	2000	2011	Growth 2001-2011
<b>U.S.</b>	32.9	35.3	37.1	4.2
<b>Wisconsin</b>	32.9	36.0	38.4	5.5
<b>Madison MSA</b>	31.2	33.9	35.2	4.0
<b>Madison</b>	<b>29.3</b>	<b>30.8</b>	<b>30.9</b>	<b>1.6</b>

*Source: DemographicsNow, Johnson Consulting*

## ETHNICITY

The City of Madison is predominantly white, with only 20.7 percent of the resident population coming from non-white backgrounds. This is more diverse than the Greater Madison metropolitan area where only 13.7 percent come from non-white backgrounds and Wisconsin as a whole where only 13.8 percent come from non-white backgrounds, but more representative of the U.S. as a whole where 27.6 percent come from non-white backgrounds.

**Table 3 - 5**

Ethnicity - City of Madison (2011)								
	Madison		Madison MSA		Wisconsin		U.S.	
	No.	%	No.	%	No.	%	No.	%
<b>White</b>	186,380	79.3%	496,335	86.3%	4,949,332	86.2%	227,109,319	72.4%
<b>Black</b>	16,656	7.1%	26,685	4.6%	361,750	6.3%	39,444,115	12.6%
<b>American Indian/AK Native</b>	996	0.4%	2,094	0.4%	55,682	1.0%	2,992,142	1.0%
<b>Asian or Pacific Islander</b>	16,781	7.1%	23,872	4.2%	132,100	2.3%	15,431,709	4.9%
<b>Other</b>	5,901	2.5%	10,773	1.9%	126,261	2.2%	18,439,794	5.9%
<b>Two or More Races</b>	8,303	3.5%	15,075	2.6%	116,105	2.0%	10,096,476	3.2%
<b>TOTAL</b>	<b>235,017</b>		<b>574,834</b>		<b>5,741,230</b>		<b>313,513,555</b>	

*Source: DemographicsNow, Johnson Consulting*

## EDUCATIONAL ATTAINMENT

The City of Madison is a highly educated community, with the highest proportion of residents aged 25 years and older, 28.6 percent, having a bachelor’s degree. This is generally consistent with the Greater Madison metropolitan area where 25.4 percent of residents aged 25 years and older have a bachelor’s degree, and far exceeds the state and national level, where only 17.5 percent and 17.8 percent respectively have attained a bachelor’s degree. Additionally, 22.7 percent of the City of Madison’s residents also hold a graduate degree, which is a far higher proportion than the Greater Madison metro area (16.3 percent), the State of Wisconsin, (8.8 percent), and the U.S. as a whole (10.4 percent) by an even wider margin.



**Table 3 - 6**

Educational Attainment - City of Madison (2011)								
	Madison		Madison MSA		Wisconsin		U.S.	
	No.	%	No.	%	No.	%	No.	%
<b>K-8</b>	3,164	2.0%	7,792	2.1%	128,475	3.3%	12,351,704	5.9%
<b>9-12</b>	6,440	4.0%	14,844	3.9%	246,744	6.4%	16,881,238	8.1%
<b>High School Graduate</b>	28,466	17.6%	88,607	23.4%	1,304,358	33.9%	60,961,809	29.1%
<b>Some College, No Degree</b>	27,049	16.8%	70,634	18.6%	778,667	20.2%	41,348,996	19.8%
<b>Associates Degree</b>	12,393	7.7%	37,270	9.8%	354,462	9.2%	16,140,031	7.7%
<b>Bachelors Degree</b>	46,138	28.6%	96,397	25.4%	673,200	17.5%	37,295,395	17.8%
<b>Graduate Degree</b>	36,670	22.7%	61,952	16.3%	339,146	8.8%	21,758,680	10.4%
<b>No Schooling Completed</b>	1,000	0.6%	1,616	0.4%	22,838	0.6%	2,613,811	1.2%
<b>TOTAL</b>	<b>161,320</b>		<b>379,112</b>		<b>3,847,890</b>		<b>209,351,664</b>	

Source: DemographicsNow, Johnson Consulting

## EMPLOYMENT

In 2011, the prominent industry of employment in Madison was Services (46.6 percent of employed residents aged 16 years and older), followed by Retail Trade (20.6 percent), Finance, Insurance and Real Estate (19.3 percent), and Health Care (16.0 percent). Employment in the Madison MSA declined from 2008 to 2009, which was mostly due to declines in the manufacturing and construction industries. Additionally, it is worth noting that the decline of roughly 5,500 total jobs shown from 2007 to 2008 is actually due to the lack of data on the Transportation and Warehousing industry sector, not necessarily an overall decline in employment. The Bureau of Economic Analysis (BEA) reports approximately 9,000 transportation and warehousing jobs in 2007, with a slight overall growth rate in the industry sector from 2006 to 2007, but reports no data for that industry later than 2007. Therefore, since the roughly 9,000 jobs in Transportation and Warehousing are not included in the total for 2008 and there is only a decline in total employment of approximately 5,500, the Madison MSA likely experienced growth or no change in employment in 2008 and then in 2009 and 2010 experienced a reduction in total employment largely due to national economic conditions.

**Table 3 - 7**

Industry of Employment - Madison MSA (2006-2010)					
	2006	2007	2008	2009	2010
<b>Utilities*</b>	(D)	(D)	(D)	(D)	(D)
<i>% of Total</i>					
<b>Construction</b>	24,432	23,990	22,470	19,672	18,214
<i>% of Total</i>	7.31%	7.05%	6.71%	6.05%	5.59%
<b>Manufacturing</b>	34,095	34,576	33,003	29,984	29,939
<i>% of Total</i>	10.21%	10.16%	9.86%	9.22%	9.19%
<b>Wholesale trade</b>	14,024	13,916	14,691	13,937	13,911
<i>% of Total</i>	4.20%	4.09%	4.39%	4.29%	4.27%
<b>Retail trade</b>	46,945	47,189	47,389	45,642	44,977
<i>% of Total</i>	14.05%	13.87%	14.16%	14.04%	13.80%
<b>Transportation and warehousing</b>	8,739	8,892	(D)	(D)	(D)
<i>% of Total</i>	2.62%	2.61%			
<b>Information</b>	10,352	10,889	11,491	11,483	12,021
<i>% of Total</i>	3.10%	3.20%	3.43%	3.53%	3.69%
<b>FIRE**</b>	43,955	44,212	45,958	46,741	46,738
<i>% of Total</i>	13.16%	12.99%	13.73%	14.38%	14.34%
<b>Health care and social assistance</b>	36,361	37,199	38,087	38,973	39,492
<i>% of Total</i>	10.88%	10.93%	11.38%	11.99%	12.12%
<b>Arts, entertainment, and recreation</b>	8,924	9,214	9,642	9,673	9,719
<i>% of Total</i>	2.67%	2.71%	2.88%	2.98%	2.98%
<b>Services</b>	106,245	110,189	112,001	109,027	110,893
<i>% of Total</i>	31.80%	32.38%	33.46%	33.53%	34.03%
<b>TOTAL</b>	<b>334,072</b>	<b>340,266</b>	<b>334,732</b>	<b>325,132</b>	<b>325,904</b>
* undisclosed by BEA due to confidentiality issues					
** Finance, Insurance, and Real Estate (FIRE)					
Source: Bureau of Economic Analysis, Johnson Consulting					

## UNEMPLOYMENT

The following table shows the annual unemployment rates for Madison MSA, Wisconsin, and the U.S. from 2002 to 2011. The Madison MSA, Wisconsin, and the U.S. have experienced similar fluctuations in unemployment, with the greatest increase in occurring in 2009 with 2.6 percent for the MSA, 3.9 percent for Wisconsin, and 3.5 percent for the U.S. as a whole. However, the unemployment rate in the Madison MSA has remained consistently more health than that of Wisconsin and the U.S. with overall average unemployment from 2002 to 2011 at 4.2 percent, compared to 6.0 percent for Wisconsin and 6.5 percent for the U.S.

**Table 3 - 8**

Unemployment Rate - Madison MSA (2002-2011)						
	Madison MSA		Wisconsin		U.S.	
	Rate	Change	Rate	Change	Rate	Change
2002	3.6%	-	5.3%	-	5.8%	
2003	3.9%	0.3	5.6%	0.3	6.0%	0.2
2004	3.4%	(0.5)	5.0%	(0.6)	5.5%	(0.5)
2005	3.3%	(0.1)	4.8%	(0.2)	5.1%	(0.4)
2006	3.4%	0.1	4.7%	(0.1)	4.6%	(0.5)
2007	3.6%	0.2	4.8%	0.1	4.6%	0.0
2008	3.6%	0.0	4.8%	0.0	5.8%	1.2
2009	6.2%	2.6	8.7%	3.9	9.3%	3.5
2010	6.0%	(0.2)	8.5%	(0.2)	9.6%	0.3
2011	5.3%	(0.7)	7.5%	(1.0)	9.0%	(0.6)

\* Compounded Annual Growth Rate  
 Source: Bureau of Labor Statistics, Johnson Consulting

## HOUSEHOLD INCOME

Income characteristics of the local market are a key indicator of the overall health and vibrancy of a market. In general, higher income levels lead to greater amounts of disposable income that can be spent on non-essential items, such as recreation and entertainment. In 2011, median household income in the Madison MSA is estimated at \$56,233 per year. This is significantly higher than estimated figures for the City of Madison (\$49,228 per year), Wisconsin (\$50,139 per year) and the U.S. as a whole (\$50,008 per year). This variance is consistent with that reported in 2000, and is projected to continue into 2016 with median household income in the MSA reaching \$60,724, compared to \$51,978 for the city, \$53,249 throughout Wisconsin, and \$53,365 for the U.S. as a whole.

**Table 3 - 9**

Median Household Income - City of Madison (2000-2016)					
	2000	2011	2016	CAGR* 2000-2011	CAGR* 2011-2016
U.S.	\$42,257	\$50,008	\$53,365	1.5%	1.3%
Wisconsin	\$43,926	\$50,139	\$53,249	1.2%	1.2%
Madison MSA	\$48,498	\$56,233	\$60,724	1.4%	1.5%
City of Madison	\$42,088	\$49,228	\$51,978	1.4%	1.1%

\* Compounded Annual Growth Rate  
 Source: DemographicsNow, Johnson Consulting

## CORPORATE PRESENCE

A strong corporate and business presence can be an important factor in the success of convention and lodging facilities because local businesses can attract residents and visitors to an area, provide disposable income, and support facilities through donations, advertising, and their requirement for event space.

The following table shows the largest public and private employers throughout the Madison MSA (+1,000 employees). As shown, the largest employers are concentrated within the healthcare, education, and government sectors.

**Table 3 - 10**

Largest Employers* - Madison MSA		
	Industry	Employees
University of Wisconsin-Madison	Education	1000+
UW Health	Health Care	1000+
Madison Metropolitan School District	Education	1000+
Epic Systems Corp	Health Care	1000+
American Family Mutual Insurance	Insurance	1000+
Department of Corrections	Government	1000+
UWMF	Health Care	1000+
Department of Health Services	Government	1000+
SSM Health Care	Health Care	1000+
City of Madison	Government	1000+

\* Excludes franchises  
 Source: Thrive (Madison Economic Development Partnership), Johnson Consulting

## UNIVERSITY AND COLLEGE PRESENCE

The City of Madison is home to several universities and colleges, the largest of which is the University of Wisconsin-Madison which offers 157 undergraduate majors, 150 Master’s programs, and 108 Doctoral programs to its approximately 42,500 students. UW-Madison is also one of the largest research universities in the U.S., ranking 2<sup>nd</sup> in total research expenditures and non-federally funded research, 4<sup>th</sup> in federally funded research, and 5<sup>th</sup> in doctorates granted. Additionally, with more than 16,000 employees UW-Madison is among the largest employers in Wisconsin.

## ACCESSIBILITY

Madison means is easily accessible via numerous modes of transportation, and as such can draw visitors from a wide catchment area:

- **Dane County Regional Airport:** Located minutes from downtown Madison, Dane County Regional Airport offers more than 90 arrivals and departures daily. Dane County Regional Airport also offers non-stop service to several major U.S. cities, including Atlanta, Chicago, Dallas-Fort Worth, Denver, New York, and Washington DC.

- **Road:** Madison has excellent highway access:
  - Interstate 90/94 provides access to Madison from Milwaukee, Chicago, and Minneapolis.
  - Highway 151 provides access from Green Bay, WI and Dubuque, IA.

## HOTEL INVENTORY

There are 85 lodging properties in Greater Madison, which includes Madison, Monona, Fitchburg, Middleton, Verona, Waunakee, Windsor, Sun Prairie, DeForest, Stoughton, and Mount Horeb with a total of 8,924 rooms. The properties are of medium- to small-size – the largest properties are the 356-room Madison Concourse Hotel, the 292-room Marriott Madison West (in Middleton), and the 240-room Hilton Madison Monona Terrace. The average size is 105 rooms.

**Table 3 - 11**

**Madison, Wisconsin  
 List of Properties as of December 2012**

	Location	# of Rooms		Location	# of Rooms		
1	Madison Concourse Hotel	Madison	356	44	Super 8 Madison South	Madison	88
2	Hilton Madison Monona Terrace	Madison	240	45	Country Inn & Suites Madison	Madison	87
3	Sheraton Hotel Madison	Madison	239	46	Candlewood Suites Fitchburg	Madison	79
4	Crowne Plaza Madison	Madison	226	47	Campus Inn	Madison	74
5	Best Western Plus Inn On The Park	Madison	214	48	Extended Stay Deluxe Madison West	Madison	72
6	Howard Johnson Express Madison	Madison	197	49	Days Inn Madison Southeast	Madison	68
7	Hampton Inn & Suites Madison Downtown	Madison	194	50	Residence Inn Madison East	Madison	66
8	Best Western Plus InnTowne & The Highland Club	Madison	176	51	The Wisconsin Union Hotel Madison	Madison	60
9	Doubletree Madison Downtown	Madison	163	52	GrandStay Residential Suites Madison	Madison	53
10	Holiday Inn & Suites Madison West	Madison	157	53	Expo Inn	Madison	48
11	Radisson Hotel Madison	Madison	153	54	HotelRED	Madison	48
12	Hyatt Place Madison Downtown	Madison	151	55	University Inn	Madison	45
13	Comfort Inn & Suites Airport Madison	Madison	148	56	Budget Host Aloha Inn	Madison	39
14	Clarion Suites @ The Alliant Energy Center Madison	Madison	140	57	King's Inn Motel	Madison	38
15	Holiday Inn Madison @ The American Center	Madison	138	58	Capitol Motel	Madison	31
16	Hampton Inn Suites Madison West	Madison	132	59	Americas Best Value Inn Madison Mayflower	Madison	25
17	Fairfield Inn & Suites Madison East	Madison	130	60	The Spence Motel	Madison	20
18	Super 8 Madison East	Madison	130	61	Hotel Ruby Marie	Madison	15
19	Baymont Madison	Madison	129	62	AmericInn Madison Monona	Monona	61
20	Courtyard Madison East	Madison	127	63	Quality Inn & Suites Madison Fitchburg	Fitchburg	107
21	Best Western Plus East Towne Suites	Madison	122	64	Country Inn & Suites Madison Southwest	Fitchburg	69
22	Homewood Suites Madison West	Madison	122	65	Marriott Madison West	Middleton	292
23	Cambria Suites Madison	Madison	121	66	Courtyard Madison West Middleton	Middleton	136
24	AmericInn Madison West	Madison	120	67	Hilton Garden Inn Madison West Middleton	Middleton	133
25	La Quinta Inns & Suites Madison American Center	Madison	120	68	Residence Inn Madison West Middleton	Middleton	122
26	Hampton Inn Madison East Towne Mall Area	Madison	115	69	Fairfield Inn & Suites Madison West Middleton	Middleton	103
27	Red Roof Inn Madison	Madison	108	70	Staybridge Suites Middleton Madison West	Middleton	91
28	The Edgewater Hotel	Madison	107	71	Country Inn & Suites Madison West	Middleton	84
29	Extended Stay America Madison West	Madison	104	72	Holiday Inn Express & Suites Madison Verona	Verona	109
30	Magnuson Grand Hotel	Madison	102	73	Super 8 Madison South Verona Area	Verona	43
31	Best Western West Towne Suites	Madison	101	74	Baymont Inn & Suites Waunakee	Waunakee	38
32	The Fluno Center	Madison	100	75	Americas Best Value Inn Windsor Madison North	Windsor	55
33	Econo Lodge Madison	Madison	99	76	Days Inn Windsor Northeast	Windsor	54
34	Microtel Inn & Suites by Wyndham Madison	Madison	96	77	Water Tower Inn	Sun Prairie	64
35	Roadstar Inn Madison	Madison	96	78	Quality Inn Sun Prairie	Sun Prairie	62
36	Comfort Suites Madison	Madison	95	79	Super 8 Sun Prairie Madison East Area	Sun Prairie	58
37	Rodeway Inn & Suites Madison	Madison	94	80	McGovern's Motel & Suites	Sun Prairie	56
38	Baymont Madison	Madison	92	81	Comfort Inn & Suites De Forest	De Forest	79
39	Holiday Inn Express Madison	Madison	92	82	Holiday Inn Express DeForest Madison Area	De Forest	70
40	Motel 6 Madison North	Madison	91	83	Days Inn Stoughton	Stoughton	52
41	Staybridge Suites Madison East	Madison	90	84	Quality Inn & Suites Stoughton	Stoughton	50
42	Sleep Inn & Suites Madison	Madison	89	85	Karakahl Country Inn	Mount Horeb	76
43	Americas Best Value Inn Madison	Madison	88				<b>8,924</b>

Source: Smith Travel Research

## ATTRACTIONS AND PLANNED DEVELOPMENTS

### AREA ATTRACTIONS

- **University of Wisconsin-Madison Athletics:** The University hosts 11 men's and 12 women's teams that compete at the NCAA Division I level. The Badgers have a rich athletic tradition, and in the past seven years alone have won 12 national titles and 26 conference titles.
- **Madison Symphony Orchestra:** Entering its 85<sup>th</sup> season, the Madison Symphony Orchestra draws 50,000 concertgoers each year. In addition, they serve another 32,000 each year through educational and community engagement programs.
- **Madison Museum of Contemporary Art:** Since opening in 1901, the museum has acquired a permanent collection of around 5,000 works. The museum moved to a new 51,000 square foot location within the Overture Center for the Arts that also includes a 7,100 square foot rooftop sculpture garden.
- **Overture Center for the Arts:** The newly opened Overture Center for the Arts is located in the heart of Madison's cultural arts district. The 380,000 square foot facility houses ten resident organizations and presents more than 200 performances, art exhibitions, and educational and community events each year. Overture offers seven performance venues, diverse meeting spaces, and multiple art galleries.
- **World Dairy Expo:** World Dairy Expo is a five-day event that serves as a forum for dairy producers, companies, organizations and other dairy enthusiasts to come together to compete, and to exchange ideas, knowledge, technology and commerce. It is one of the nation's largest agricultural shows. Over the last five years, the Expo has hosted an average of 67,609 attendees with a high of 71,788 in 2012, which included approximately 2,950 international attendees representing 95 different countries.
- **Chazen Museum of Art:** The Chazen Museum of Art opened in 1970 as a division of the UW-Madison College of Letters and Sciences. It is home to the second-largest art collection in Wisconsin with over 20,000 works. The museum opened a new 86,000 square foot gallery building in October 2011.

**PLANNED DEVELOPMENTS** - The City of Madison is embarking on a redevelopment plan for Judge Doyle Square, a two-block area in the city's central business district. The goal of the project is to create a large mixed-use development, possibly including a hotel, which is the subject of this study. This project will expand and unify the restaurant and entertainment district, resulting in a pedestrian-friendly urban environment. The figure below provides a map of downtown Madison and Judge Doyle Square in the lower right hand corner.



Proposed elements of the development will include:

- **Hotel:** The proposed hotel development will support and complement the Monona Terrace Community and Convention Center by adding hotel rooms within walking distance.
- **Residential:** The proposed residential component will attract additional residents to the district to increase the vitality of the area.
- **Office, Retail, Restaurant, and Entertainment:** The goal for these components of the development are to stretch the existing downtown retail and business district from the Capitol Square and King Street toward Monona Terrace and Wilson Street, while adding important live, work and play connections to the overall downtown environment.
- **Parking:** The existing Government East parking facility will be replaced with a new parking facility that serves public parking needs in the area as well as the above-grade development for the above project elements.
- **Bicycles:** The new development will also help to increase use of bicycles in Madison, already one of the top cities in the world regarding bike usage, as a viable mode of transportation by creating a secure bicycle center and enhancing Pinckney Street as a connection for bicyclists and pedestrians.

## CONCLUSION

Because of its assets, Madison is special and among a handful of cities that are better than its smaller size warrants. Madison is a very robust market due to the presence of the State capital, the University of Wisconsin and a strong and diverse employment base. Given these factors, and its Midwest location, Madison is in a peer set with destinations such as Minneapolis/St. Paul, Kansas City/Overland Park, Providence, Des Moines, Ft. Worth, Grand Rapids and other destinations. It is easy to fall into a trap of visualizing the City as small, and trying to compete at a tier below where the City could and should compete.

Madison can compete at a tier above its position as a smaller tier market, as it has done in the past. The City is one of the more attractive urban walking cities in the US. Efforts to improve the downtown area and



provide more live, work and play opportunities will further enhance this destination. It will also support the operations of Monona Terrace and future downtown development, by providing a walkable and desirable area for event attendees to visit, which is one of the key requirements for event recruitment to a destination. Some of the challenges that Madison faces as an event destination relate to hotel supply in proximity to Monona Terrace (this will be discussed further in subsequent sections) and available airlift at the Dane County Regional Airport. This airport offers service from four national carriers and has comparatively limited arrival and departure options compared to other cities of larger size and stature. However, Madison is accessible by air via connections and can deliver convention and conference attendees. The City is a natural for state association business, regional events and select national and international association events that relate to the University degree specializations, its regional corporation niches, and the Midwest economic base. If these demand categories are matched to the attractive qualities of the City, substantially more hotel based and Monona Terrace based meeting demand can be achieved.

The proposed Judge Doyle Square development can address the most significant of the threats to the communities investment in Monona Terrace by adding more hotel rooms in close proximity to the facility.

**SECTION IV**  
INDUSTRY TRENDS

## MEETINGS AND HOTEL INDUSTRY TRENDS

### MEETINGS INDUSTRY

Virtually all categories of meeting activities have experienced worldwide growth since the early 1970s, with moderate downturns and rebounds reflective of national and international economic shifts. Notwithstanding the most recent global recession, the economic efficiency of using tradeshow to sell products, and for the pursuit of education and commerce, has fueled the creation of new events and the growth of existing events, in terms of both size and attendance. Cities counties and countries as well as hotel companies throughout the world have responded and are still responding, albeit at a subdued pace, to this demand, along with efforts to bolster tourism, trade and development, by supplying millions of square feet of new or renovated exhibition and meeting space in both small and large markets.

In order to understand the long-term market demand for public assembly facilities, an analysis of entertainment, social event, and meeting industry trends is important. This subsection provides a general overview of the types of meeting facilities that exist in the industry, as well as the types of events that are commonly hosted. Also discussed are the general requirements that meeting planners look for in a prospective location, as well as an overview of current and likely future market trends, focusing on the impact of broader economic conditions on the meetings and events industry.

### TYPES OF FACILITIES

Each event type has unique facility needs. Certain events require large amounts of contiguous space, while others require many smaller meeting rooms. Often a single meeting will use many different types of spaces, such as large exhibit halls, banquet facilities, breakout meeting rooms, and theater seating. Hotels are also used in conjunction with the convention center and host many associated food functions, special committee meetings, board meetings and even events related to but not officially part of the main event held at the convention center.

As societies mature and become more sophisticated, so too does the meetings market. The diverse nature of the meetings industry, and the characteristics of various event types, necessitates a variety of alternative facilities.

The main types of public assembly facilities are summarized as follows:

- **Hotel and Meeting Room Facilities:** Many markets have developed a multipurpose or small convention or conference center complex within or adjacent to a hotel, as a means of improving the lure of the hotel and subsidizing its operations. These facilities, which have been undertaken in markets of varying sizes, are frequently developed through public-private partnerships whereby the public sector may assemble land, build parking, and fund meeting space components as a way to

execute a project. Often the various project elements are developed as a joint project, in terms of timing, but in some markets, the public elements have been built first with the hotel coming later.

- **Conference Centers:** Conference centers provide a specialized combination of meeting spaces, high-tech amenities, and services in support of training and education initiatives. Most conference centers are operated in conjunction with a hotel, although some are part of a university and a small number operate as stand-alone venues.
- **Convention Centers:** On a larger scale, convention centers combine the meeting capabilities of a conference center with exhibit space. These facilities are designed to meet the broad needs of the Meetings, Incentive, Convention, and Exhibition (M.I.C.E.) industry and primarily serve as economic development enterprises for the community. Their mission is to bring outside visitors and associated spending into the community, although they may also host large locally oriented consumer events.
- **Exposition Halls:** These facilities focus exclusively on product and consumer shows that require little meeting space. Pure exposition halls generally exist in markets that have other convention and/or meeting venues available or in situations where the private sector has responded to a lack of supply by developing an inexpensive facility. Fairgrounds also offer facilities that are exposition-oriented.
- **Trademarts:** Trademarts or merchandise marts typically combine an exhibit facility, permanent display space that is occupied by businesses under long-term lease agreements, and specialized office space. These facilities provide space for the wholesale distribution of products in specific industries, including furniture, clothing, sporting goods, and computers. These facilities occur in large cities that serve as regional wholesale and marketing centers.
- **Fairgrounds:** Fairgrounds combine a number of assembly and exposition elements on a large campus. Facilities may include one or more exhibition halls, along with arena and meeting hall functions, although little meeting space is usually offered on the property. Typically located away from downtown areas, fairgrounds provide acres of parking for large events. Madison's Fairgrounds is located near downtown and is a demand generator for downtown during peak event periods.
- **Events Centers:** Events centers, or arenas, are used as multi-purpose facilities to host a wide range of events, from small to mid-size conventions, and trade shows, to sporting events, concerts, and banquets. These facilities typically host many more locally oriented events than dedicated exhibit and ballroom space within convention centers. Events centers also incorporate breakout and meeting rooms, and often have a full commercial kitchen to cater banquet events.

Monona Terrace is a hybrid facility with aspects of a conference center, a convention center and an events center. While beautiful and multifaceted, it is small and covers many fronts. Its small size limits some event options and as the facility attracts and serves events and gains an excellent reputation with

events, its fixed nature does not allow it to grow with its customers or offer all of the spaces needed by many events. Its lakefront setting is unique and adds to its attractiveness.

## TYPES OF EVENTS

As outlined above, the events industry is comprised of various different types of events, including:

- **Conventions or Congresses:** These are privately held meetings of professional groups and associations that commonly take place in hotels, convention centers, or civic centers. These meetings attract association members and/or affiliates wishing to meet similar professionals and share ideas.

A convention can consist of a single meeting or a number of concurrent meetings during the event period, and are increasingly featuring exhibits to communicate ideas. These types of conventions are known as “conventions with exhibits.”

The term “convention” is generally used in North America, and “congress” is used in Europe, and sometimes in Asia, to describe the same type of events. However, conventions typically use more exposition space and have a more social nature than congresses, but this distinction is narrowing as congresses are becoming more like North American-style conventions.

Conventions are generally “high-impact” events since attendees normally stay several nights in the host city, generating hotel room nights. In addition to hotel expenditures, attendees purchase other goods and services while in the city such as food and beverage, souvenirs, and transportation that not only contribute to local business but also increase local and state tax revenues.

- **Temporary Expositions and Trade Shows:** These events are designed to bring buyers and sellers of industry-specific products together. Trade shows usually cater to a specific industry, however, multi-industry “trade fairs” also occur. Most trade show events are not open to the public or may have limited public days.

Like conventions, trade shows offer a forum for exchanging industry ideas. They differ from conventions, however, because they are more product-and sales-oriented. Tradeshow are exhibit-intensive, and exhibitors prefer column-free, single-story, open-space facilities in which they construct temporary custom booths for product display. Tradeshow typically attract a large number of attendees, who originate from outside the host city but tend to have a shorter average stay than convention attendees.

The event programs run for a period of three to six days, with equal or slightly less time allocated to setting up and tearing down the event booths. Therefore, individual attendees may have less impact on the host city’s economy than a convention attendee.

Temporary exposition events are increasing the number of meetings held during an exhibition in an attempt to educate buyers about products, and as a result, are becoming more like “conventions with exhibits” (see previous point). However, in comparison to more formal conventions with exhibits, temporary expositions tend to maintain higher attendance figures, but a shorter average length of stay for attendees.

The following table displays the most frequent event categories for conventions with exhibits and trade shows.

**Table 4 - 1**

Top Event Categories - Conventions with Exhibits & Trade Shows		
Aerospace & Aviation	Energy & Mining	Police & Fire Fighters
Agriculture & Farming	Facilities, Engineering & Maintenance	Printing & Graphics
Apparel & Fashion	Food & Beverage	Radio, TV & Cable
Art & Architecture	Forest Products	Religious
Associations	Funeral Industry	Safety & Security
Building & Construction	Government	Sanitation & Waste Management
Business & Finance	Home & Garden Furnishings & Supplies	Science
Chemicals	Libraries	Stores & Store Fittings
Communications	Manufacturing & Industrial	Textiles
Computers & Computer Applications	Medical & Health Care	Transportation
Education	Military	Travel Industry
Electrical & Electronics	Ocean Supplies & Equipment	Veterinary

*Source: Red7 Media*

- **Assemblies:** These are largely association, fraternal, or religious events that require a large plenary hall, arena, or stadium. Similar to conventions, they are characterized by large numbers of attendees originating from outside the host city.
- **Conferences:** These are smaller convention-type events and are typically held in meeting rooms and ballrooms or in formal conference centers. Like conventions and congresses, they are often sponsored by associations and corporations, and address current issues and information. Attendees and users typically demand high-quality facilities and most originate from out of town.
- **Incentive Meetings:** The corporate market uses incentive meetings as a way to reward employees, combine recreation and business meetings, or to mix employees and clients in a business and

recreational setting. Product launches, key account conferences, and award events are all-important aspects of this type of event.

- **Consumer Shows:** These are public, ticketed events featuring exhibitions of merchandise, such as clothing, food, and antiques. These events are typically held in public assembly facilities such as hotels, convention centers, and exposition centers. They normally attract large numbers of attendees, and depending upon the size, location, and type of merchandise being displayed, these shows normally attract primarily local residents.

The following table displays a summary of the most prevalent types of consumer shows.

**Table 4 - 2**

Top Event Categories - Consumer Shows		
Antique	Golf	RV & Camping
Art	Health & Beauty	Sewing & Needlework
Auto	Holiday	Sports Goods & Guns
Boat	Home & Garden	Super Sale
Computer	Jewelry & Gem	Toys & Hobbies
Ethnic	Jobs, Career & College	Travel
Film	Motorcycle	Weddings
Flower	Outdoor Sports	Woodworking
Gift & Craft	Pets	

*Source: Red7 Media*

- **Entertainment Events:** Including performing arts, concerts, sporting events, and circuses that can be accommodated by a variety of facilities. Although entertainment facilities will typically be dedicated to one or more specific uses, multipurpose venues, such as convention centers, can accommodate a large variety of events, especially if they are designed appropriately. Entertainment event promoters require unobstructed space to arrange the performance and to allow attendees to view the show.
- **Permanent Expositions:** Permanent expositions are designed to promote commerce by establishing permanent exhibit areas for manufacturers. Although these facilities cater primarily to businesses, the general public is usually allowed to enter. Show promoters, however, discourage public attendance, as the primary intent of the exhibition is to promote wholesale trade. Permanent expositions use three types of product promotions:
  - **Sample Showcases:** These are small advertising displays of various new products. While company representatives do not staff the permanent facility of the showcase, personnel are usually available to provide buyers with information regarding the companies and their products.



- **Export Marts:** These are facilities with staffed booths displaying domestic manufactured products. Export marts are typically arranged by industries and are meant to be one-stop-shops for prospective domestic and international buyers. The display areas are typically 200 to 600 square feet in size and are staffed with three to five people. In industries such as fashion, where seasonal sales patterns occur, booths are only staffed during peak sales periods, despite the fact that annual rents are collected for the space.
- **Import Marts:** Foreign manufacturers use these to display their products to domestic buyers. Like export marts, they are typically arranged by industries, are 200 to 600 square feet in size, and are sometimes staffed (only during buying seasons). Often, trade associations representing mart tenants sponsor temporary expositions, thereby creating a regional draw for the mart. If significant exposition space is provided, these events can become the dominant industry event in the country or region.

#### EVENT SPONSORS

The meetings industry includes a wide variety of event types that are sponsored by different types of businesses and organizations, including:

- **Corporations:** Business meetings are an integral part of the meetings industry. They represent the majority of meetings held throughout the world, and topics can be as wide-ranging as the industries themselves. For the purposes of this report, corporate meetings will refer to off-site conferences, sales, and incentive meetings, such as the events that are often held at hotels.
- **Associations:** Trade and business associations represent certain industries and strive to keep members informed about current issues related to their industry. Associations sponsor meetings and conventions to serve this educational and informational purpose, and also assist in marketing efforts by holding trade shows where members can display and sell their products.
- **Educational Institutions:** Universities are increasingly recognizing that more continuing education occurs at meetings, rather than in classroom settings, and are becoming an important player in developing and sponsoring continuing education activities and conferences.
- **Government:** All levels of government hold meetings for the purpose of education, discussion of issues, and policy deliberation. In many countries, governments also create and sponsor trade shows in order to support sectors of the economy.
- **Independent Show Organizers, Incentive Houses, and Publishing Companies:** The meetings industry has grown so large that it now supports a growing number of organizations that specialize in the business of producing meeting events. These businesses may work on behalf of corporations and

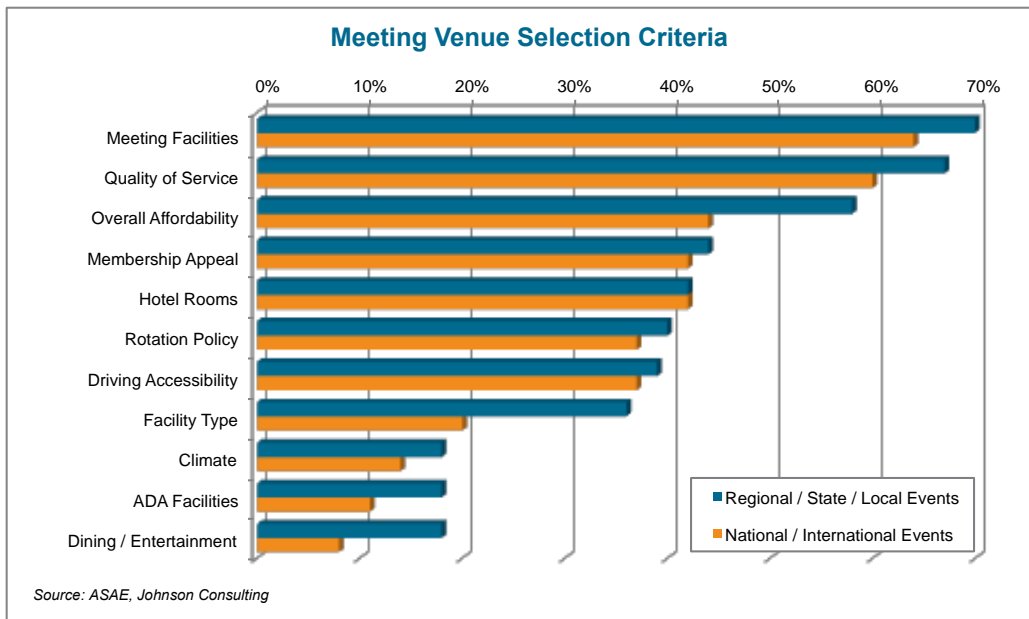
associations, and handle all aspects of a meeting, from booking attendees to event operations. Many publishing companies have trade show and convention management divisions, while incentive houses not only work for their corporate and association clientele, but may also develop programs and conferences as moneymaking ventures.

- **Social, Military, Education, Religious, Fraternal, and Ethnic (SMERFE) Organizations:** These organizations typically sponsor convention or assembly events that are not always business-related and tend to be geared more towards social networking and discussion of issues.

### MEETING PLANNER SELECTION CRITERIA

The American Society of Association Executives (ASAE), which is a membership organization of more than 22,000 association executives in 50 countries throughout the world, recently surveyed its members regarding their criteria for selecting a convention center destination. These executives are responsible for selecting destination(s) for a variety of events, ranging from small meetings to large exhibitions. The following figure illustrates the average responses of members who placed events in convention centers, including both regional and local events, as well as national and international events.

Figure 4 - 1



The survey respondents gave a high level of importance to the following criteria when selecting a convention center for either a regional, state or local event, or a national or international event:

- Availability and size of meeting facilities,

- Quality of service,
- Overall affordability,
- Membership appeal, and
- Availability of hotel rooms.

Meeting planners considered climate, ADA facilities, and dining/entertainment options as least important when selecting a venue.

In situations where there are only a limited number of cities with sufficient exhibit space to meet a planner's requirements, data from Red 7 Media, indicates that the most important selection criteria relates to hotel supply. More specifically, the top five criteria when selecting a city, as opposed to a specific facility, are:

- Hotel room prices and quality (69 percent of respondents);
- Open Dates (66 percent);
- Number of Hotel Rooms and Capacity (60 percent);
- Hotel Block Attrition Policies and Issues (56 percent), and
- Labor Costs and Service Issues (43 percent).

A competitive advantage for cities is gained by having an established and effective tourism and hospitality industry that provides event producers and attendees with high quality experiences and encourages interest in returning for subsequent events and meetings. Madison fits into this category and due to its unique urban fabric, presence of governmental and educational concentrations, and being located in the Midwest with its agricultural and manufacturing heritage, will continue to grow its market, if it chooses to.

#### **IMPACT OF ECONOMIC CONDITIONS**

A recent survey of event planners, conducted by Red 7 Media, indicates that 75 percent of respondents have changed their site selection process due to the recent recession. Perhaps the most significant, and expected, change is that more than 50 percent of planners are now looking for value locations and lower costs for venues, hotels and services, with 46 percent of respondents stating that they are also now booking slightly smaller hotel blocks.

The top five criteria currently used for selecting a city for an event are:

- Hotel Room Prices (72 percent of respondents);

- Convention Center and Exhibition Hall Size (66 percent);
- Airport Capacity and Airfares (64 percent);
- Hotel Room Availability (60 percent), and
- Availability of Open Dates (57 percent).

It is apparent that hotels continue to play an important role in differentiating cities. Concurrently, the importance of airlift has grown significantly, reflecting restricted travel budgets for many organizations, along with service and capacity cuts by many airlines. Approximately 64 percent of planners who have changed their selection criteria believe that the changes will remain in place for at least the next two years.

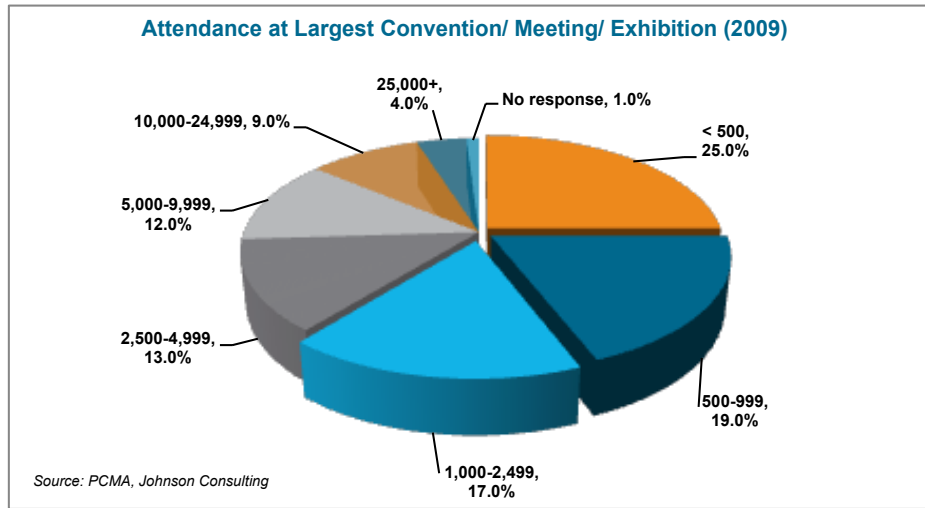
## EVENT ATTRIBUTES

The following analysis of event attributes is based primarily upon data obtained from the Professional Convention Management Association's (PCMA) 2010 survey, which is the most current survey data available at this time.

### NUMBER OF ATTENDEES

An important element to consider in terms of the appropriate size and scope of meeting facilities is the size distribution of the events it will pursue. Based on the PCMA's 2010 survey, 44 percent of respondents hosted less than 1,000 persons at their largest convention, meeting or exposition in 2009 (which is the most recent data available). This size category is ideal for Monona Terrace and indicates that the facility is able to target a large percentage of available events. If more meeting space is added to the proposed hotel that is supportive of existing space at Monona Terrace and does not compromise existing or future events, the market may be able to attract events in the next tier of attendance category or hold multiple larger events at the same time. The following figure shows the distribution of attendees based on the PCMA's survey responses.

**Figure 4 - 2**

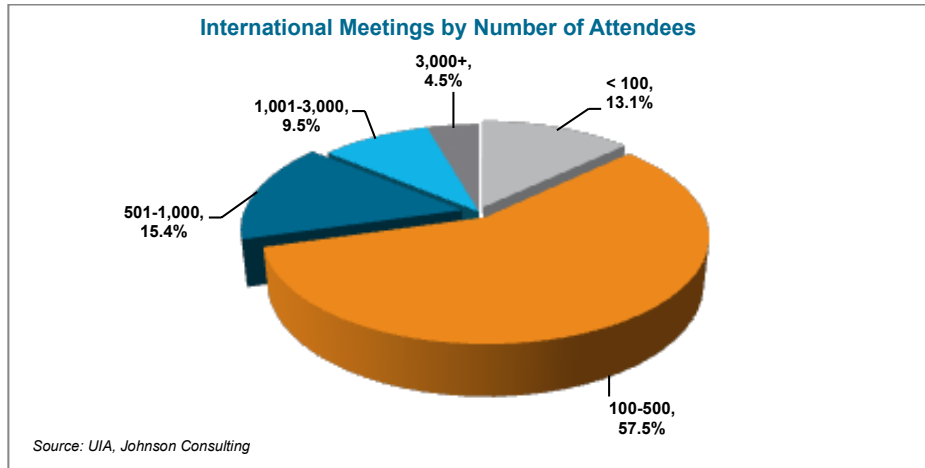


Between 2008 and 2009, close to half of survey respondents (48 percent) saw a decrease in the number of attendees at their largest convention, meeting or exhibition, a consequence of broader economic downturn. It is worth noting, however, that attendance is not always negatively impacted by an economic downturn because attendees seek different things from events during periods of economic growth versus periods of decline. More specifically, during a period of economic prosperity, attendees are typically motivated to attend a convention, meeting or exhibition by a desire to gain new industry information and technology that may give them an advantage over their competitors. During periods of economic downturn and recession, attendees are motivated by a desire to understand what is happening in their market and stay abreast of the latest opportunities and challenges facing their industry. This means that key personnel will continue to attend what they consider to be their industry’s most important conventions, trade shows and meetings, even during periods of economic decline.

A recent survey of major global convention center executives, conducted by the International Association of Congress Centers (AIPC) and Red 7 Media (Research and Consulting), indicates that total attendance contracted by 6.3 percent throughout North America in 2010. Notwithstanding this, venues were optimistic about attendance levels in 2011, forecasting robust growth of 8.3 percent, with continued recovery in 2012 and 2013.

Analysis of the distribution of international meeting events by number of attendees reveals a trend towards smaller events. This finding is consistent with a movement towards smaller events in the worldwide convention, exhibition, and meeting industries. The following figure displays the distribution of international meeting events by number of attendees.

**Figure 4 - 3**

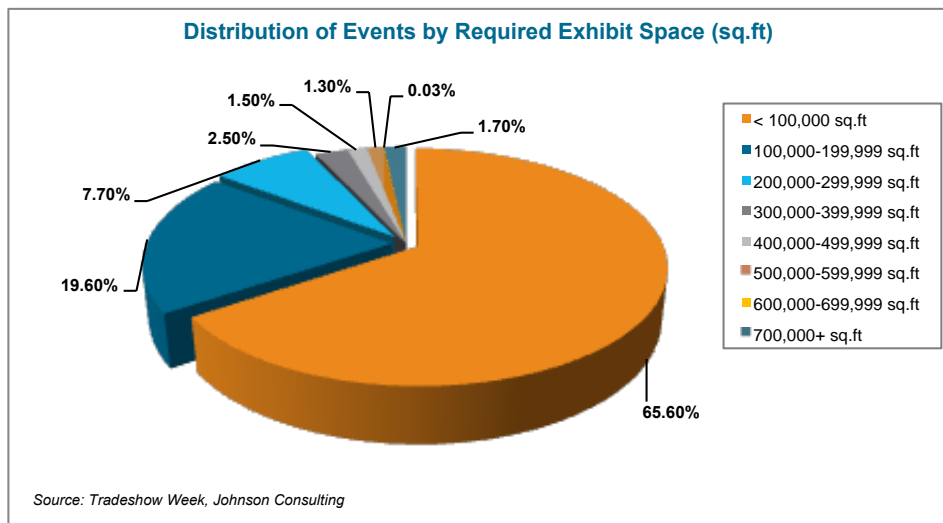


The majority of international meeting events (57.5 percent) are in the 100-500-attendee range. Very few of these meeting events have over 3,000 attendees (4.5 percent), while 86 percent have 1,000 or fewer attendees. There is more of a distinction between trade fairs and conventions in Europe than in the US, which explains why European events are smaller. Many trade fairs are huge in Europe, but do not include as much conference business as in the US.

### EVENT SPACE REQUIREMENTS

The following figure highlights the distribution of shows by required exhibit space. As shown, the majority of events (nearly 66 percent) utilize less than 100,000 square feet of space.

Figure 4 - 4

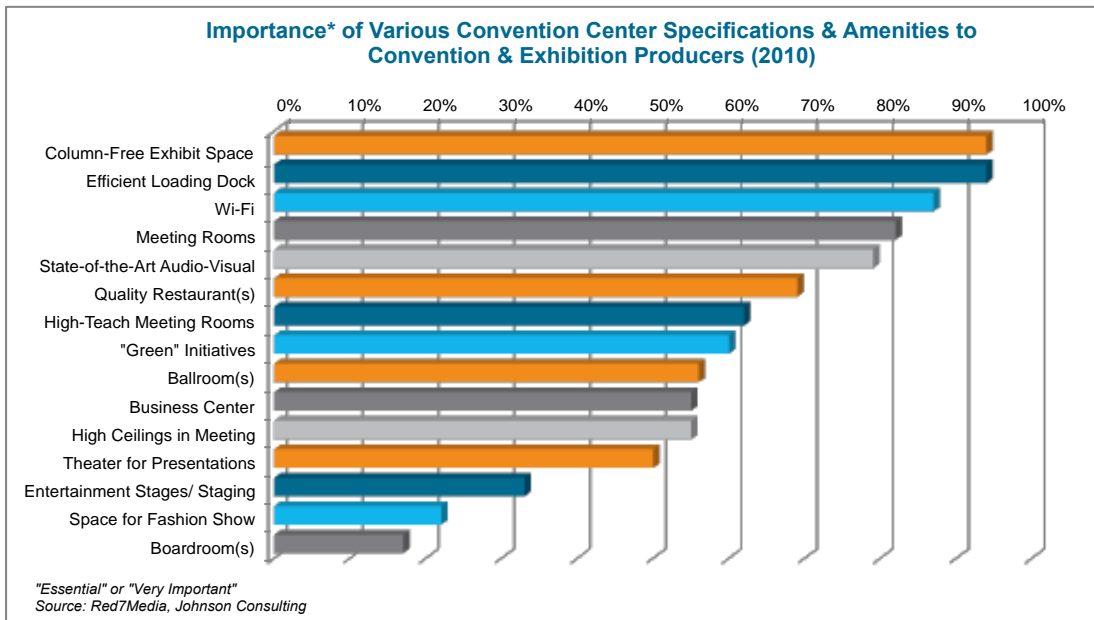


Recent surveys by Red 7 Media (Research and Consulting) indicate that the number of exhibitors has grown slightly (by 1-2 percent) in 2010, while total net square footage requirements have remained flat. The fundamental makeup of the distribution of events by required exhibit space has remained unchanged through 2012.

The following figure presents the importance of various specifications and amenities of event space to convention and exhibition producers based upon data from a recent Red 7 Media study. As shown, the most important factors relate to column-free exhibit space (94 percent of respondents), efficient loading dock facilities (94 percent), Wi-Fi (87 percent), meeting rooms (82 percent), state-of-the-art audio-visual capabilities (79 percent), and quality restaurants (69 percent). The following figure shows the importance of various convention center specifications and attributes.



Figure 4 - 5



**SEASONALITY**

Meetings occur throughout the year. However, just as the number of people taking vacations displays distinct seasonal patterns, so does the level of meeting activity vary from month-to-month. Since 2000, the first and fourth quarters have generally seen the most stable growth. Second and third quarters saw contraction during the beginning of the decade but growth in the past several years, with demand fluctuating much more during the second and third quarters as opposed to the first and fourth.

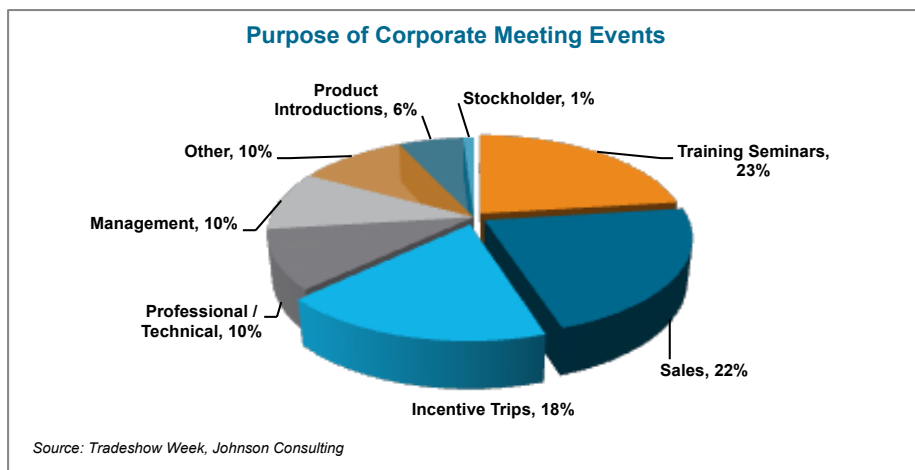
**LENGTH**

The average length of events recorded by the Union of International Associates (UIA) is four days. The increasing trend in meeting events is to concentrate activities into a shorter period of time. However, the UIA’s criterion of a minimum of three days causes its data to exclude a growing number of shorter meeting events from its analysis.

**PURPOSE OF EVENTS**

Corporate activity is responsible for a large share of overall meeting events, with demand often being generated from the local region, although cities and regions that are particularly attractive as destinations can attract meeting attendees from a much broader area. The following figure displays the distribution of corporate meeting types by purpose of meeting.

Figure 4 - 6



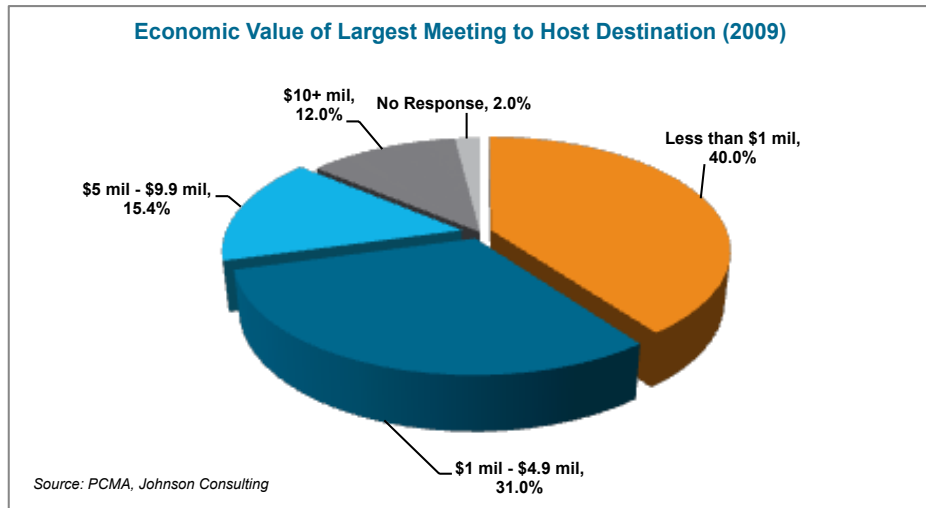
Training seminars, sales meetings, and incentive trips account for the largest share of overall meeting attendees. As shown, the meeting industry is diversified, with no single meeting type accounting for over 25 percent of overall attendees, and seven distinct categories of meetings all contributing significant volumes of attendees. This diversification helps to stabilize overall event demand, as the demand from each individual sub-sector of meeting events ebbs and flows with changes in business cycles and technology.

Overlaying and adding to this is the university training and conference sectors. There are hundreds of conference centers internationally that are affiliated with four year and community college institutions. They host some of the above events, but also create a huge volume of business in their own right.

### ECONOMIC IMPACT

The PCMA’s 2010 survey indicates that the average economic impact of respondents’ largest convention, meeting or exposition was \$3.6 million to the host destination in 2009, up from \$3.0 million in 2008. The following figure shows the economic value of survey respondents’ meetings to host communities in 2009.

Figure 4 - 7



The average economic impact per trade show attendee is estimated to be \$1,000 per visit, with each convention or trade show attendee generating, on average, 1.8 total hotel room nights. Generally, association conventions generate the greatest economic impact, reflecting high levels of attendance and associated hotel, restaurant, retail and transportation spending. Exhibitors and corporate sponsors also contribute significantly to the overall impact of an event.

Figure 4-8 shows the ‘Convention and Meetings Eco-System’ as defined by Red 7 Media, which identifies the activities that attendees will typically engage in outside of the convention center and hotel.

**Figure 4 - 8**



Source: Red 7 Media, Johnson Consulting

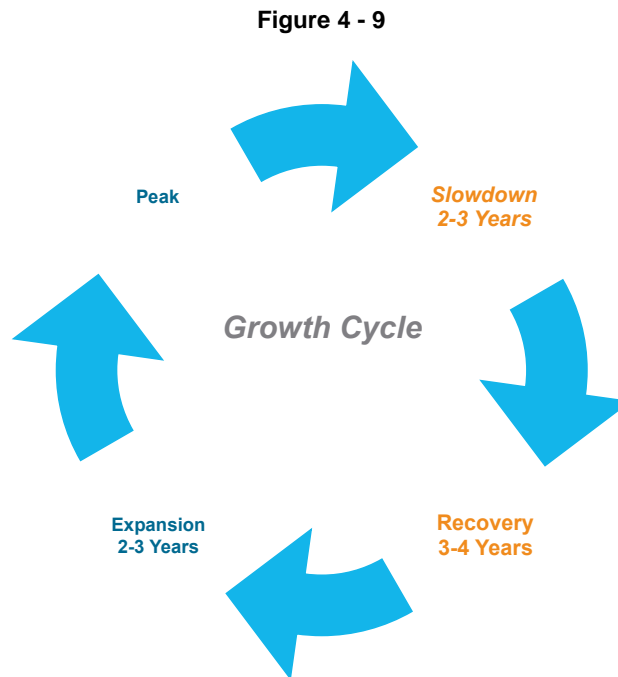
## MARKET CONDITIONS

### RECENT TRENDS

As a whole, the meeting industry has experienced sporadic growth in the past ten years, dipping slightly in the early 2000's, then experiencing a significant period of growth followed by another wave of decline over recent years, reflecting broader economic conditions and the negative publicity associated with hosting meetings in upscale or resort destinations.

The impact of the recession on the global meetings industry was widespread - new hotel and meeting facility construction was delayed, and in many cases abandoned, corporations and associations dramatically reduced their meetings and events budgets, attendance levels fell sharply, and negative perceptions of the value of face-to-face meetings prevailed across governments, media and the general public.

Conditions in North America's convention and meetings industry generally remained flat through 2011, in line with the broader economy, however 2012 is seeing the transition of the industry towards recovery. The following figure shows the typical recovery and growth cycle experienced in the convention and meetings industry.



Source: Red 7 Media, Johnson Consulting

While new construction in the global convention center market remains slow, renovations are increasing, with the recent International Association of Congress Centres (AIPC) survey revealing that 60 percent of respondents having a new building or expansion project currently underway or in the planning stages. In North America, 59 percent of survey respondents are currently considering an expansion, refurbishment or development project. Client demand and competitive pressure, including increasing investment by hotels in properties with quality exhibition and meeting space, is driving development in the industry.

## OUTLOOK

As identified by Red 7 Media (Research and Consulting), and further commented on by Johnson Consulting, key indicators of improvement in the industry include:

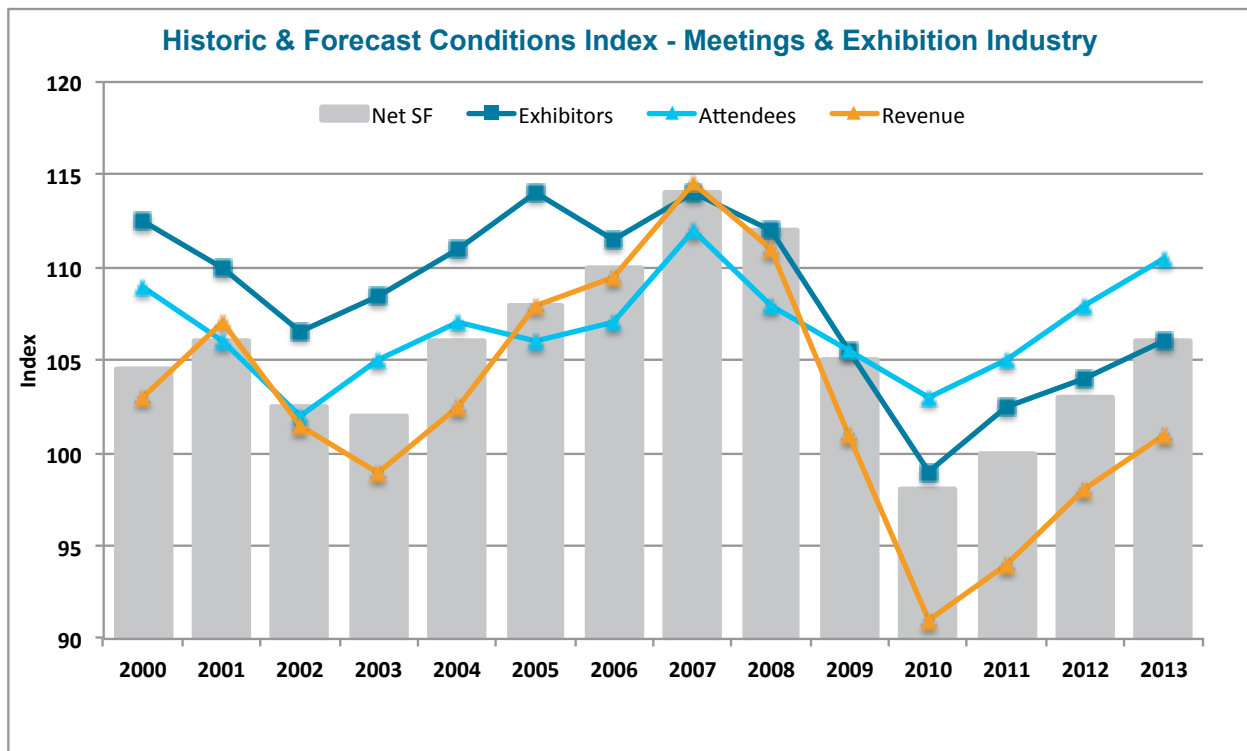
- **Consumer spending:** 70 percent of business events serve markets in which consumers ultimately purchase the products and services.
- **Attendance vs. Exhibitors:** Attendance is continuing to perform better than exhibitor participation, which is a good sign.
- **Exhibitor spending:** This will likely remain soft throughout the remainder of 2012;
- **Hotel rates:** 2011 rates for room blocks were level with, or slightly higher, than 2010 rates. Rates remained flat in 2011 but are expected to show slight increases in 2012;

- **Corporate events market:** There is potentially significant pent-up demand, as 50 percent of major global convention center managers consider meetings to be the second strongest sector, after associations, for near-term growth.
- **New events:** a sure sign of recovery will appear when new shows outside of the medical and IT sectors, and not just limited to conventions, are launched.

In 2011, PCMA survey respondents expect a 24 percent increase in the number of meetings and a 38 percent increase in attendance over 2009 figures, the height of the economic recession.

The following figure shows recent and forecast trends in the meetings and exhibition industry, based on the Center for Exhibition Industry Research (CEIR) 2010 Index Report. The Index considers utilization (net square footage), number of exhibitors, number of attendees, and revenue and shows positive momentum beginning in mid-2009 and continuing through 2013 (the end of the forecast period).

Figure 4 -10



The emergence of positive indicators within the market, along with continued improvement in the broader economy, is expected to drive a recovery in North America’s convention and meetings market. Industry forecasts indicate that the market will return to pre-recession levels by 2015.

## SUMMARY

There are literally millions of conventions, tradeshows, and meetings happening annually throughout North America and around the world. The number of associations is changing, as is the number of corporations, but meetings will continue to occur. Although 2011 was a flat year and there may be slight structural changes in meeting formats due to technology, the convention market saw signs of stabilization and growth since the downturn in 2008-2009 with the majority of meeting planners and event organizers maintaining current event levels and anticipating event attendance to remain consistent or improve going forward. Furthermore, the rationale for meetings and associations still exists and will continue to do so. Given Madison's educational strengths as well as its compact Central Business District, the community is ripe for demand and will attract more events if it equips itself to do so.

## HOTEL INDUSTRY TRENDS

In most markets throughout the U.S. and globally, hotel demand emanates from three primary demand segments, as follows:

- **Business:** The Business (or commercial) market segment comprises individuals who travel to a destination to conduct business, with activity amongst this group occurring primarily from Monday through Thursday and falling sharply on the weekends. The length of stay by Business guests typically varies between one and three days, with occupancy per room averaging between 1.2 and 1.3 persons. Demand from this market segment is generally constant throughout the year, although December and other holiday periods typically represent low periods.

Lodging choices are heavily influenced by brand loyalty, and particularly loyalty/ rewards programs. The location of lodging facilities also influences Business demand, with a demonstrated preference for facilities close to businesses and amenities.

- **Meetings & Groups:** This market segment relates primarily to corporate groups and Social, Military, Education, Religious, Fraternal, and Ethnic (SMERFE) groups who travel for seminars, conferences, tradeshows, and similar events. Similarly to Business travelers, demand from corporate groups tends to be concentrated between Monday and Thursday, while SMERFE groups display a preference for weekends. Demand from this market segment tends to be highest in fall and spring.

Lodging choices for the Meetings and Groups segment are influenced by the availability of meeting space, technology, and food and beverage options.

- **Leisure:** This market segment comprises individuals and groups who require accommodation when traveling for leisure purpose. Accordingly, demand from this group tends to be highest on weekends, as well as weekdays during holiday periods. The length of stay by Leisure guests typically varies between one and four days, with occupancy averaging between 1.8 and 2.5 persons per room.

Leisure demand is heavily influenced by disposable income, and proximity of lodging facilities to attractions, such as amusement parks, museums, and shopping malls. Events, such as college graduations or family reunions, also generate significant demand from the Leisure market segment.

## MARKET INDICATORS

The following table shows key indicators in the national convention hotel market, between 2008 and 2015 (forecasted). The statistics presented are based on a selection of facilities, selected on the basis of their size, market, and locational attributes.

**Table 4 - 3**

U.S. Hotel Market Indicators (2008-2015)			
	Occupancy (%)	ADR	RevPAR
2008	60.0%	\$107.08	\$64.28
2009	54.8%	\$97.68	\$53.49
2010	57.7%	\$96.70	\$55.80
2011	59.1%	\$101.05	\$59.76
2012F	60.9%	\$106.11	\$64.62
2013F	62.1%	\$111.94	\$69.51
2014F	62.7%	\$117.54	\$73.71
2015F	62.7%	\$121.07	\$75.92
<b>CAGR*</b>	<b>0.6%</b>	<b>1.8%</b>	<b>2.4%</b>

\* Compounded Annual Growth Rate  
 Source: HVS, Johnson Consulting

Growth in demand resumed in 2010, led by the return of business travel and some group activity, along with significant discounting by hoteliers. This is reflected in the increase in total occupancy observed in 2010, but the continued decline in ADR, which contracted by 1.0 percent over the same period. Notwithstanding this, RevPAR increased by 4.3 percent between 2009 and 2010.

Data from Smith Travel Research (STR) indicates that conditions in the U.S. hotel market (including non-convention hotels) continued to steadily improve throughout 2011, with total industry revenue growing by 7.5 percent in 2011 to \$137.5 billion, representing the largest percentage increase recorded over the previous 10 years. Occupancy improved to 59.1 percent, with the ADR increasing by 5.0 percent over 2010 and RevPAR increasing by 8.1 percent during the same period.

## OUTLOOK

Demand and hotel profitability grew steadily throughout 2011, and it is the general consensus among industry experts that modest gains will continue through year-end 2012 and into 2013. Unlike many hotel periods, the



industry is not overbuilt and has not suffered from lending largesse the way the housing market had. As employment levels continue improve, demand growth is forecast to increase with conditions in the industry forecast to stabilize in 2014. The result will be accelerating growth in ADRs as occupancy nears stabilization.

In 2013, STR forecasts that lodging supply will increase by 0.9 percent, which remains well below the long term average of 2.1 percent. As a result of this imbalance between demand and supply forecasts project an increase in occupancy levels to 62.1 percent. Strengthening demand and occupancies, along with low levels of new supply through year-end 2012, should permit hotels to reduce, and eventually eliminate, the substantial discounts implemented in response to the recession. Hotel operators are expected to increase room rates, with an average increase of 5.5 percent in ADRs forecast in 2013 (over 2012 forecast rates).

## CONCLUSION

Market conditions in the U.S. hotel market have steadily improved since the start of the Great Recession. Hotel operators are expected to increase room rates in 2013. Specifically in the convention and meetings industry, nationally, the meeting, trade show, consumer show and social markets are here to stay and will even become more important mediums of trade and information exchange in the future.

Madison has many demand niches and due to good urban planning is among the top communities of its size in terms of physical organization that recognizes good urban policies. Monona Terrace is attractive, albeit somewhat small. However, the size of Monona Terrace is fixed. The facility does not by itself address growth opportunities for more and larger events. Nor does the facility provide any defense against competition from the Dells, Milwaukee or suburban Milwaukee venues that compete with Madison and Monona Terrace.

Madison is limited in terms of number of events it can attract due to the size of Monona Terrace as well as the hotel supply near the Center. It is missing national and international events that are natural to the City because of the University and corporations located in Madison. Due to the educational aspect of events that would be attracted to Madison, more meeting and social spaces will be required to meet potential. The City's hotel strategy is essential to address these opportunities.

Given Madison's educational strengths as well as its compact Central Business District, the community is ripe to increase its market share if it can make investments to attract this additional demand to the city. Monona Terrace has more capacity, but it will increasingly struggle to get blocks of dates long enough for better quality events. Monona Terrace could accommodate 61 percent of the largest convention/ meeting/ exhibition events in the United States and 86 percent of international events based on the number of attendees (1,000 or fewer attendees). However, as this study will point out it is readily apparent that the fixed amount of meeting space at Monona Terrace and the lack of available hotel room nights limits Monona Terrace's ability to attract additional business to Madison or hold multiple larger events concurrently.

**SECTION V**

**REGIONAL & NATIONAL CONVENTION COMPARABLES**

## REGIONAL AND NATIONAL FACILITIES ANALYSIS

This section profiles regional and national facilities that either compete with Monona Terrace or share similar characteristics from a market standpoint. Developing the list of national comparable facilities was challenging for this project since the size of Monona Terrace is small in comparison with its size of community and an accurate competitive set of cities. As a way to overcome this challenge, we present a summary of regional facilities that compete for the same business, and also present national that range in size from small to mid-size markets so that a broader perspective can be provided about convention center performance and how Monona Terrace compares.

### REGIONAL ANALYSIS

The Greater Madison Convention and Visitors Bureau and Johnson Consulting have identified the following cities as the primary regional competitors to Monona Terrace:

- Chicago
- Columbus
- Des Moines
- Grand Rapids
- Indianapolis
- Kansas City
- Milwaukee
- Minneapolis/St. Paul
- Omaha
- St. Louis
- Wisconsin Dells

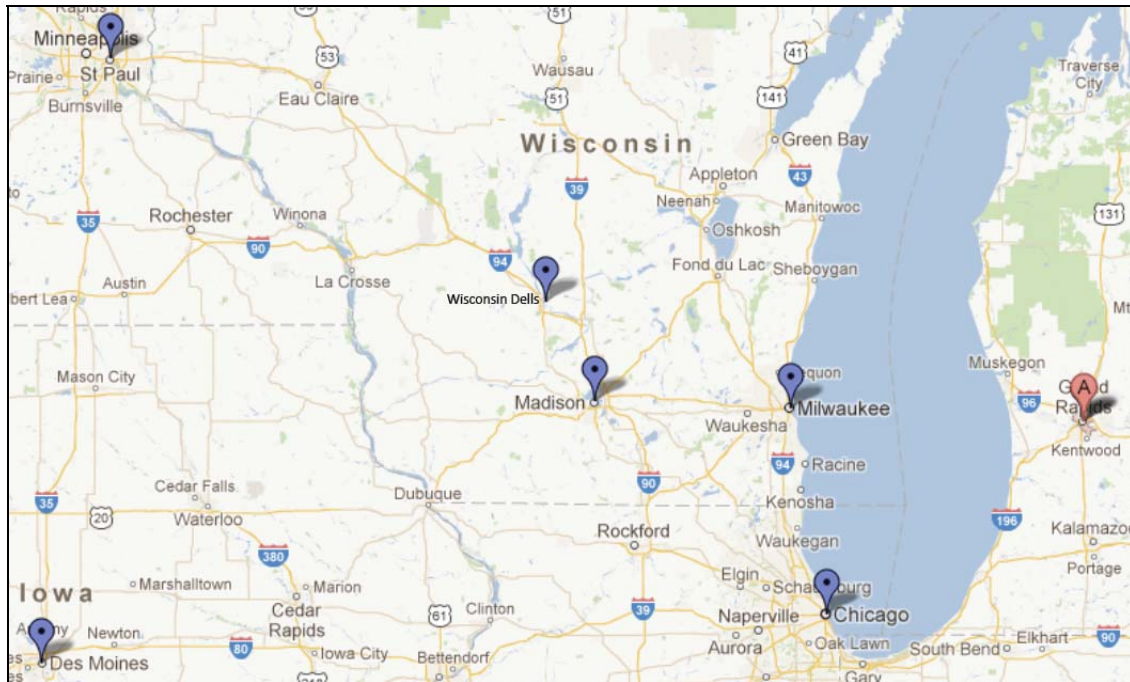
Of this group of regional facilities we have selected six destinations based on proximity to Madison, WI as presented in the table and map below.

**Table 5-1**

Key Characteristics of Regional Facilities								
Location	Madison, WI	Wisconsin Dells, WI	Milwaukee, WI	Chicago, IL**	St. Paul, MN	Des Moines, IA	Grand Rapids, MI	Average
Facility	Monona Terrace	Kalahari Resort	Frontier Airlines Center	Schaumburg	St. Paul River Centre	Iowa Events Center	DeVos Place	-
Distance From Madison (miles)	-	54	79	147	270	292	325	194.5
<b>Demographic Characteristics</b>								
Metropolitan Area Population (2011)	575,000	173,000*	1,560,000	9,506,000	3,317,500	581,500	776,108	2,719,351
Rank	6	7	3	1	2	5	4	-
Median Household Income (2011)	\$56,000	\$47,009*	\$52,075	\$59,321	\$62,630	\$55,283	\$48,964	\$55,712
Rank	3	7	5	2	1	4	6	-
<b>Hotel Supply Characteristics</b>								
# of rooms within 1 mile of Convention Center	1,035	756	2,862	474	1,377	1,694	1,411	1,373
Rank	5	6	1	7	4	2	3	-
<b>Exhibit Space (SM/ SF)</b>								
Exhibit Space	37,200	-	188,695	97,200	-	146,926	162,000	126,404
Ballroom	13,524	37,850	37,506	39,833	27,111	28,800	37,809	31,776
Meeting Room(s)	12,106	23,582	39,640	8,152	18,684	30,825	32,163	23,593
<b>Total Function Space (SF)</b>	<b>62,830</b>	<b>61,432</b>	<b>265,841</b>	<b>145,185</b>	<b>45,795</b>	<b>206,551</b>	<b>231,972</b>	<b>145,658</b>
Rank	5	6	1	4	7	3	2	-

\*Includes the Counties of Columbia, Sauk, Adams, Juneau  
 \*\*Schaumburg Profiled. Chicago also has McCormick Place, Donald E. Stevenson, and hotels with significant meeting space  
 Source: Relevant Facilities/CVB, Demographics Now, Johnson Consulting

Figure 5-1

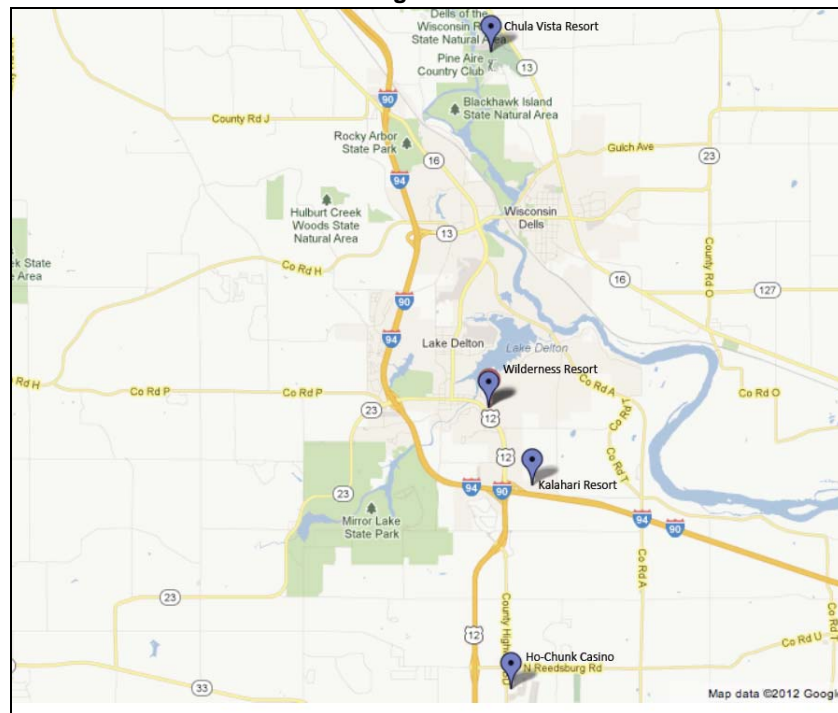


Of these competitive destinations, Madison ranks 6<sup>th</sup> for population, 3<sup>rd</sup> in terms of median house hold income, 5<sup>th</sup> in number of hotel rooms within 1 mile and total size of convention facility. It appears that Monona Terrace is undersized in terms of metropolitan area population and as a result has to compete against much larger facilities in similar sized destinations. The two destinations with the most similar population, Des Moines and Grand Rapids, have total convention facilities that exceed 200,000 net square feet of function space and 1,694 and 1,411 hotel rooms, respectively, within one mile of the convention center. The following subsections will provide an overview of each of the destinations and describe how they function as a convention destination.

## WISCONSIN DELLS

Located approximately 54 miles from Madison, the Wisconsin Dells (Dells) is nationally recognized as a top family vacation destination. Over the past 15 years there has been a transformation in the waterpark industry with the linkage of waterpark facilities, hotels, and convention space. In the Dells this has resulted in the development of four primary resort and convention properties that include the Chula Vista Resort, the Kalahari Water Park Resort and Convention Center, The Ho-Chunk Casino Hotel and Convention Center, and Wilderness Territory. Each of these facilities was identified as the facilities that could host an event with 500 or more people. The resorts act independent of each other and operate under an Opryland model where once you arrive at the resort one is there for the majority of time. The map below shows the four primary convention resorts in relation to each other.

Figure 5-2



**CHULA VISTA RESORT:** The Chula Vista Resort has 620 sleeping units and its two largest functions spaces are the conference center with 11,544 square feet of space and the Riverview Ballroom at 11,300 square feet. There are additional smaller ballrooms and meeting rooms that total an additional 18,000 square feet and in total the resort offers 40,933 square feet of net usable function space. The resort has added a 90,000 square foot air dome to host larger events and sports competitions.

**THE WILDERNESS RESORT:** The Wilderness Resort has 1,180 sleeping units and a total of 30,160 square feet of function space with the two largest spaces being the Sandstone room at 14,823 square feet and the Wilderness room with 8,812 square feet of space. The remainder of function space is comprised of breakout rooms.

**KALAHARI RESORT:** This property has 756 sleeping units and the primary function space is comprised of the North and South Atrium Ballrooms, 17,200 square feet and 20,560 square feet respectively. These are two separate rooms but are directly across a hall from each other and when used together they provide 650 square feet of more meeting space than the Monona Terrace exhibit hall. In addition to the two ballrooms, there are four boardrooms and an additional 15 meeting/breakout rooms. This project is rated as being most competitive with Madison and Monona Terrace.

**HO-CHUNK CASINO:** This casino resort has 292 rooms and two ballrooms, an upper ballroom consisting of 14,293 square feet and a lower ballroom consisting of 14,299 square feet. There are 5 additional meeting rooms that total 3,401 square feet.

**MADISON/WISCONSIN DELLS DYNAMICS:** The Wisconsin Dells is a family vacation destination first. Meeting demand is a way to fill facilities on the off-season. The resorts compete on price and an ability to host events under one roof. The Wisconsin Dells are able to capitalize on a number of factors that allows some events to choose The Dells over Madison. These variables include the ability to beat the average daily rate performance of the hotels that serve Monona Terrace, three of the resorts profiled offer larger room block potential at a single property, and the uniqueness of being able to combine a work conference with a family vacation, which is of interest to some meeting planners. The other variable that impacts destination selection is the size of facilities offered between the two destinations. The Kalahari Resort offers two adjacent ballrooms that are the same size as the Monona Terrace exhibit hall and this does not differentiate Madison enough in some instances. Finally, facility rental costs at the Dells properties can be reduced or provided at no cost to secure booked hotel room nights because hotel room revenue is captured by the hotel itself. Madison offers a higher quality downtown business environment that is challenging for The Dells to compete with, but when the factors above are presented to a cost conscious meeting planner, the Dells could have a price advantage to secure the business. This is especially true if shuttle bussing is required in Madison.

## MILWAUKEE

Milwaukee is 79 miles from Madison and is the largest city in Wisconsin with a metropolitan statistical area population of greater than 1.6 million people. Milwaukee offers a historic downtown environment located around the Milwaukee River and is served by a mid-sized international airport, a significant number of high quality hotel rooms within walking distance to the Frontier Airlines Center and vibrant brewing and nightlife scene.

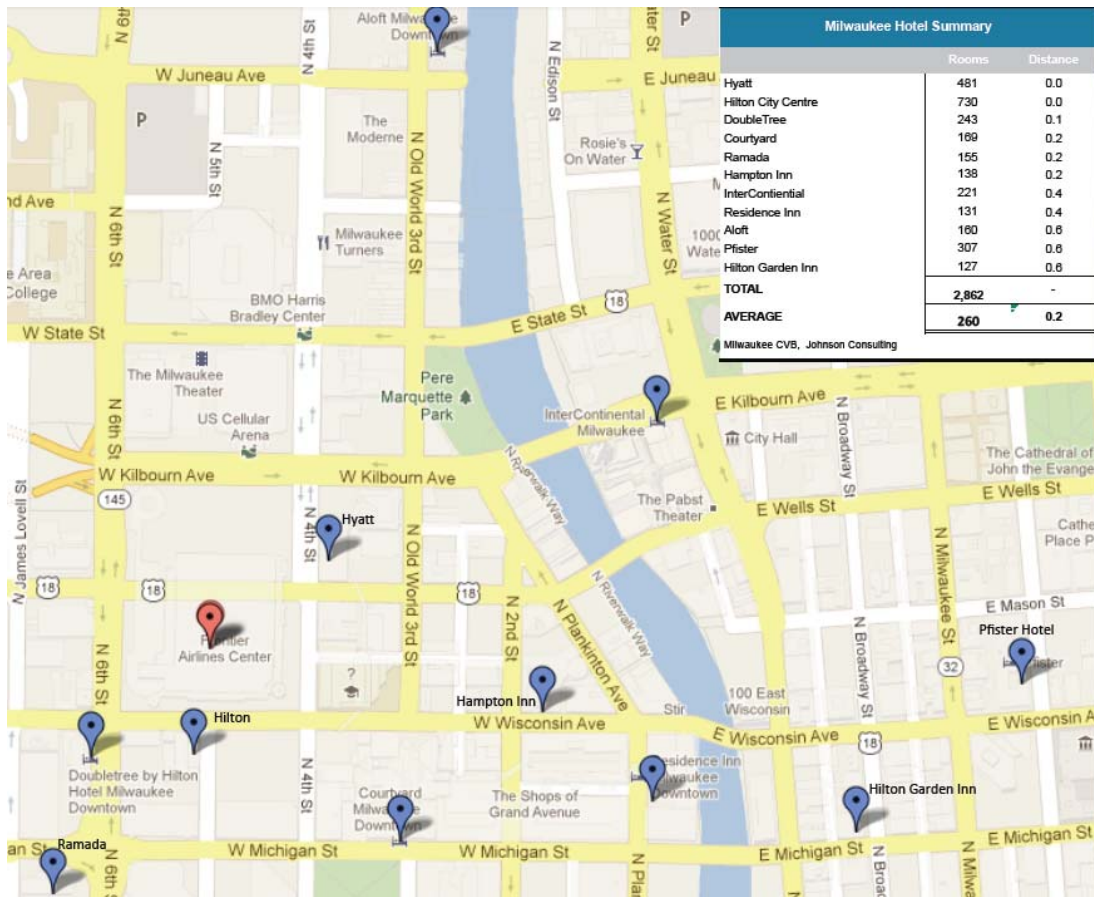
**FRONTIER AIRLINES CENTER:** This facility was modernized and re-opened in 1998 and offers a total of 265,000 square feet of meeting space that is comprised of 188,700 square feet of exhibit hall space, a 37,500 square foot ballroom and 39,600 square feet of meeting space. In 2003, the former Milwaukee Auditorium located across the street from the Frontier Airlines Center was converted into a theater that provides between 2,500 and 4,000 seats and was renovated at a cost of \$40 million.

**MILWAUKEE HOTEL SUPPLY:** There are 11 hotels within .6 of a mile of the Frontier Airlines Center with a total room supply of 2,862 rooms with the average property having 260 rooms and being .2 miles from the convention center. The Hyatt and Hilton City Centre are connected to the Frontier Airlines Center via sky bridge with the Hyatt having 481 rooms and the Hilton having 730 rooms. The Hyatt has total meeting space of 20,000 square feet with the largest meeting space being 9,900 square feet. This is less than 50 square feet per room. The Hilton has a total of 33,000 square feet of meeting space with its largest space being 6,845 square feet. This too is a comparatively low ratio of meeting space per room. The next three largest hotel



properties include the historic Pfister Hotel with 307 rooms and .6 miles from the convention center, the Doubletree with 243 rooms and .1 miles from the center and the InterContinental with 221 rooms and .4 miles from the center. The map on the following page provides a map of these hotels and other smaller hotels that support events at the Frontier Airlines Center.

Figure 5-3



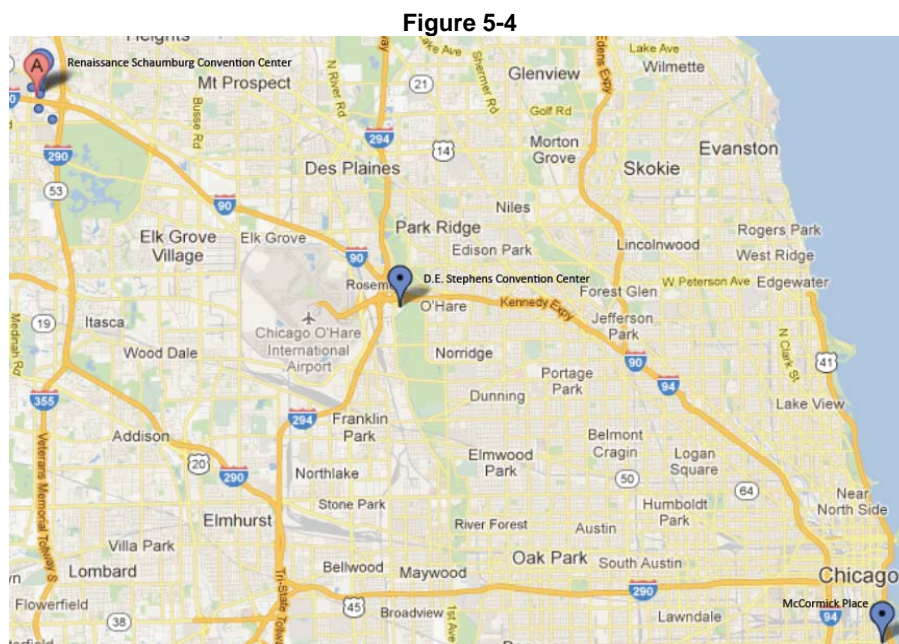
Assuming that the above hotels are able to commit a hotel room block of 60 to 70 percent, this equates to between 2,000 and 2,290 hotel rooms. In addition to the hotels listed above, the City has over 10,000 hotel rooms and the Milwaukee statistical area has over 14,000.

**Madison/Milwaukee Dynamics:** Madison competes with larger hotels in Milwaukee and the ballroom space at the Frontier Airlines Center rather than with the entire Frontier Airlines Center directly. The two hotel properties can discount meeting space rates if enough hotel room nights are generated by an event and the usage of the ballroom space at the Frontier Center is usually consumed by larger events that use the exhibit hall. Additionally, for event attendees that have to fly to an event, the Mitchell Airport provides greater air access and lower fares. Being a larger city, Milwaukee offers some additional cultural and entertainment

offerings that are currently underdeveloped in Madison. Of critical note, HVS just completed a study for a new convention/conference center in Brookfield, a suburb of Milwaukee. This proposed hotel and conference center is sized almost identical to the Hilton/Monona Terrace complex and will be a competitive threat if built.

## CHICAGO

Chicago is one of the top convention destinations in the world and home of the largest convention center in North America, McCormick Place, and one of the world's largest and busiest international airports, O'Hare. Chicago evolved as a natural meeting destination due to the concentration of commerce and trading activities, its role as a major crossroads of water, rail, air and interstate travel, association headquarters, and the cultural and entertainment offerings of the downtown area. Located 147 miles from Madison, Chicago has a number of convention facilities and large hotels that compete with Madison for events. The primary convention facilities in Chicago include McCormick Place, the Donald E. Stephens Convention Center and the Renaissance Schaumburg Convention Hotel and are displayed in the map below.



**MCCORMICK PLACE:** McCormick Place Convention Center (MPCC), originally built in 1960 and expanded over the years, is the largest convention center under one roof in North America. Located along the shore of Lake Michigan, McCormick Place features four distinct buildings: McCormick Place North, McCormick Place South, McCormick Place West, and the Lakeside Building. The four buildings support a variety of configurations for small corporate meetings, mid-sized conventions and mega tradeshows. The MPCC offers meeting planners and attendees 2.6 million square feet of exhibit halls, of which offers 1.2 million square feet of contiguous exhibit space, 173 meeting rooms in over 600,000 square feet of meeting space, 4 ballrooms, 2



of which are the largest in the city, offering more than 204,000 square feet of space, assembly seating for 18,000 people, the 4,249 seat Arie Crown Theatre, 3 additional theaters seating 300 each, and parking for 5,000 vehicles. McCormick Place is inhibited by a lack of hotel rooms in direct proximity to the convention center and is solely served by the 800-room Hyatt (being expanded to 1,200 rooms) that is directly connected to the facility. The majority of the 33,000 downtown Chicago hotels are located 3 miles from McCormick Place, requiring the use of busses and shuttle services that are costly for show organizers and inconvenient for show attendees. There is also no direct public transportation linking McCormick Place to either O'Hare or Midway Airports, as is the case in some other large convention destinations.

**DONALD E. STEVENS CONVENTION CENTER:** Located in Rosemont, IL and close to Chicago's O'Hare airport, the convention center has 787,000 square feet of interconnected exhibit hall space, three ballrooms with 30,000, 22,000 and 17,300 square feet respectively a 7 meeting rooms with an additional 3,500 square feet of meeting space. In Rosemont, there are a number of hotels that are in close proximity to the convention center and include:

- Holiday Inn & Suites
- Holiday Inn Express
- The Westin
- Hilton
- Embassy Suites
- Sheraton
- Double Tree
- Residence inn
- Crowne Plaza
- InterContinental
- Marriott
- Hyatt
- Hyatt Regency
- Best Western
- Aloft

These 15 properties offer a total of 6,000 rooms, most of which are in walking distance to the convention center. The convention center and Rosemont primarily rely on the proximity to O'Hare and the hotel package and entertainment offerings to attract events to the convention center.

**RENAISSANCE SCHAUMBURG CONVENTION HOTEL:** In Chicago's Western suburbs, The Schaumburg Convention Center (SCC) is located adjacent to Interstate 90 in the heart of the Woodfield regional center, and is within a 20-minute drive from Chicago's O'Hare International Airport, and 45 minutes from downtown Chicago. The 45-acre site was purchased in 2000 for \$13 million. The facility is owned by the City of Schaumburg, operated by Marriott HOST management and is connected to a 474-room Renaissance hotel. The SCC has a total of 97,200 square feet of exhibit space with a capacity ranging from 1,600 to 6,300. The main exhibit hall has three main sections, Adventure hall has 32,670 square feet of space, Discovery hall has 32,400 square feet of space, and Exploration hall has 32,130 square feet of function space. There are three ballrooms at the SCC, the largest being the Schaumburg Ballroom, which has a total of 27,502 square feet and can be broken into ten individual rooms. The other two ballrooms, the Utopia and Nirvana Ballrooms, have 7,021 square feet and 5,310 square feet respectively. The Utopia Ballroom can be divided into four spaces, all with 1,770 square feet. The Nirvana Ballroom can be separated into three spaces, all with 1,770 square feet of meeting space. There are 12 meeting rooms. The smallest meeting room is 252 square feet, while the largest meeting room is 1,770 square feet and has a capacity ranging from 100 to 190. The space ratio analysis comparing SCC function space with the 474 rooms at the adjacent Renaissance hotel reveals that for each

hotel room there is 205 square feet of exhibit space, 84 square feet of ballroom space, 17 square feet of meeting space, and 102 square feet of combined ballroom and meeting space.

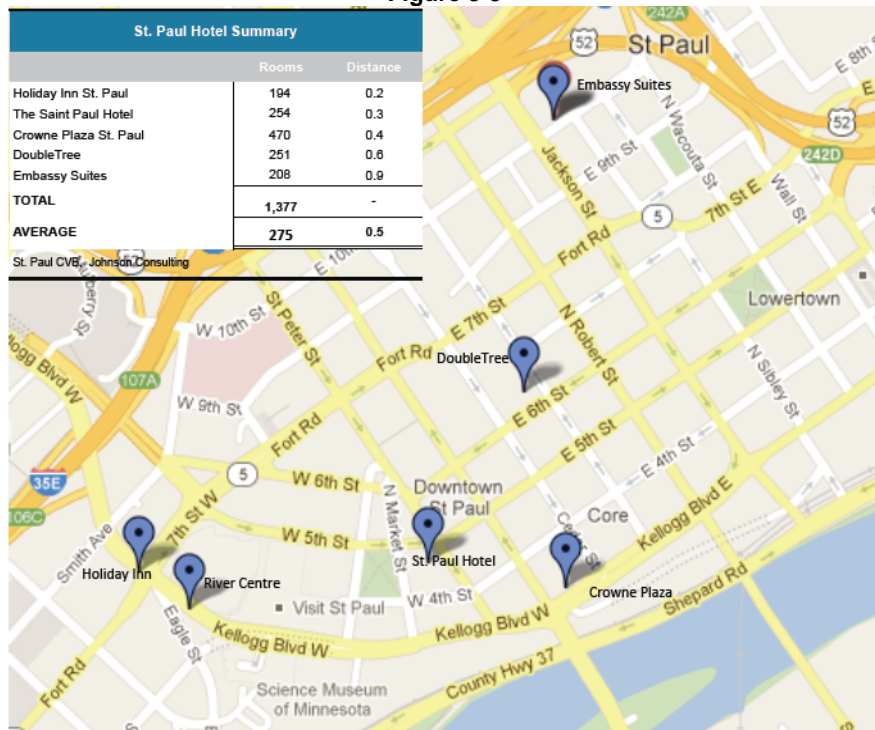
**MADISON/CHICAGO DYNAMICS:** There is great demand on the part of meeting planners to host events in the Chicago region given the economic base, number of activities to do, hotel supply, ease of access, and large supply of meeting space. Madison is most likely to compete with the Schaumburg facility and Chicago hotels that have more than 20,000 square feet of contiguous ballroom space. Again both the Schaumburg facility and Chicago hotels that meet the above criteria have the competitive advantages of being able to provide a room block for larger events and are able to discount function space if room night generation is great enough.

### MINNEAPOLIS/ST. PAUL, MN

The Minneapolis/St. Paul regional area has a population of 3,320,000 and is located 270 miles to the northwest of Madison and has a similar season cycle. There are two facilities in Minneapolis, the St. Paul River Centre and the Minneapolis Convention Center. Monona Terrace most directly competes with the River Center given its similar size. The size of the Minneapolis Convention Center with more than 375,000 square feet of exhibit space and 27,500 square feet of ballroom space and its supply of 5,000 hotel rooms connected via skyway attracts a different scale of events than what would be attracted to the River Center or Monona Terrace.

**RIVER CENTRE:** The St. Paul River Centre has a ballroom of 27,111 square feet, 16 meeting rooms with an additional 18,684 square feet of space and 43,000 square feet of lobby space that is used extensively as show space for events. The River Centre is adjoined to the Xcel Energy Center, which has a 17,000 square foot arena floor and a seating capacity of 18,000, and the Roy Wilkins Auditorium that has a 25,000 square foot floor and a permanent balcony with fixed seats for 3,650. There are 1,377 hotel rooms within 1 mile of the River Center as shown in the following map.

Figure 5-5



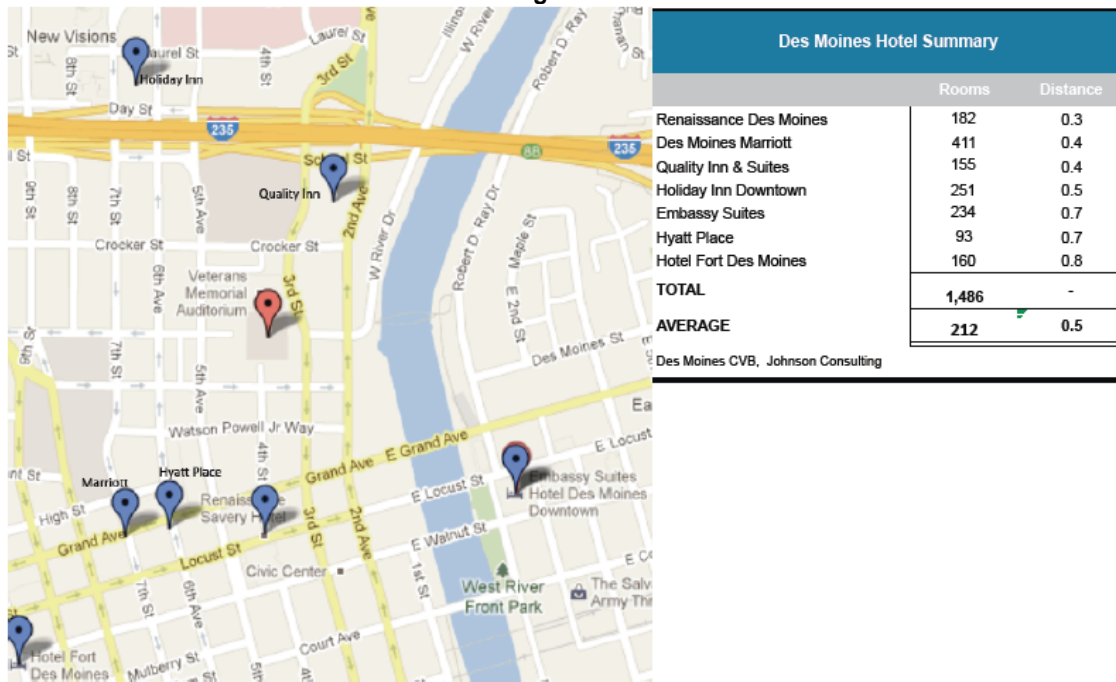
Of this hotel set, the average hotel is 275 rooms and .5 miles from the River Centre. The largest 3 hotels are the 470-room Crowne Plaza, the 254-room St. Paul hotel and the 251-room Doubletree. Assuming a 70 to 80 percent commitment from these properties for larger events would mean a total room block of 964 to 1102 hotel rooms.

**MADISON/ST. PAUL DYNAMICS:** St. Paul has a number of similarities to Madison ranging from facility size, weather, being a state capital, nearby arenas and proximity to a larger metro area. In our judgement, Madison offers a far more pleasant and competitive product and Monona Terrace is superior in terms of aesthetics and quality.

### DES MOINES, IA

Des Moines Iowa is approximately 292 miles from Madison, has a population of 581,500 and is home to the Iowa Events Center. The Iowa Events Center is comprised of the Wells Fargo Arena, Hy-Vee Hall and Community Choice Credit Union Convention Center (Convention Center) all of which are connected by sky bridge. Hy-Vee Hall contains 3 exhibit halls that total 150,000 square feet of exhibit space and 8 meeting rooms at 1,800 square feet each. The attached Convention Center has 27 meeting and boardrooms and a ballroom with 28,800 square feet. The hotel supply within 1-mile of the Iowa Events Center is displayed in the figure below.

Figure 5-6



There are 1,486 total rooms within .8 miles of the Iowa Events Center with the average hotel size equating to 212 rooms and being .5 miles from the center. The largest property is the 411-room Marriott, followed by the 251-room Holiday Inn and the 234-room Embassy Suites. With a 70 to 80 percent room block commitment from the above hotels, events at the Iowa Events Center would be able to have a room block ranging from 1,040 rooms to 1,189 rooms.

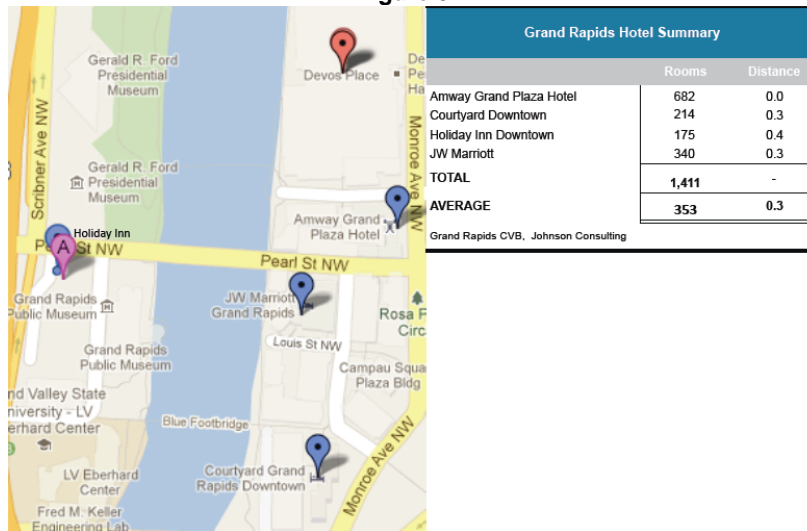
**MADISON/DES MOINES DYNAMICS:** Given the similarities in population, capital city status and corporate presence between Madison and Des Moines, the size of convention facilities in Des Moines is significantly larger than that of Monona Terrace. Similar to Madison, and given the size of the Iowa Events Center, the City has been trying to attract a headquarters hotel to Des Moines for a number of years. We rate Madison as being more attractive than Des Moines in many ways. Madison’s convention facility is substantially smaller however.

### GRAND RAPIDS, MI

Grand Rapids, the second largest city in Michigan, has a population of 775,000 people and is located 325 miles from Madison. The primary convention facility in Grand Rapids is DeVos Place and is located on the banks of the Grand River. DeVos Place underwent a \$219 million dollar expansion and upgrade in 2003 to maintain and grow its place as one of the leading convention facilities in Michigan and the region. DeVos Place has a main exhibit hall, which can be broken into three smaller sections, with a total combined area of 162,000 square feet. The exhibit hall has a capacity ranging from 10,730 people, in a banquet configuration, to 14,950 people in theater configuration. DeVos Place also has a large ballroom, 40,000 square feet, which can

be divided into four sections, ranging in square footage from 6,106 square feet to 12,870 square feet. The full ballroom has a capacity ranging from 2,560 people to 4,312 people. When meeting rooms are inventoried on an individual basis, there are 25 rooms. The smallest meeting room has 884 square feet and has a capacity ranging from 60 to 100 people. The largest meeting room has 8,544 square feet and has a capacity ranging from 600 to 900 people. When a space ratio analysis is performed on the interconnected 682 room Amway grand Plaza Hotel there is 238 square feet of exhibit space per guest room, 59 square feet of ballroom space per guest room, 47 square feet of meeting space per guest room, and 106 square feet of combined ballroom and meeting space. In addition to the Amway Grand there are a number of other hotels in close proximity to DeVos Place.

Figure 5-7



After the Amway Grand, the JW Marriott is the largest hotel with 340 rooms, followed by the Courtyard, both of which are .3 miles from DeVos Place. A 70 to 80 percent room block from the four properties would equal 988 rooms and 1,129 rooms respectively.

**MADISON/GRAND RAPIDS DYNAMICS:** Grand Rapids is fairly new on the scene and became so with the renovation of the convention center and development of its hotel package. The hotels were sponsored by the Amway owners, but have driven demand to this community.. Grand Rapids benefited greatly from private contributions to support the development of public facilities. Additionally a city patron invested significantly in the Amway Grand hotel that has allowed DeVos place to operate with a serious headquarters hotel. While Monona Terrace is small when compared to the convention facility in Grand Rapids, the market is very similar, and judged to be more attractive in many regards.

## MID-MARKET, LOWER TIER CONVENTION DESTINATIONS

To benchmark the performance of Monona Terrace a range of facility types need to be looked at. Key points in selecting the convention centers in this report reflect factors such as population, hotel supply, capital city

and convention center performance. This analysis is intended to identify certain characteristics of the selected facility that are similar to either Madison or Monona Terrace and not to identify facilities and markets that are exactly the same because there are no destinations that offer the same unique attributes as Madison. Finally, there are two categories of comparable analysis contained in this report. The first is classified as lower tier, mid-market convention destinations, while the second category consists of upper tier mid-market convention destinations. The lower tier destinations include:

- Columbia, SC
- Boise, ID
- Tacoma, WA
- Jackson, MS

**Table 5-2**

Key Characteristics of Lower Tier Mid-Size Markets						
Location	Madison, WI	Columbia, SC	Boise, ID	Tacoma, WA	Jackson, MS	Average
Facility	Monona Terrace	Columbia Metropolitan Convention Center	Boise Centre	Tacoma Convention & Trade Center	Capital City Convention Center	-
<b>Demographic Characteristics</b>						
Metropolitan Area Population (2011)	575,000	796,438	633,388	3,500,000	542,932	1,209,552
Rank	4	2	3	1	5	-
Median Household Income (2011)	\$56,000	\$47,399	\$49,768	\$61,639	\$42,978	\$51,557
Rank	2	4	3	1	5	-
<b>Hotel Supply Characteristics</b>						
# of rooms within 1 mile of Convention Center	1,035	1,080	1,320	481	489	881
Rank	3	2	1	5	4	-
Potential Room Block @ 40% Participation	414	432	528	192	196	352
Rank	3	2	1	5	4	-
Potential Room Block @ 70% Participation	725	756	924	337	342	617
Rank	3	2	1	5	4	-
Potential Room Block @ 80% Participation	828	864	1,056	385	391	705
Rank	3	2	1	5	4	-
Average Distance from CC	0.4	0.6	0.5	0.1	0.2	0.4
Rank	3	5	4	1	2	-
<b>Exhibit Space (SM/ SF)</b>						
Exhibit Space	37,200	24,700	-	50,000	60,000	42,975
Ballroom	13,524	17,135	24,426	13,376	25,000	18,692
Meeting Room(s)	12,106	15,190	7,914	14,255	28,001	15,493
<b>Total Function Space (SF)</b>	<b>62,830</b>	<b>57,025</b>	<b>32,340</b>	<b>77,631</b>	<b>113,001</b>	<b>68,565</b>
Rank	3	4	5	2	1	-

Source: Relevant Facilities/CVB, Demographics Now, Johnson Consulting

As the above table indicates, Madison ranks fourth in metropolitan area population and second in median household income. Regarding hotel supply characteristics, Madison ranks third in number of hotel rooms within 1 mile of the convention center, out ranked by Columbia and Boise. When looking at potential room block available on a straight percentage basis from the hotel rooms within 1-mile, and not factoring in any



other considerations, like rate or willingness to participate, Madison also ranks third in potential room block size with 414 potential rooms available at 40 percent, 725 potential rooms at 70 percent participation, and 828 potential rooms at 80 percent participation. It is believed that on average most markets are able to commit a room block in the range of 40 to 70 percent, with dedicated headquarters hotels able to commit up to 80 percent of total room supply. Madison ranks third in terms of proximity of hotel rooms to Monona Terrace at .4 miles. More detailed facility and operating information for the lower tier facilities is provided in the following pages.

### **COLUMBIA METROPOLITAN CONVENTION CENTER COLUMBIA, SOUTH CAROLINA**

Since opening in 2004, the Columbia Metropolitan Convention Center (CMCC) has attempted to maintain event and attendance demand through a difficult economic time. The facility has been hindered by an undersized exhibit hall, which has caused the CMCC to attract a greater ratio of non-exhibit hall oriented events, and a hotel supply that is largely consumed by other demand segments. Non-exhibit hall events typically have a greater ratio of local attendees compared to exhibit hall events, which have a significantly higher proportion of out-of-town/overnight visitors. The Columbia Metropolitan Convention Center is supported jointly by the City of Columbia, Lexington County, and Richland County and is operated by the Midlands Authority for Conventions, Sports, and Tourism (MACST). The MACST has a mission that includes managing the Columbia Metropolitan Convention and Visitors Bureau, managing the Columbia Regional Sports Council, and operating the Columbia Regional Visitors Center. MACST is responsible for employing staff, marketing, daily operations, routine maintenance and repair at the CMCC facility.

The construction of the 142,500 gross square foot facility was completed in 2004, with a construction cost of \$38 million that is funded by a tourism development fee on area hotel rooms. The facility is located in downtown Columbia, on a site fronting Lincoln Street between Senate Street and Pendleton Street. The CMCC is separated from the University of South Carolina Colonial Life Arena by a 300-car parking lot.

The facility offers a total of 24,700 square feet of exhibit hall space, a 17,135 square foot ballroom, and 15,190 square feet of meeting space. The following table summarizes the size and capacity of the exhibit and meeting space at the CMCC.



**Table 5-3**

Columbia Metropolitan Convention Center					
Summary of Exhibit and Meeting Space					
	Size (SF)		Capacity (# of Persons)		
	Individual (Smallest)	Combined (Largest)	Theater	Classroom	Banquet
<b>Exhibit Halls</b>					
Exhibit Hall	-	24,700	2,000	1,200	1,300
Subtotal Exhibit Hall SF		24,700			
<b>Ballrooms</b>					
Ballroom	-	17,135	1,200	850	1,000
Ballroom A	6,290	-	400	340	328
Ballroom B	5,470	-	350	280	304
Ballroom C	5,375	-	350	280	304
Subtotal Ballroom SF		17,135			
<b>Meeting Rooms</b>					
Number of Rooms	11	6			
Smallest Room	950	-	60	40	32
Largest Room	-	5,540	500	300	304
Subtotal Meeting Room SF		15,190			
<b>Total</b>		<b>57,025</b>			

Source: Columbia Metropolitan Convention Center, Johnson Consulting

The exhibit hall and four of the six meeting rooms are located on the lower floor (Exhibit Level) of the two-story facility, while the ballroom and two other meeting rooms are located on the upper floor with the ballroom being divisible into three sections of similar size. CMCC plays a vital role in encouraging the growth of tourism locally by having generated a total economic impact in excess of \$150 million. The following table summarizes historical event demand at the CMCC from 2006 through 2011.

**Table 5-4**

Columbia Metropolitan Convention Center												
Demand Schedule 2008 - 2011												
	2006		2007		2008		2009		2010		2011	
	# Events	Attendance	# Events	Attendance	# Events	Attendance	# Events	Attendance	# Events	Attendance	# Events	Attendance
Conventions/Conferences	23	10,448	45	25,483	52	26,510	45	34,935	40	20,500	36	18,270
Trade Shows	7	4,050	9	4,950	7	4,630	6	4,480	8	4,230	10	7,850
Concerts/Performances	0	0	0	0	0	0	0	0	0	0	2	1,400
Consumer Shows	6	14,230	10	12,800	6	13,000	11	18,850	13	14,200	14	25,900
Banquets	104	31,881	110	42,340	128	38,705	100	41,464	74	38,939	66	28,663
Meetings	185	19,615	207	24,607	188	35,008	159	31,014	189	30,497	190	41,732
Other	17	11,485	5	9,670	3	7,700	6	11,300	49	15,043	54	23,292
<b>TOTAL</b>	<b>342</b>	<b>91,709</b>	<b>386</b>	<b>119,850</b>	<b>384</b>	<b>125,553</b>	<b>327</b>	<b>142,043</b>	<b>373</b>	<b>123,409</b>	<b>372</b>	<b>147,107</b>

Source: Columbia Metropolitan Convention Center, Johnson Consulting

Since opening in 2004, there has been a significant ramp up in both exhibit hall and non-exhibit hall events. In 2006 there were a total of 342 events and attendance of 91,710. Both event demand and attendance increased significantly in 2007 and 2008 as the CMCC had exited its ramp up period after opening. In 2009, the total number of events was down but overall attendance was up and in 2010 the CMCC saw an inverse phenomenon due to a significant decline in convention attendees. 2011 was the best year of attendance generation for the CMCC since opening, while the total number of events remained flat from the prior year.



It is important to note that a significant number of the banquet events utilize the exhibit hall for larger events. This has negative implications for the following reasons:

- Banquet and meeting events are primarily local in attendee origin and do not have as significant of an economic and fiscal impact profile when compared to conventions and tradeshow,
- These events consume local demand that has traditionally occurred in local hotels or banquet halls, thereby cannibalizing rather than growing the overall market.

However, as Columbia seeks to remedy its situation and is able to attract more and better events, the banquet demand is anticipated to compress back out into area hotels and banquet facilities.

Table 5-5 provides a summary of historical revenue and expenses from 2006 to 2011.

**Table 5-5**  
**Columbia Metropolitan Convention Center**  
**Revenue & Expense Profile**

	2006	2007	2008	2009	2010	2011
<b>Revenues</b>						
Misc Revenue	\$4,086	\$2,606	\$13,813	\$11,611	\$27,440	\$20,930
Grand Opening/Event Sponsorship	0	0	187	0	0	0
Rental Revenues	320,706	516,342	566,290	446,218	531,733	554,896
Food Service Revenues	582,886	935,952	652,740	465,194	582,743	811,950
Equipment Rental	130,646	158,239	139,140	126,027	156,594	191,047
Parking Revenues	1,550	2,700	1,114	861	1,166	1,821
Office Space Rental	26,000	0	0	0	0	0
Utilities	67,551	83,581	120,337	95,909	121,024	192,662
Labor Revenues	36,831	31,809	28,643	19,163	24,515	29,227
Co Promotion Revenues	0	0	0	0	0	0
Audio Visual Revenue	38,361	62,107	66,346	48,260	63,624	76,028
Reserve Fund Ovations	0	0	79,681	74,570	75,283	94,242
Non-Budgeted Revenues	118,481	78,554	153,695	109,529	322,020	423,613
<b>Total</b>	<b>\$1,327,098</b>	<b>\$1,871,890</b>	<b>\$1,821,985</b>	<b>\$1,397,343</b>	<b>\$1,906,142</b>	<b>\$2,396,416</b>
<b>Expenses</b>						
Salaries - Admin	\$267,207	\$368,036	\$303,766	\$396,239	\$407,059	\$484,557
Salaries - Sales & Marketing	169,455	146,760	249,866	301,117	290,700	289,967
Salaries - Operations	318,580	351,867	396,240	399,357	410,458	496,083
Salaries - Engineering	88,013	82,769	106,626	110,026	113,888	124,888
Contract Labor - Security & Main	267,825	313,572	320,396	339,386	369,458	332,645
Tax Liabilities	69,039	78,222	85,836	91,788	99,624	105,232
Benefits	35,882	43,305	47,581	49,402	54,239	57,639
Medical Insurance	70,124	87,434	96,334	113,748	132,319	145,573
Unemployment Insurance	5,918	5,189	4,894	4,421	4,830	3,672
Incentives/Commissions	45,583	80,502	97,736	98,950	132,999	160,185
Travel & Entertainment	23,898	22,759	17,579	8,268	17,280	17,607
Telephone	24,805	24,581	26,625	26,659	28,892	22,794
Marketing & Advertising	119,195	149,778	56,130	28,907	35,007	114,976
General Insurance	119,811	90,491	95,710	108,732	100,830	99,544
Professional Fees	51,930	15,385	15,716	39,763	36,694	36,813
Office Supplies	14,088	11,487	11,320	17,404	17,224	16,663
Event Expenses	22,797	6,272	9,980	9,396	19,321	23,976
Utilities	296,113	349,601	398,028	367,495	424,881	434,320
Maintenance Supplies	47,683	87,078	89,870	91,668	57,051	75,017
Contract Building Services	127,781	138,999	154,986	127,762	136,378	155,300
Warehouse Rental	37,058	35,707	38,530	33,819	36,276	34,230
Misc Expenses	123,517	141,275	164,184	187,558	140,687	151,573
Non-Budgeted Expenses	130,531	86,176	159,580	134,304	111,685	77,402
<b>Total</b>	<b>\$2,476,834</b>	<b>\$2,717,244</b>	<b>\$2,947,513</b>	<b>\$3,086,171</b>	<b>\$3,177,780</b>	<b>3,460,656</b>
<b>Net Operating Income</b>	<b>(\$1,149,736)</b>	<b>(\$845,354)</b>	<b>(\$1,125,529)</b>	<b>(\$1,688,827)</b>	<b>(\$1,271,638)</b>	<b>(\$1,064,240)</b>

Source: Columbia Metropolitan Convention Center, Johnson Consulting

From 2006 to 2011, CMCC revenues have increased by \$1.07 million from \$1.33 million in 2006 to \$2.40 million in 2011. The top revenue categories are food service revenues, space rental revenues, and equipment rental. During this same period, expenses have also increased by \$983,800 from \$2.48 million in 2006 to \$3.46 million in 2011. Net operating income has improved by \$85,500 from 2006 to 2011 and by \$625,000 from a peak operating deficit in 2009 of \$1.69 million.

The broader Columbia region has over 12,000 hotel rooms, of which only 1,080 rooms are within 1 mile of the CMCC as shown in the following table and map.

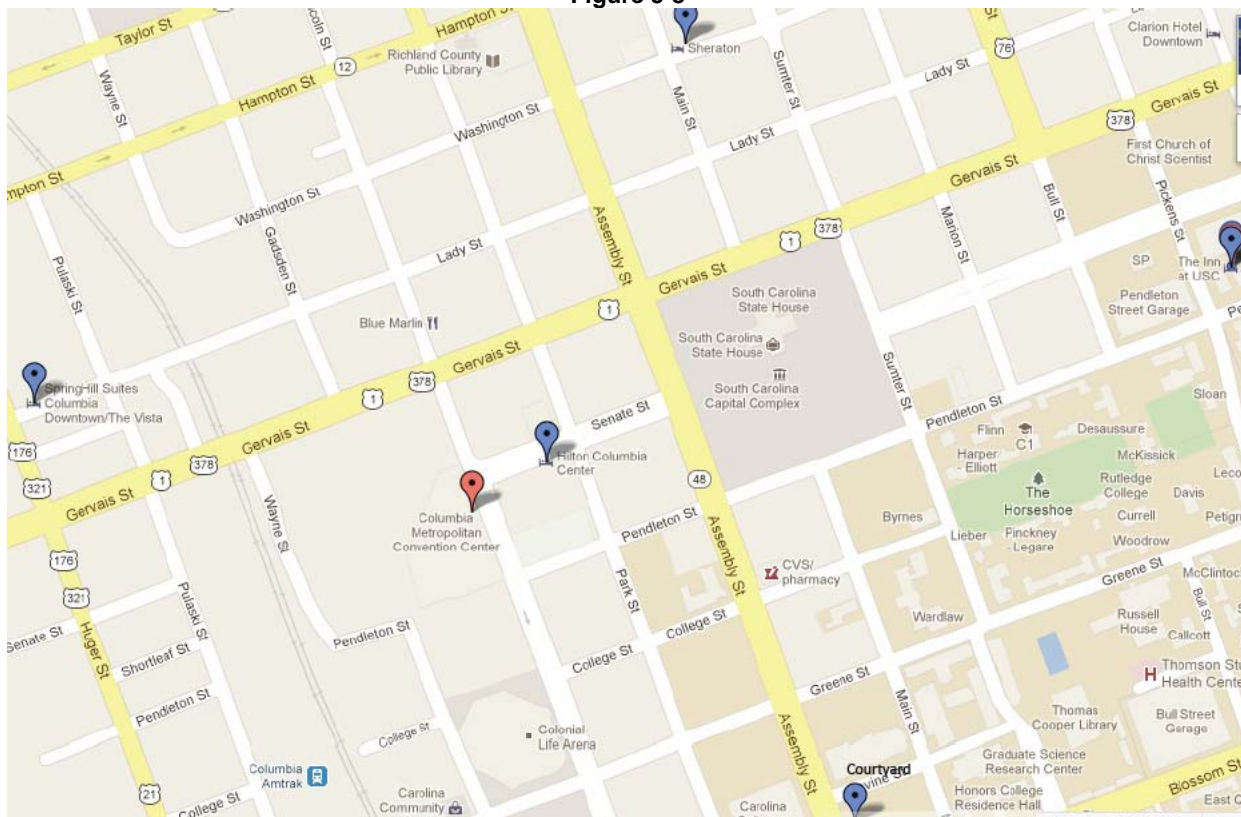
**Table 5-6**

<b>Columbia, SC Hotel Summary</b>		
	<b>Rooms</b>	<b>Distance</b>
<b>Hilton Columbia Center</b>	<b>222</b>	<b>0.1</b>
<b>SpringHill Suites Downtown</b>	<b>132</b>	<b>0.4</b>
<b>Courtyard at USC</b>	<b>189</b>	<b>0.7</b>
<b>Columbia Marriott</b>	<b>285</b>	<b>0.8</b>
<b>Sheraton Downtown</b>	<b>135</b>	<b>0.8</b>
<b>Inn at USC</b>	<b>117</b>	<b>0.8</b>
Clarion Hotel Downtown	161	1.1
Embassy Suites - Greystone	260	3.2
Holiday Inn & Suites - Airport	122	4
Clarion Inn Airport	142	4
Courtyard Columbia NW	149	5.9
Holiday Inn Fort Jackson	100	6.3
Radisson Hotel Columbia & Conference Center	273	6.4
Holiday Inn & Suites - North	181	9.7
Hilton Garden Inn - Harbison	143	10.8
<b>TOTAL</b>	<b>2,611</b>	<b>-</b>
<b>AVERAGE</b>	<b>174</b>	<b>3.7</b>

Only properties with 100 or more rooms are included

Columbia CVB, Johnson Consulting

Figure 5-8



Of the five hotels that are within 1 mile of the CMCC the largest is the Marriott with 285 rooms and is .8 miles away, followed by the Hilton with 222 rooms and being across the street from the convention center. The average for the five hotels is 180 rooms and .6 miles from the CMCC. For the six properties within 1 mile, a 70 to 80 percent room block would equate to 756 or 864 rooms respectively. As may be the case in Madison, the hotel supply proximate to the CMCC is misleading in suggesting that supply in proximity to the CMCC is sufficient for the existing facility. The hotels in the area do not rely on the CMCC for the overwhelming majority of their business and as a result do not negotiate room block and rate agreements with the CMCC, as other hotel communities do in competitive cities. The City and the University are working to change the Dynamics of this venue by placing the proposed USC Alumni Center between the convention center and Hilton Hotel. This will add theater and conference space to the combined complex.

## THE BOISE CENTRE BOISE, IDAHO

Opening in 1990, and operated as part of the greater Boise Auditorium District, the Boise Centre is the largest meeting facility in the State of Idaho and serves a regional demand base. The facility is similar in size to the Monona Terrace complex; as shown in Table 5-7 below. The Boise Centre ballroom and meeting space is displayed in the following table.

**Table 5-7**

Boise Centre - Boise, Idaho						
Summary of Exhibit and Meeting Space						
	Size (SF)		Capacity (# of Persons)			
	Individual (Smallest)	Combined (Largest)	Theater	Classroom	Banquet	Exhibits (# of Booths)
<b>Boise Centre</b>						
Eyries Hall	-	24,426	2,900	1,800	1,800	141
Eagle	9,322	-	1,160	740	670	51
Hawk	7,080	-	780	550	480	40
Falcon*	8,024	-	960	550	570	40
Subtotal Ballroom SF		24,426				
<b>Meeting Rooms</b>						
Number of Rooms	5	2				
Smallest Room	1,116	-	65	45	64	-
Largest Room	-	4,560	1,000	500	700	84
Subtotal Meeting Room SF		7,914				
<b>Auditorium</b>						
Summit	-	7,645		349 Fixed Seats		
<b>Total Boise Centre</b>		<b>39,985</b>				

\*Can be further subdivided into three smaller rooms  
 Source: Boise Centre - Boise, Idaho, Johnson Consulting

The Boise Centre currently does not have an exhibit hall. The Eyries Hall Ballroom has 24,426 square feet of space that is divisible into three smaller sections, of which Falcon hall can be further subdivided. There are 5 individual meeting rooms with the smallest room being 1,116 square feet and when meeting rooms are combined the largest meeting room space is 4,560 square feet. When all meeting rooms are counted there is 7,900 square feet of meeting room space. In addition to ballroom and meeting space, there is a 349-seat auditorium.

Largely due to national economic conditions and the limited space offerings of the facility, the Boise Centre has suffered a significant decline in event demand from 2008 to 2011 as the following table indicates.

**Table 5-8**

Boise Centre								
Demand Schedule 2008 - 2011								
	2008		2009		2010		2011	
	# Events	Attendance	# Events	Attendance	# Events	Attendance	# Events	Attendance
Social/Banquets	146	-	80	-	106	-	96	-
Consumer/Public Shows	20	-	9	-	10	-	2	-
Tradeshows	-	-	24	-	24	-	22	-
Conventions	30	-	28	-	25	-	29	-
Meetings	125	-	80	-	69	-	91	-
<b>TOTAL</b>	<b>321</b>	<b>186,900</b>	<b>221</b>	<b>179,800</b>	<b>234</b>	<b>169,000</b>	<b>240</b>	<b>152,400</b>

Source: Boise Centre, Johnson Consulting

Social and banquet events have declined significantly from 146 events in 2008 to 96 events in 2011, with a low in 2009 of 80 events. Hit even harder have been consumer and public show events that have declined from 20 events in 2008 to 2 events in 2011. Convention events have remained relatively stable over the 4-year period with a peak of 30 events in 2008 and a rebound to 29 events by 2011. Meetings have declined from a peak of 125 events to 91 events in 2011 with a low of 69 events in 2010. Given the sharp declines in events

demand, attendance did not decline as much as would be anticipated from a peak high in 2008 of 186,900 attendees in 2008 to a low of 152,400 attendees in 2011. From 2008 to 2011 there has been an overall decline of 81 events and 34,500 attendees.

Given the significant decline in events and attendance, revenues from 2010 to 2011 are up as the table below indicates.

**Table 5-9**  
**Boise Centre**  
**Revenue & Expense Statement (2010-2011) (\$'000s)**

	2010	2011
<b>Revenues</b>		
Convention Activities	\$2,877	\$3,260
District Tax Collections	3,471	3,695
Interest Income	42	11
Other	64	132
<b>Total Revenue</b>	<b>\$6,454</b>	<b>7,098</b>
<b>Expenses</b>		
Convention Activities	\$3,931	\$4,577
General Government Changes	1,242	243
Unrealized Loss on Investments	-	41
<b>Total Expenses</b>	<b>\$5,173</b>	<b>4,861</b>
<b>Net Income (Loss)</b>	<b>\$1,281</b>	<b>2,237</b>

Source: Boise Centre, Johnson Consulting

Convention related revenues were up in 2011 to \$3.26 million from \$2.88 million in convention revenues in 2010, an increase of \$383,000. Facility operations are also supported by Boise Auditorium District collections that were also up in 2011 by \$224,000 over 2010. Convention related expenses increased in 2011 to \$4.58 million from \$3.93 million in 2010, an increase of \$646,000, with total expenses in 2011 being \$4.86 million, down from \$5.17 million in 2010. Expenses in 2010 were greater than 2011 due to a \$1.24 million General Government expenses, which decreased to \$243,000 in 2011. Net Income in 2011 was \$2.24 million, up by \$956,000 from 2010.

Currently the Boise Centre is supported by nine properties within 1-mile of the Centre as the table below reflects.



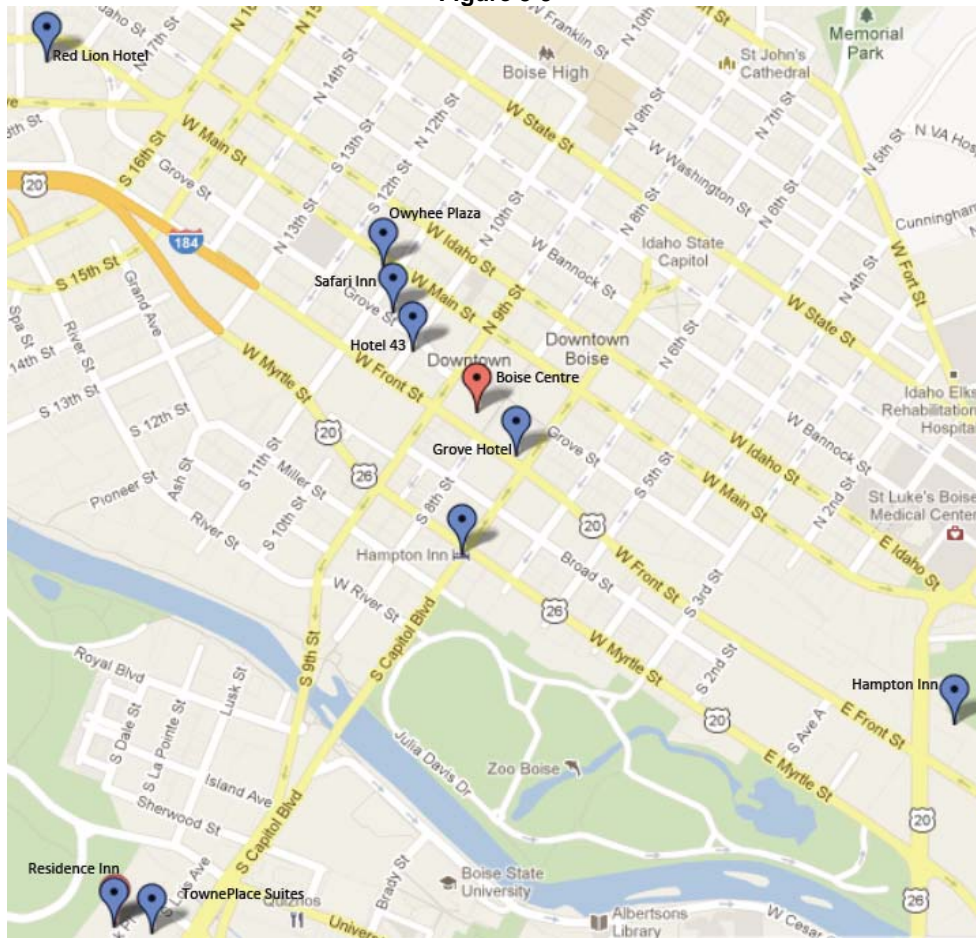
**Table 5-10**

<b>Boise Hotel Summary</b>		
	<b>Rooms</b>	<b>Distance</b>
<b>The Grove Hotel</b>	<b>250</b>	<b>0.1</b>
<b>Hotel 43</b>	<b>112</b>	<b>0.2</b>
<b>Safari Inn Downtown</b>	<b>103</b>	<b>0.2</b>
<b>Hampton Inn &amp; Suites</b>	<b>186</b>	<b>0.3</b>
<b>Owyhee Plaza Hotel</b>	<b>100</b>	<b>0.3</b>
<b>Red Lion Hotel (Boise Downtowner)</b>	<b>182</b>	<b>0.8</b>
<b>Courtyard by Marriott</b>	<b>162</b>	<b>0.8</b>
<b>Townplace Suites (Boise Downtown)</b>	<b>121</b>	<b>0.9</b>
<b>Residence Inn (Boise Central)</b>	<b>104</b>	<b>1.0</b>
Shilo Inn (Boise Riverside)	112	1.5
Riverside Hotel	303	1.7
Springhill Suites (Boise Park Center)	230	2.7
Holiday Inn Express	158	2.7
Extended Stay America	107	2.7
Boise Hotel & Conference Center	264	3.1
Super 8 Motel	108	3.1
Holiday Inn	119	3.2
Shilo Inn & Suites (Boise Airport)	125	3.9
Residence Inn (Boise West)	104	3.9
AmeriTel Inn Boise Town Square	124	4.2
Hyatt Place	147	5.0
Oxford Suites	132	5.9
Homewood Suites	110	5.9
Hilton Garden Inn (Boise Spectrum)	137	6.2
Hampton Inn (Boise Spectrum)	133	6.3
Springhill Suites	119	7.8
Candlewood Suites (Meridian)	123	9.0
Hilton Garden Inn/Eagle	108	10.2
<b>TOTAL</b>	<b>4,083</b>	<b>-</b>
<b>AVERAGE</b>	<b>146</b>	<b>3.3</b>
<b># of Properties</b>		
Only properties with 100 or more rooms are included		
Boise CVB, Johnson Consulting		

The Boise market area has 4,083 rooms, with the average property having 146 rooms and being 3.3 miles from the Boise Centre. Of the 9 hotels that are within 1 mile of the Boise Centre, the Grove Hotel is the largest at 250 rooms and also the closest at .1 miles. The next largest hotel within 1-mile is the Hampton Inn with 186-rooms and .3 miles, this is followed by the 182-room Red Lion Boise Downtowner Hotel. In total, the nine properties have a combined 1,320 rooms and the properties within .5 miles of the Centre provide a total of 751 rooms. The Boise CVB indicated that less than 700 of the rooms within a half mile are of a quality that would accommodate an event attendee. If a rate of 70 percent or 80 percent were used to calculate available room block for the Boise Center, this would indicate an available room block of 490 to 560 rooms respectively. The following map indicates the location of the hotels within 1-mile of the Boise Centre.



Figure 5-9



A recent feasibility study has indicated that there is demand to increase the facility size by adding an exhibit hall of 50,000 square feet. The findings also determined that a new hotel would be needed to support the expanded facility.

### THE TACOMA CONVENTION & TRADE CENTER TACOMA, WASHINGTON

The Tacoma Convention & Trade Center (TCTC) is located 10 miles south of the Sea-Tac Airport and is comprised of 77,600 square feet of net usable meeting space.



**Table 5-11**

Greater Tacoma Convention & Trade Center					
Summary of Exhibit and Meeting Space					
	Size (SF)		Capacity (# of Persons)		
	Individual (Smallest)	Combined (Largest)	Theater	Classroom	Banquet
<b>Exhibit Halls</b>					
Exhibit Hall	-	50,000	4,250	2,900	2,520
Hall A	22,200	-	1,900	1,230	980
Hall B	27,500	-	2,200	1,560	1,260
Subtotal Exhibit Hall SF		50,000			
<b>Ballrooms</b>					
Ballroom	-	13,376	1,200	675	720
Ballroom A/B	6,600	-	650	335	360
Ballroom C	2,200	-	200	95	70
Ballroom D	4,575	-	400	230	230
Subtotal Ballroom SF		13,376			
<b>Meeting Rooms</b>					
Number of Rooms	12	10			
Smallest Room	418	-	30	20	20
Largest Room	-	5,100	450	240	240
Subtotal Meeting Room SF		14,255			
<b>Total</b>		<b>77,631</b>			

Source: Greater Tacoma Convention & Trade Center, Johnson Consulting

The exhibit hall is 50,000 square feet and is divisible into two smaller sections that are 22,200 square feet and 27,500 square feet. The full exhibit hall can accommodate up to 4,250 people in a theater setting and 2,520 people in a banquet setting. The ballroom offers 13,376 square feet of event space that can be split into three smaller sections and accommodate between 675 and 1,200 people, depending on configuration. In total there is 14,255 square feet of meeting room space distributed among 12 individual rooms or 10 combined rooms. The largest meeting room is 5,100 square feet.

**Table 5-12**

Greater Tacoma Convention & Trade Center			
Demand Schedule 2011			
	# Events	Attendance	Hotel Room Nights
<b>Exhibit Hall Events</b>			
Tradeshows/Conventions	11	17,231	2,516
Corporate Events	4	15,076	2,270
Consumer Shows/Public Events	16	44,853	3,528
Other Events	14	23,480	6,561
Non - Exhibit Hall Events	145	46,025	-
<b>TOTAL</b>	<b>190</b>	<b>146,665</b>	<b>14,875</b>

Source: Greater Tacoma Convention & Trade Center, Johnson Consulting

In 2011, there were a total of 190 events at the TCTC, of which 45 were exhibit hall events. Of the exhibit hall events, consumer/public shows had the greatest number of events, 16, and the largest attendance at 23,480. However, consumer and public shows draw predominantly from a regional area and do not generate a significant number of room nights in relation to attendance. In total the TCTC generated 14,875 rooms nights in 2011, a low number for the size of the TCTC and population density of Tacoma.





**Table 5-13**

<b>Greater Tacoma Convention &amp; Trade Center</b>	
<b>2011 Revenue</b>	
	<b>Revenue</b>
<b>Rental Revenue</b>	
Tradeshows/Conventions	\$91,440
Corporate Events	100,325
Consumer Shows/Public Events	275,607
Other Events	574,073
Gross F&B Revenue (All Events)	1,920,690
<b>TOTAL</b>	<b>\$2,962,135</b>

Source: Greater Tacoma Convention & Trade Center, Johnson Consulting

Only revenue data was available for 2011 and indicates that, similar to demand and attendance, consumer and public shows generates the highest volume of revenue of a listed category, other events is higher but is not defined. Gross food and beverage revenue is \$1.92 million and total revenues are \$2.96 million.

The TCTC struggles from a lack of hotel inventory in close proximity to the center as the following table shows.

**Table 5-14**

<b>Tacoma Hotel Summary</b>		
	<b>Rooms</b>	<b>Distance</b>
<b>Courtyard</b>	<b>162</b>	<b>0.0</b>
<b>Hotel Murano</b>	<b>319</b>	<b>0.1</b>
Best Western Plus Tacoma Dome	160	1.2
La Quinta Inn	155	2.8
Emerald Queen	140	5.9
Shilo Inn	132	6.2
Red Lion	119	6.6
Hampton Inn	146	6.8
King Oscar Inn	152	6.8
King Oscar	221	6.9
<b>TOTAL</b>	<b>1,706</b>	<b>-</b>
<b>AVERAGE</b>	<b>171</b>	<b>4.3</b>

Only properties with 100 or more rooms are included  
 Tacoma CVB, Johnson Consulting

The largest property in proximity to the TCTC is the hotel Murano with 319 rooms followed by the Courtyard with 162 rooms. There are no other hotels within 1-mile of the center and for larger events properties throughout the City and County have to be used.

## JACKSON CONVENTION COMPLEX JACKSON, MISSISSIPPI

Located in the Mississippi State capital, the Jackson Convention Complex includes a new convention center, which opened in 2009, and the Jackson (Mississippi) Telecommunications Conference and Training Center. Both facilities are operated by SMG Management and operate as a consolidated facility, providing a seamless experience for facility users. The convention center had a development cost of \$65 million that is funded by a 2 percent restaurant tax, a 3 percent hotel tax, and a 3 percent tax on catering in the convention complex. The following table provides a breakdown of the convention complex’s portfolio of space.

**Table 5-15**

Jackson Convention Complex Summary of Exhibit and Meeting Space					
	Size (SF)		Capacity (# of Persons)		
	Individual (Smallest)	Combined (Largest)	Theater	Classroom	Banquet
<b>Exhibit Halls</b>					
Exhibit Hall	-	60,000	5,000	3,000	3,600
Hall A	30,000	-	2,700	1,600	1,800
Hall B	30,000	-	2,700	1,600	1,800
Subtotal Exhibit Hall SF		60,000			
<b>Ballrooms</b>					
Ballroom*	-	25,000	2,350	1,150	1,500
Ballroom A	4,200	-	375	150	170
Ballroom B	4,200	-	375	150	170
Ballroom C	8,400	-	950	350	450
Ballroom D	4,200	-	375	150	170
Ballroom E	4,200	-	375	150	170
Subtotal Ballroom SF		25,000			
<b>Meeting Rooms</b>					
Number of Rooms	23	18			
Smallest Room	432	-	24	18	20
Largest Room	-	5,046	420	216	240
Subtotal Meeting Room SF		28,001			
<b>Total</b>		<b>113,001</b>			

\*Ballroom can be combined with Exhibit Hall

Source: Jackson Convention Complex, Johnson Consulting

The exhibit hall has a total of 60,000 square feet and can be separated into two 30,000 square foot halls. The ballroom has a total of 25,000 square feet of space and is divisible into five smaller spaces. The ballroom can also be used in conjunction with the exhibit hall, which allows for a contiguous space of 85,000 square feet. The exhibit hall and ballroom are supported by 22,241 square feet of meeting room space. There has been discussion about adding two new hotel properties adjacent to the convention complex, including a 300-room full-service Crowne Plaza hotel and a 175-room Staybridge suites extended stay hotel. This plan also included a new parking garage and 126,500 square feet of retail and office space. To date this plan has not materialized and the convention complex manager has cited the lack of adjacent hotel supply as a primary reason for turning away potential conventions and tradeshow. The following tables provide the demand and attendance data from 2010 to 2012.

**Table 5-16**

Jackson Convention Complex Demand Schedule 2008 - 2011						
	2010		2011		2012*	
	Event Days	Attendance	Event Days	Attendance	Event Days	Attendance
Banquets	36	13,355	38	13,825	34	15,751
Consumer Shows	19	9,078	21	10,600	16	11,530
Conventions	25	26,499	36	30,795	66	33,205
Meetings	195	43,692	140	30,008	129	23,047
Entertainment	16	19,457	9	12,830	8	12,425
Sporting	13	10,848	21	24,210	25	26,135
Other	29	23,706	38	12,405	17	13,734
<b>TOTAL</b>	<b>333</b>	<b>146,635</b>	<b>303</b>	<b>134,673</b>	<b>295</b>	<b>135,827</b>

\*Partial Year

Source: Jackson Convention Complex, Johnson Consulting

Since 2010, event days and attendance have decreased from a high of 333 events days and 146,635 attendees to 303 event days and 134,673 attendees in the last full year of operations in 2011. In 2011, convention meetings and sporting events represented the three biggest categories of attendance demand.

**Table 5-17**

JACKSON CONVENTION COMPLEX Revenue & Expense Statement (2009-2010) (\$'000s)				
	2009	2010	2011	2012
<b>Revenues</b>				
RENTAL INCOME	\$624,591	\$792,100	\$730,632	\$724,892
FOOD & BEVERAGE	466,691	1,043,272	987,008	1,328,470
AUDIO VISUAL	23,862	36,512	74,388	137,132
MISCELLANEOUS ANCILLARY	27,639	22,919	31,232	31,195
SECURITY	24,184	33,923	32,249	36,294
OTHER OPERATING INCOME	108,125	193,296	156,889	109,458
<b>Total Revenues</b>	<b>\$1,275,092</b>	<b>\$2,122,022</b>	<b>\$2,012,398</b>	<b>\$2,367,441</b>
<b>Expenses</b>				
EMPLOYEE WAGES & BENEFITS	\$1,400,826	\$1,599,244	\$1,755,812	\$1,815,754
CONTRACTED SERVICES	49,402	66,591	55,798	44,202
OPERATIONS EXPENSES	107,822	71,492	86,115	114,153
REPAIRS & MAINTENANCE	111,477	278,180	314,210	323,415
SUPPLIES	65,672	75,293	39,530	65,211
INSURANCE	16,599	40,292	46,144	44,788
GENERAL/ADMINISTRATIVE EXPENSES	568,273	364,166	308,756	360,002
UTILITIES	502,212	632,352	573,501	533,303
SMG MANAGEMENT FEES	143,271	218,404	196,047	228,419
OTHER EXPENSES	9,342	-	30,000	12,377
<b>Total Expenses &amp; Other Financing Uses</b>	<b>\$2,974,896</b>	<b>\$3,346,014</b>	<b>\$3,405,913</b>	<b>\$3,541,624</b>
<b>Net Operating Income</b>	<b>(\$1,699,804)</b>	<b>(\$1,223,992)</b>	<b>(\$1,393,515)</b>	<b>(\$1,174,183)</b>

Source: JACKSON CONVENTION COMPLEX, Johnson Consulting

Jackson is severely hindered by the lack of hotel supply in proximity to the convention complex. Once new hotel supply is added to the market, Jackson will shift into the mid-market, upper tier convention destination category.

## MID-MARKET, UPPER TIER CONVENTION DESTINATIONS

The following facilities have been classified as upper tier convention destinations due to the quality and volume of hotel rooms that support their respective convention facilities. The upper tier destinations include:

- Overland Park, KS
- Providence, RI
- Des Moines, IA
- Grand Rapids, MI

**Table 5-18**

Key Characteristics of Upper Tier Mid-Sized Markets						
Location	Madison, WI	Overland Park, KS	Providence, RI	Des Moines, IA	Grand Rapids, MI	Average
Facility	Monona Terrace	Overland Park Convention Center	Rhode Island Convention Center	Iowa Events Center	DeVos Place	-
<b>Demographic Characteristics</b>						
Metropolitan Area Population (2011)	575,000	2,047,000	1,600,000	581,500	776,108	1,115,922
Rank	5	1	2	4	3	-
Median Household Income (2011)	\$56,000	\$54,244	\$53,000	\$55,283	\$48,964	\$53,498
Rank	1	3	4	2	5	-
<b>Hotel Supply Characteristics</b>						
# of rooms within 1 mile of Convention Center	1,035	2,187	2,071	1,694	1,411	1,680
Rank	5	1	2	3	4	-
Potential Room Block @ 40% Participation	414	875	828	678	564	672
Rank	5	1	2	3	4	-
Potential Room Block @ 70% Participation	725	1,531	1,450	1,186	988	1,176
Rank	5	1	2	3	4	-
Potential Room Block @ 80% Participation	828	1,750	1,657	1,355	1,129	1,344
Rank	5	1	2	3	4	-
Average Distance from CC	0.4	0.6	0.3	0.5	0.3	0.4
Rank	3	5	1	4	1	-
<b>Exhibit Space (SM/ SF)</b>						
Exhibit Space	37,200	58,494	100,000	146,926	162,000	65,231
Ballroom	13,524	24,991	20,000	28,800	37,809	19,505
Meeting Room(s)	12,106	15,015	16,540	30,825	32,163	14,554
<b>Total Function Space (SF)</b>	<b>62,830</b>	<b>98,500</b>	<b>136,540</b>	<b>206,551</b>	<b>231,972</b>	<b>147,279</b>
Rank	5	4	3	2	1	-

Source: Relevant Facilities/CVB, Demographics Now, Johnson Consulting

Madison has the smallest metropolitan area population, closely following Des Moines, but is ranked first in median household income, a key metric in determining the relative strength of a market. Madison ranks last by a significant margin of the number of hotel rooms within 1 mile of the convention center, along with corresponding potential room block participation. Madison ranks third in the average distance of hotel rooms from the convention center, but again this is offset by the age and quality of hotel rooms in comparison to

the upper tier destinations. From an ongoing operations perspective, the age of the properties that currently support Monona Terrace is a concern because as a hotel ages the capital cost of maintaining the property increases and major renovations can be cost prohibitive for hotel owners to perform, potentially further degrading the quality/volume of hotel rooms attractive to convention attendees. Madison also ranks last in total square footage of the convention facility, with Overland Park ranking fourth in facility size while being first in the number of hotel rooms within 1 mile. The following pages provide additional operating and destination information for the above markets (text for the Iowa Events Center and DeVos Place is located in the regional facility analysis at the beginning of this section on pages 46 and 47, respectively)

### OVERLAND PARK CONVENTION CENTER OVERLAND PARK, KANSAS

Situated in the largest suburb of Kansas City, Overland Park Convention Center (OPCC) opened in 2002. The OPCC, which sits on a 26-acre site in the heart of Overland Park, is owned by the City of Overland Park, and is managed by Global Spectrum. The site also contains a 412-room Sheraton headquarters hotel.

**Table 5-19**

Overland Park Convention Center Summary of Exhibit and Meeting Space					
	Size (SF)		Capacity (# of Persons)		
	Individual (Smallest)	Combined (Largest)	Theater	Classroom	Banquet
<b>Exhibit Halls</b>					
Exhibit Hall	-	58,494	5,233	3,264	4,760
Hall A	29,464	-	2,592	1,632	2,180
Hall B	29,030	-	2,641	1,632	2,140
Subtotal Exhibit Hall SF		58,494			
<b>Ballrooms</b>					
Ballroom	-	24,991	2,184	1,208	1,780
Ballroom A	8,482	-	720	416	540
Ballroom B	7,830	-	728	352	500
Ballroom C	8,679	-	736	440	540
Subtotal Ballroom SF		24,991			
<b>Meeting Rooms</b>					
Number of Rooms	8	3			
Smallest Room	900	-	50	24	30
Largest Room	-	7,354	624	352	320
Subtotal Meeting Room SF		15,015			
<b>Total</b>		<b>98,500</b>			

Source: Overland Park Convention Center, Johnson Consulting

\*can combine with exhibit hall for total exhibit space of \$90,000 square feet.

As shown, the OPCC comprises a total of 97,600 square feet of exhibit and meeting space, including a 59,494 square foot Exhibit Hall, and a 24,991 square foot Ballroom. Excluding the Ballroom, the largest meeting room comprises 7,354 square feet, with a maximum capacity of 624 people. The smallest meeting room comprises 1,810 square feet, with a maximum capacity of 156 people. In addition to the meeting space at OPCC, the Sheraton Overland Park at the OPCC offers 21,841 square feet of meeting space, including 18,079 square feet of ballroom space and 3,762 square feet of meeting rooms. Excluding the three (3)

ballrooms, the largest meeting room at the Sheraton Hotel comprises 1,390 square feet, with a maximum capacity of 154 people. The smallest meeting room comprises 290 square feet, with a maximum capacity of 36 people.

The following table summarizes the OPCC’s 2011 demand schedule, by event type.

**Table 5-20**  
**Overland Park Convention Center**  
**2011 Demand Schedule**

	# Events	Event Mix
Convention	10	3%
Consumer Show	20	6%
Trade Show	31	9%
Special Events	55	16%
Banquet	78	23%
Meetings	147	43%
<b>TOTAL</b>	<b>341</b>	<b>100%</b>

Source: Overland Park Convention Center, Johnson Consulting

In 2011, there were a total of 341 events, of which meetings and banquets accounted for two-thirds of total event demand. Revenues relating to the 2011 event demand is presented in the following table.

**Table 5-21**  
**Overland Park Convention Center**  
**2011 Total Event Revenue**

	Revenue	Event Mix
Convention	\$994,076	13%
Consumer Show	1,223,478	16%
Trade Show	1,299,945	17%
Special Events	458,804	6%
Banquet	1,682,282	22%
Meetings	1,988,152	26%
<b>Total Event Revenue</b>	<b>\$7,646,738</b>	<b>100%</b>
<b>Total Event Expense</b>	<b>\$2,971,582</b>	<b>-</b>
<b>Net Event Income</b>	<b>\$4,675,156</b>	<b>-</b>
<b>Indirect Expenses</b>	<b>\$4,556,499</b>	<b>-</b>
<b>Total Other Revenue</b>	<b>\$185,275</b>	<b>-</b>
<b>Net Income</b>	<b>\$303,932</b>	<b>-</b>

Source: Overland Park Convention Center, Johnson Consulting

Total 2011 event revenue totalled \$7.65 million of which meetings accounted for 26 percent of the total, followed closely by banquet events at 22 percent of the total and tradeshow events with 17 percent of event revenue. When total event expenses of \$2.97 million are factored in, the OPCC generated total event net income of \$4.68 million. Other indirect expenses totalled \$4.56 million and other total revenue was \$185,275 resulting in positive net operating income of \$304,000.

There are just under 5,000 hotel rooms in Overland park over 28 properties. The largest hotel size for the market is 412 rooms and is an average of 1.8 miles from the OPCC. A summary of hotels is displayed in the table and map below.

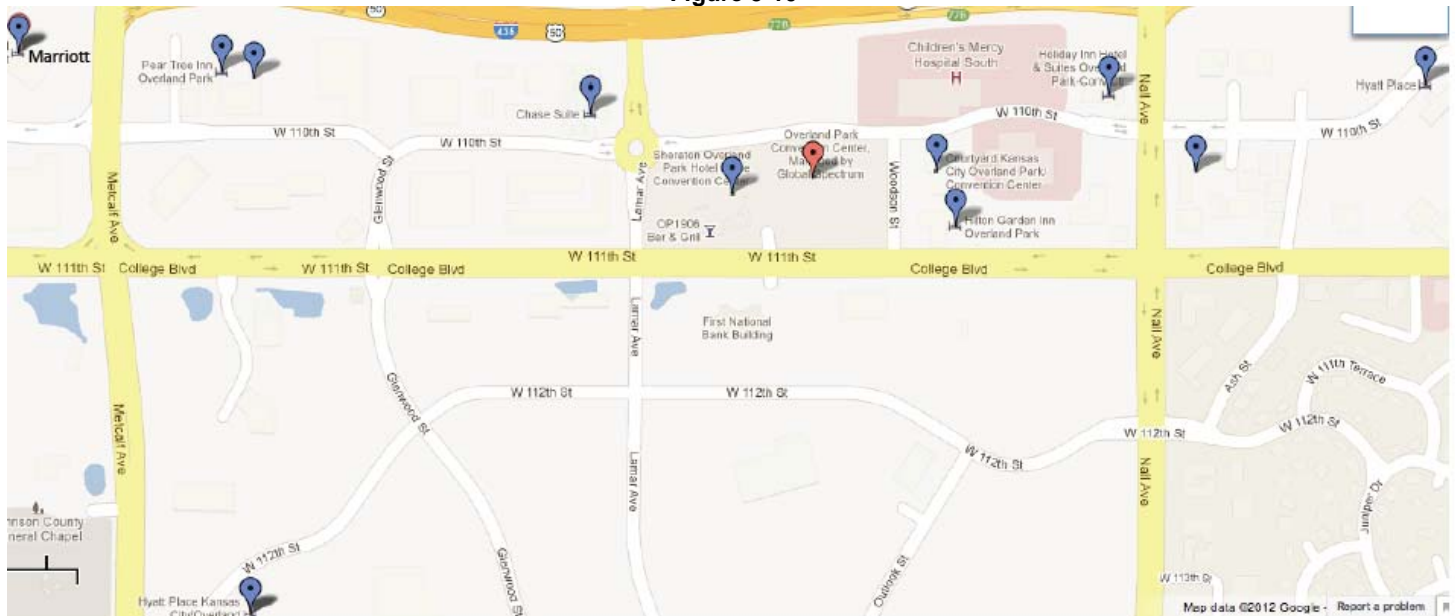
**Table 5-22**

<b>Overland Park Hotel Summary</b>		
	<b>Rooms</b>	<b>Distance</b>
<b>Sheraton Convention Center</b>	<b>412</b>	<b>0.0</b>
<b>Hilton Garden Inn</b>	<b>125</b>	<b>0.1</b>
<b>Courtyard Convention Center</b>	<b>168</b>	<b>0.2</b>
<b>Chase Suite Hotels</b>	<b>112</b>	<b>0.3</b>
<b>Holiday Inn &amp; Suites Convention Center</b>	<b>119</b>	<b>0.5</b>
<b>Homestead Studio Suites</b>	<b>127</b>	<b>0.5</b>
<b>Drury Inn &amp; Suites</b>	<b>169</b>	<b>0.8</b>
<b>Hyatt Place Convention Center</b>	<b>134</b>	<b>0.8</b>
<b>Hyatt Place Overland Park</b>	<b>124</b>	<b>0.8</b>
<b>Pear Tree Inn</b>	<b>149</b>	<b>0.8</b>
<b>Courtyard</b>	<b>149</b>	<b>0.9</b>
<b>Marriott</b>	<b>399</b>	<b>0.9</b>
Hampton Inn	133	1.1
Clarion Hotel	180	1.2
Embassy Suites	199	1.2
Comfort Inn & Suites	149	1.3
La Quinta Inn	143	1.3
Extended Stay Deluxe	133	1.4
America's Best Value Inn	100	1.8
Residence Inn	120	1.9
Spring Hill Suites	102	1.9
Fairfield Inn & Suites	110	2.4
DoubleTree	356	2.6
Hawthorn Suites	315	3.4
Candlewood Suites	120	4.2
Extended Stay America	119	4.2
Holiday Inn Overland Park West	191	6.0
Ramada Inn	151	7.4
<b>TOTAL</b>	<b>4,808</b>	<b>-</b>
<b>AVERAGE</b>	<b>172</b>	<b>1.8</b>

Only properties with 100 or more rooms are included

Overland Park CVB, Johnson Consulting

Figure 5-10



Within 1-mile of the OPCC there are 2,187 rooms with an average property size of 182 rooms and located .6 miles from the OPCC. The largest hotel is the Sheraton Headquarters Hotel with 412-rooms and attached to the OPCC. Within .5 of a mile there are 1063 rooms, of which most provide shuttle service to OPCC. The package overall is outstanding, and the Sheraton has performed above market averages.

### RHODE ISLAND CONVENTION CENTER PROVIDENCE, RHODE ISLAND

Providence has a metro area population of 1.6 million and serves as the economic, cultural, and political hub of the State of Rhode Island. The metro area is bisected by Interstate 95 and 195, and conveniently located 183 miles from New York City and 45 miles from Boston. Easily accessible by air and train, Providence also has a strong drive market, situated within 500 miles of 25 percent of the US population and six New England states.

The primary convention facility is Rhode Island Convention Center (RICC), located in the heart of downtown Providence. The facility is owned by the Rhode Island Convention Center Authority (RICCA) and is managed by SMG. Opened in 1993, RICC features a 100,000 square foot exhibition hall, a 20,000 square foot ballroom, 16,540 square feet of meeting rooms.



**Table 5-23**

Rhode Island Convention Center Summary of Exhibit and Meeting Space					
	Size (SF)		Capacity (# of Persons)		
	Individual (Smallest)	Combined (Largest)	Theater	Classroom	Banquet
<b>Exhibit Halls</b>					
Exhibit Hall	-	100,000	9,500	5,642	5,500
Hall A	27,608	-	2,880	1,790	2,000
Hall B	28,560	-	2,728	1,638	1,620
Hall C	28,560	-	2,728	1,638	1,620
Hall D	15,272	-	1,164	576	600
Subtotal Exhibit Hall SF	100,000				
<b>Ballrooms</b>					
Ballroom	-	20,000	2,300	1,400	1,400
Ballroom A	10,000	-	1,175	756	680
Ballroom B	3,700	-	414	234	210
Ballroom C	1,350	-	120	54	80
Ballroom D	3,700	-	414	234	210
Ballroom E	1,350	-	120	54	80
Subtotal Ballroom SF	20,000				
<b>Meeting Rooms</b>					
Number of Rooms	18	10			
Smallest Room	304	-	24	18	20
Largest Room	-	4,004	420	216	240
Subtotal Meeting Room SF	16,540				
<b>Total</b>	<b>136,540</b>				

Source: Rhode Island Convention Center, Johnson Consulting

As the following table shows, event demand has decreased from a peak high in 2009 of 322 events down to 283 events in 2012 (year to date). Attendance is also down from 318,000 in 2009 to 300,000 in 2012, which is up from 287,000 in 2011. Given the declines in event demand and attendance, revenues are actually up by over \$1 million when comparing 2009 to 2012. In general, the annual net operating deficit ranges from \$1 million to \$2 million.

**Table 5-24**

Rhode Island Convention Center Demand Schedule 2009 - 2012												
	2009			2010			2011			2012 (year to date)		
	# Events	Attendance	Revenue	# Events	Attendance	Revenue	# Events	Attendance	Revenue	# Events	Attendance	Revenue
Public Shows	52	215,150	\$1,901,534	44	204,200	\$2,093,271	56	177,118	\$2,151,494	58	197,835	\$2,384,692
Tradeshows	13	17,450	1,121,487	16	20,950	2,085,169	14	25,517	1,099,516	8	19,519	868,672
Conventions	21	25,535	2,178,731	19	25,525	1,487,653	25	16,280	2,219,070	17	18,851	2,345,678
Meetings	172	40,657	1,687,010	155	41,608	2,135,897	138	45,909	1,932,178	124	37,856	2,148,718
Banquets	64	19,270	1,039,293	73	21,520	985,551	71	22,182	1,188,989	76	25,898	1,233,699
<b>TOTAL</b>	<b>322</b>	<b>318,062</b>	<b>\$7,928,055</b>	<b>307</b>	<b>313,803</b>	<b>\$8,787,541</b>	<b>304</b>	<b>287,006</b>	<b>\$8,591,248</b>	<b>283</b>	<b>299,959</b>	<b>\$8,981,459</b>

Source: Rhode Island Convention Center, Johnson Consulting

In December 2005, RICCA purchased the Dunkin' Donuts Center (formerly the Providence Civic Center) from the City of Providence for \$28.5 million. Currently home to the American Hockey League's Providence Bruins and Providence College Men's Basketball, the 14,500-seat arena welcomes one million visitors annually to its sporting events, family shows, and concerts. In January 2006, RICCA officially embarked on a \$80 million renovation of the "Dunk." This was completed in 2008 and improvements include creating suites and

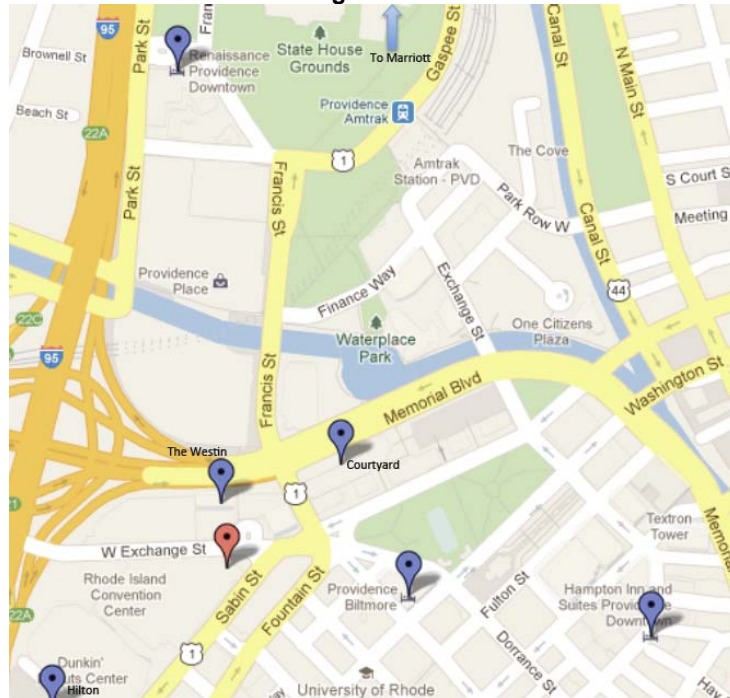
club boxes, installing new seats throughout the arena, upgrading the mechanical, electrical and plumbing systems, and an enclosed pedestrian bridge connecting the Dunkin Donuts Center to the adjacent RICC. The table below profiles the hotels within the Providence regional area.

**Table 5-25**

Providence, RI Hotel Summary		
	Rooms	Distance
<b>Westin Providence</b>	<b>564</b>	<b>0.0</b>
<b>Courtyard</b>	<b>216</b>	<b>0.1</b>
<b>Hilton Providence</b>	<b>274</b>	<b>0.2</b>
<b>Providence Biltmore</b>	<b>292</b>	<b>0.3</b>
<b>Hampton Inn</b>	<b>110</b>	<b>0.4</b>
<b>Providence Renaissance Downtown</b>	<b>264</b>	<b>0.5</b>
<b>Providence Marriott</b>	<b>351</b>	<b>0.9</b>
Wyndham Garden	136	1.8
Sheraton Warwick	206	8.2
Warwick Hampton Inn	173	8.7
Holiday Inn Express Warwick	147	9.1
Hilton Garden Inn Warwick	160	9.4
Radisson Warwick	111	9.4
Crowne Plaza Warwick	266	9.9
SpringHill Suites Warwick	107	14.7
<b>TOTAL</b>	<b>3,377</b>	<b>-</b>
<b>AVERAGE</b>	<b>225</b>	<b>4.9</b>

Only properties with 100 or more rooms are included  
 Providence/Warwick CVB, Johnson Consulting

**Figure 5-11**



As the table and map indicate, there are 3,377 rooms in the metropolitan area there is a strong supply of hotel rooms within 1-mile of the Rhode Island Convention Center with 2,071 rooms dispersed among 7 properties. Applying a 70 percent and 80 percent room block participation rate for the 2,071 rooms results in a potential room block of 1,450 rooms and 1,657 rooms respectively.

## IMPACT OF CONVENTION HOTEL DEVELOPMENT

To prove the positive impact a new convention hotel can have on the performance of a convention facility and hotel supply, Johnson Consulting provides additional information regarding the developments in Ft. Worth, TX and Baltimore, MD.

### FT. WORTH, TX

The 614-room Omni hotel opened in 2009 and caused a significant upward trend in the demand profile and market penetration of the Ft. Worth Convention Center as the following table indicates.

**Table 5-26**

Fort Worth, Texas Headquarters Hotel Impact					
	2007-08	2008-09*	2009-10	2010-11	2011-12
<b>Leads</b>					
Events	907	970	944	1,101	1,257
Room Attendance	767,584	775,417	543,280	496,096	604,375
Show Attendance	479,430	815,099	1,157,894	1,136,012	1,445,009
Room Nights	1,091,333	1,264,406	1,209,110	1,187,397	1,316,219
<b>Definite</b>					
Events	342	331	293	309	371
Room Attendance	281,968	147,761	101,234	104,323	128,622
Show Attendance	93,045	689,337	335,575	419,117	543,937
Room Nights	241,382	261,153	273,689	215,521	249,853
<b>Lost</b>					
Events	574	416	683	760	886
Room Attendance	550,217	375,719	486,193	455,947	478,267
Show Attendance	300,445	38,400	678,025	793,434	843,757
Room Nights	806,475	645,677	923,297	984,437	1,124,666

\*Omni Fort Worth Hotel (614 rooms) opened January 2009.  
 Source: Fort Worth CVB

Using the 2007-2008 operating year as a benchmark for performance of the convention center without the headquarters hotel, the number of event leads, show attendance and room nights have increased significantly by 2011-2012, indicating that a new level of interest in the convention center was attained in large part from the development of the hotel. This was reinforced in discussions with both the CVB and facility management.

According to Smith Travel Research (STR), in 2010 the hotel competitive set for the Omni Hotel posted occupancy of 65 percent, up from 55.5 percent in 2009, an increase of 17.1 percent. The year 2011 saw occupancy increase to 69.4 percent with stabilization of 68.9 percent in 2012. Average Daily Rate (ADR)

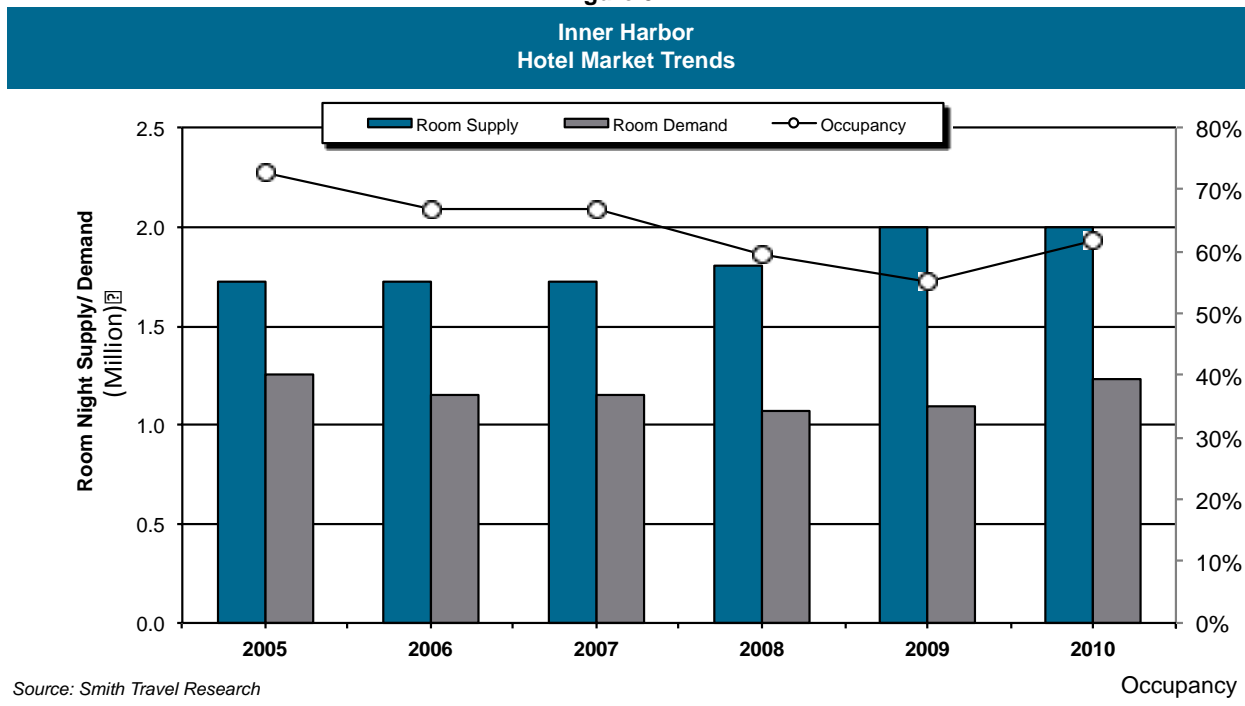
decreased slightly in 2010 from 2009 to \$143.40 from \$145.16. 2012 ADR increased to \$145.55. Revenue Per Available Room (RevPAR) has also increased significantly since the opening of the Omni Hotel. RevPAR in 2010 increased by 15.7 percent to \$93.25, with a further increase in 2011 by 9.2 percent to \$101.82 and a slight decline in 2012 to \$100.24. Total hotel room supply increased by 1.4 percent from 603,126 rooms in 2009 to 611,806 rooms in 2010, with another 4.1 percent increase in 2011 to 637,146 rooms. STR did not report any new room additions in 2012. Revenue has also increased from \$48.6 million in 2009 to \$64.9 million in 2012.

## BALTIMORE, MD

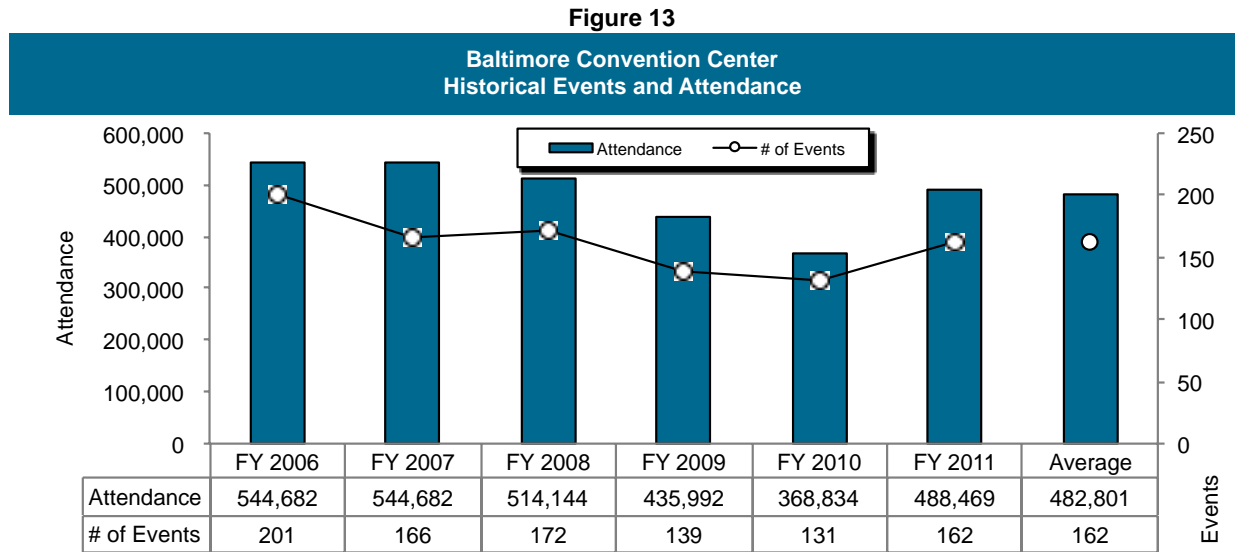
The 757-room Baltimore Hilton opened in 2008 and meeting planners indicated that the opening of the Hilton Baltimore adjacent to the Baltimore Convention Center was one of the primary reasons for choosing to host their event in Baltimore. Visit Baltimore estimates that the Hilton Baltimore has created \$250 million in large City-wide convention/ meetings business that could not have met in Baltimore without this additional inventory. This hotel has also positively impacted Baltimore’s ability to host City-wide/ in-house meetings, according to Visit Baltimore.

The following graph illustrates the trends in Inner Harbor hotel supply, demand, and resulting occupancy. Despite opening of the Hilton Baltimore in 2008, the Inner Harbor sub-market has been able to absorb the additional supply relatively quickly.

Figure 5-12



The following graph illustrates the number of events and total attendance at the Baltimore Convention Center for the last six fiscal years.



Source: Baltimore Convention Center

## CONCLUSION

Because of its attractiveness, Madison is a great destination and Monona Terrace complements the city. Madison and Monona Terrace are in a market rich with demand potential; university, state, regional and national event potential exists. However, there is only one hotel in immediate proximity to Monona Terrace and the physical nature of the Monona Terrace does not permit expansion. Meanwhile, Madison competes with destinations that offer greater hotel room availability in their downtown and within closer proximity to their convention center. Madison and Monona Terrace’s competitive venues continue to invest in additional hotel rooms and meeting facilities. Without further investment, the meeting and convention market share that the City of Madison can capture will decline.

In Madison, the new Hampton Inn in downtown, along with enhancement of the Edgewater Hotel will improve the attractiveness of Madison as a destination. However, while the City will have more total rooms, it will only become more competitive when more hotel rooms within close proximity to the convention center are added. The Illinois, Michigan, Wisconsin, Minnesota markets are competitive and Madison is a competitor in this market. This market’s competitiveness only increases as proposed facilities such as those in Brookfield and Appleton get built.

Madison and Monona Terrace are attractive, have growth opportunities and have corporations and associations that need venues for their activities. The facility itself is small, so the hotel has to be part of the expansion of the package offered by the City. Given the relatively fixed nature of the Monona Terrace facility,

additional meeting spaces at the hotel, operated in concert with Monona Terrace, should be considered an important component of a City investment plan. If something is not done to enhance capacity, the market will stay the same, or will be attacked by other markets and decline. The proposed new hotel at the Judge Doyle Square site is considered to be essential to maximize Monona Terrace, and for the growth of economic impact to Madison.

In every situation analyzed by Johnson Consulting, new hotels have increased demand for the convention center and have been absorbed by the market with not negative effect. In fact, after the hotels were built, the hotel was absorbed and competitive set occupancy and rates improved to levels higher than prior to the time the hotel was built.

**SECTION VI**

MADISON HOTEL MARKET ANALYSIS & REVIEW OF MONONA TERRACE





## HOTEL MARKET ANALYSIS AND REVIEW OF MONONA TERRACE

This chapter presents an overview of the Madison hotel market, its position compared to its peer cities, and two measured competitive sets within the Madison market. This data frames the basis of sizing and analyzing the proposed Headquarters Hotel and analyzes supply and demand growth and the changing quality level of hotel supply. The chapter also provides a review of Monona Terrace, its demand, potential and lost business. This data informs opportunities to improve hotel inventory to support the facility and the City’s economic development strategy.

### MADISON HOTEL MARKET

According to Smith Travel Research, as of December 2012 there are 85 lodging properties in Greater Madison, which includes Madison, Monona, Fitchburg, Middleton, Verona, Waunakee, Windsor, Sun Prairie, DeForest, Stoughton, and Mount Horeb. They offer a total of 8,924 rooms. The properties are of medium-to small-sized – the largest are the 356-room Madison Concourse Hotel, the 292-room Marriott Madison West (in Middleton), and the 240-room Hilton Madison Monona Terrace. The average size is 105 rooms. Table 6-1 on the following page lists these 85 hotels and motels. Figure 6-1 shows the hotel inventory in closest proximity to Monona Terrace.



**Table 6-1**

**Madison, Wisconsin  
 List of Properties as of December 2012**

	Location	# of Rooms		Location	# of Rooms		
1	Madison Concourse Hotel	Madison	356	44	Super 8 Madison South	Madison	88
2	Hilton Madison Monona Terrace	Madison	240	45	Country Inn & Suites Madison	Madison	87
3	Sheraton Hotel Madison	Madison	239	46	Candlewood Suites Fitchburg	Madison	79
4	Crowne Plaza Madison	Madison	226	47	Campus Inn	Madison	74
5	Best Western Plus Inn On The Park	Madison	214	48	Extended Stay Deluxe Madison West	Madison	72
6	Howard Johnson Express Madison	Madison	197	49	Days Inn Madison Southeast	Madison	68
7	Hampton Inn & Suites Madison Downtown	Madison	194	50	Residence Inn Madison East	Madison	66
8	Best Western Plus InnTowner & The Highland Club	Madison	176	51	The Wisconsin Union Hotel Madison	Madison	60
9	Doubletree Madison Downtown	Madison	163	52	GrandStay Residential Suites Madison	Madison	53
10	Holiday Inn & Suites Madison West	Madison	157	53	Expo Inn	Madison	48
11	Radisson Hotel Madison	Madison	153	54	HotelRED	Madison	48
12	Hyatt Place Madison Downtown	Madison	151	55	University Inn	Madison	45
13	Comfort Inn & Suites Airport Madison	Madison	148	56	Budget Host Aloha Inn	Madison	39
14	Clarion Suites @ The Alliant Energy Center Madison	Madison	140	57	King's Inn Motel	Madison	38
15	Holiday Inn Madison @ The American Center	Madison	138	58	Capitol Motel	Madison	31
16	Hampton Inn Suites Madison West	Madison	132	59	Americas Best Value Inn Madison Mayflower	Madison	25
17	Fairfield Inn & Suites Madison East	Madison	130	60	The Spence Motel	Madison	20
18	Super 8 Madison East	Madison	130	61	Hotel Ruby Marie	Madison	15
19	Baymont Madison	Madison	129	62	AmericInn Madison Monona	Monona	61
20	Courtyard Madison East	Madison	127	63	Quality Inn & Suites Madison Fitchburg	Fitchburg	107
21	Best Western Plus East Towne Suites	Madison	122	64	Country Inn & Suites Madison Southwest	Fitchburg	69
22	Homewood Suites Madison West	Madison	122	65	Marriott Madison West	Middleton	292
23	Cambria Suites Madison	Madison	121	66	Courtyard Madison West Middleton	Middleton	136
24	AmericInn Madison West	Madison	120	67	Hilton Garden Inn Madison West Middleton	Middleton	133
25	La Quinta Inns & Suites Madison American Center	Madison	120	68	Residence Inn Madison West Middleton	Middleton	122
26	Hampton Inn Madison East Towne Mall Area	Madison	115	69	Fairfield Inn & Suites Madison West Middleton	Middleton	103
27	Red Roof Inn Madison	Madison	108	70	Staybridge Suites Middleton Madison West	Middleton	91
28	The Edgewater Hotel	Madison	107	71	Country Inn & Suites Madison West	Middleton	84
29	Extended Stay America Madison West	Madison	104	72	Holiday Inn Express & Suites Madison Verona	Verona	109
30	Magnuson Grand Hotel	Madison	102	73	Super 8 Madison South Verona Area	Verona	43
31	Best Western West Towne Suites	Madison	101	74	Baymont Inn & Suites Waunakee	Waunakee	38
32	The Fluno Center	Madison	100	75	Americas Best Value Inn Windsor Madison North	Windsor	55
33	Econo Lodge Madison	Madison	99	76	Days Inn Windsor Northeast	Windsor	54
34	Microtel Inn & Suites by Wyndham Madison	Madison	96	77	Water Tower Inn	Sun Prairie	64
35	Roadstar Inn Madison	Madison	96	78	Quality Inn Sun Prairie	Sun Prairie	62
36	Comfort Suites Madison	Madison	95	79	Super 8 Sun Prairie Madison East Area	Sun Prairie	58
37	Rodeway Inn & Suites Madison	Madison	94	80	McGovern's Motel & Suites	Sun Prairie	56
38	Baymont Madison	Madison	92	81	Comfort Inn & Suites De Forest	De Forest	79
39	Holiday Inn Express Madison	Madison	92	82	Holiday Inn Express Deforest Madison Area	De Forest	70
40	Motel 6 Madison North	Madison	91	83	Days Inn Stoughton	Stoughton	52
41	Staybridge Suites Madison East	Madison	90	84	Quality Inn & Suites Stoughton	Stoughton	50
42	Sleep Inn & Suites Madison	Madison	89	85	Karakahi Country Inn	Mount Horeb	76
43	Americas Best Value Inn Madison	Madison	88				<b>8,924</b>

Source: Smith Travel Research

Figure 6-1

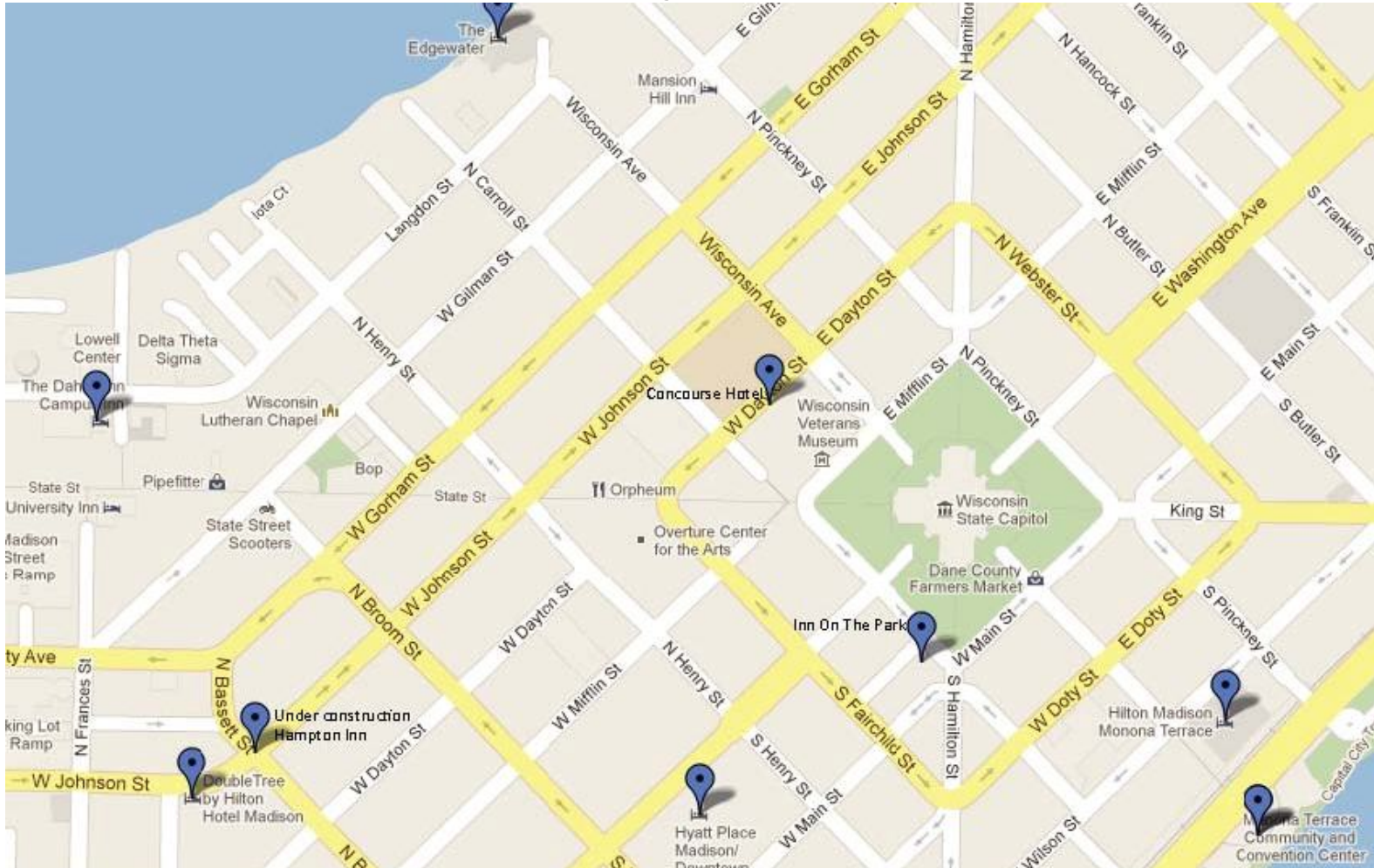


Figure 6-1 shows the hotels typically used by room blocks for Monona Terrace events. The bolded hotels in Table 6-1 are prime and the gray ones are the second set of hotels used. Only one hotel is in immediate proximity of Monona Terrace, the Hilton Hotel. This is the only hotel that has a room block agreement with the City of Madison. The Hilton agrees to commit a minimum room block of 150 rooms on peak night(s), based on availability at the time of booking. The bolded hotels will provide a maximum block of 60 percent, or 272 rooms. The bold plus gray rooms may provide a block of 40 percent or 588 rooms, but only 150 rooms of this block are adjacent to Monona Terrace.

Table 6-2 shows City-wide lodging statistics in Madison from 2006 through 2011. Room night supply grew by 2.6 percent annually, while room night demand grew by 2.2 percent annually. As a result, occupancy experienced a slight decrease from 2006 through 2011, although it recovered strongly from its low point in 2009. Average Daily Rate (ADR), Revenue per Available Room (RevPAR), and room revenue experienced an average annual growth of 1.2 percent, 0.8 percent, and 3.4 percent, respectively.

**Table 6-2**

Madison, Wisconsin City-Wide Historical Lodging Statistics												
	RN Supply		RN Demand		Occupancy		ADR		RevPAR		Room Revenue	
	000	% Growth	000	% Growth	%	% Growth	\$	% Growth	\$	% Growth	\$Million	% Growth
2006	2,786	-	1,740	-	62.4%	-	\$84.01	-	\$52.45	-	\$146	-
2007	2,868	2.9%	1,725	(0.9%)	60.1%	(3.7%)	\$88.44	5.3%	\$53.19	1.4%	\$153	4.4%
2008	2,972	3.6%	1,773	2.8%	59.6%	(0.8%)	\$91.89	3.9%	\$54.81	3.0%	\$163	6.8%
2009	3,096	4.2%	1,607	(9.3%)	51.9%	(12.9%)	\$86.22	(6.2%)	\$44.76	(18.3%)	\$139	(14.9%)
2010	3,174	2.5%	1,790	11.3%	56.4%	8.6%	\$85.79	(0.5%)	\$48.38	8.1%	\$154	10.8%
2011	3,171	(0.1%)	1,940	8.4%	61.2%	8.5%	\$89.20	4.0%	\$54.56	12.8%	\$173	12.7%
CAGR*	2.6%		2.2%		(0.4%)		1.2%		0.8%		3.4%	

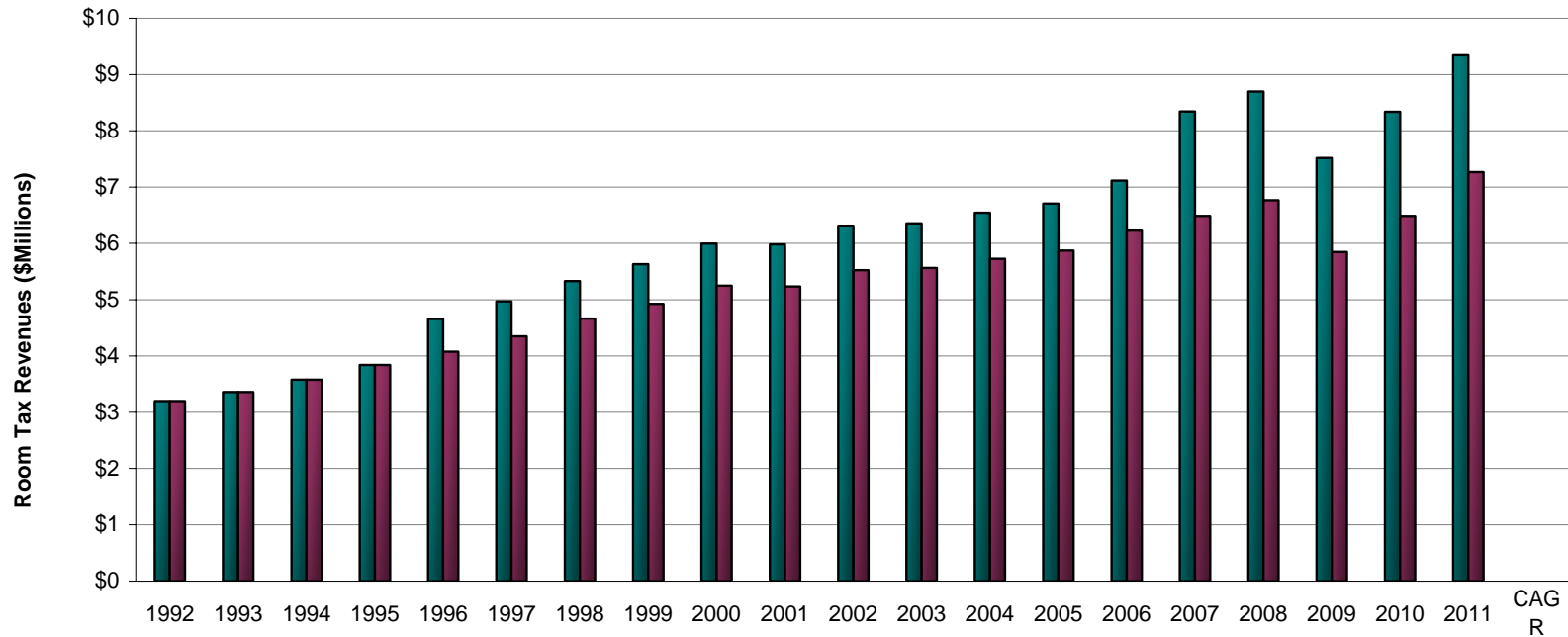
\*CAGR = Compounded Annual Growth Rate 2006 thru 2011  
 Source: Smith Travel Research

Records of room tax collections in Madison allow for examination of lodging trends over a longer period of time. Figure 6-2 shows historical room tax collections from 1992. The room tax rate was then 7 percent, increased to 8 percent in 1996, and again to 9 percent in 2007 up till now. The chart shows actual and rate-adjusted collection trends.



Figure 6-2

**Madison, Wisconsin  
 Historical Room Tax Collections (\$Millions)**



Tax Rate (Change)	7%				8%				9%				CAGR								
Actual Collections	\$3.2	\$3.4	\$3.6	\$3.8	\$4.7	\$5.0	\$5.3	\$5.6	\$6.0	\$6.0	\$6.3	\$6.4	\$6.5	\$6.7	\$7.1	\$8.3	\$8.7	\$7.5	\$8.3	\$9.3	5.8%
% Change		5%	7%	7%	21%	7%	7%	6%	7%	(0%)	6%	1%	3%	3%	6%	17%	4%	(14%)	11%	12%	
Rate-Adjusted	\$3.2	\$3.4	\$3.6	\$3.8	\$4.1	\$4.3	\$4.7	\$4.9	\$5.2	\$5.2	\$5.5	\$5.6	\$5.7	\$5.9	\$6.2	\$6.5	\$6.8	\$5.8	\$6.5	\$7.3	4.4%
% Change		5%	7%	7%	6%	7%	7%	6%	7%	(0%)	6%	1%	3%	3%	6%	4%	4%	(14%)	11%	12%	

CAGR = Compounded Annual Growth Rate from 1992 through 2011.

Source: City of Madison

As shown on the figure, actual room tax collections increased by a compounded annual rate of 5.8 percent from 1992 through 2011. When the revenue amounts are rate-adjusted, taking into consideration the two rate increases in 1996 and 2007, room tax collections increased by a healthy compounded annual rate of 4.4 percent. This adjusted growth rate corresponds to the annual growth rate in room revenues, which reflects the actual lodging activities. This translates that Madison lodging activities grew by 4.4 percent annually from 1992 through 2011, This is a fairly healthy growth and is attributed to ADR increases as well as room supply increases.

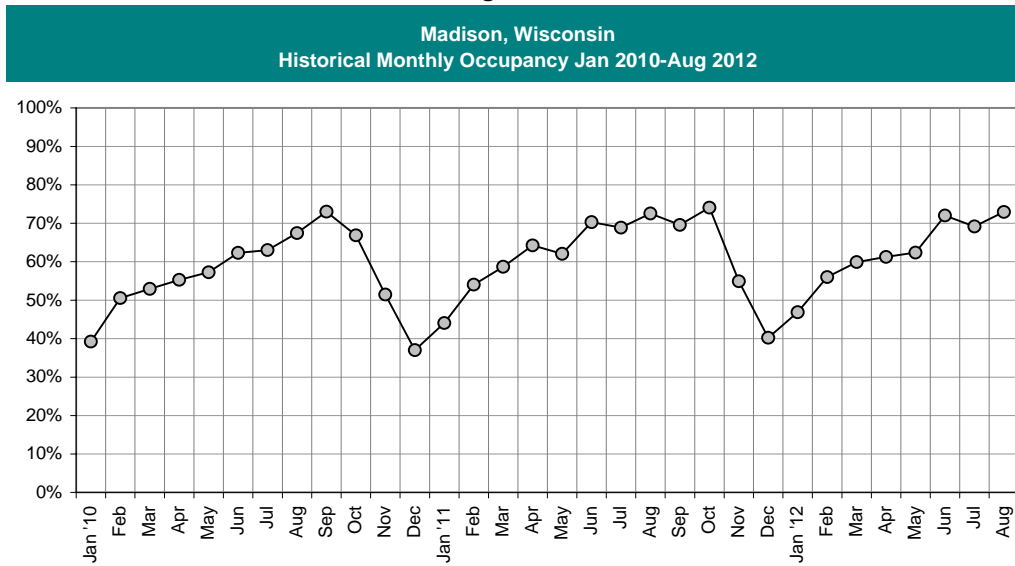
New hotel developments in Madison include a Hampton Inn and Edgewater Hotel.

- The 194-room Hampton Inn is in the early stages of construction and is located on the corner of North Bassett Street and West Johnson Street, about 1-mile from Monona Terrace. The hotel is scheduled to open in the Fall of 2013. It is aimed at corporate, university and leisure business.
- The Edgewater Hotel has undergone a long pre-development process and is set to begin redevelopment in October of 2012 and be complete in the late Spring of 2014. Located about a mile from Monona Terrace and on the shore of Lake Mendota, the \$98 million redeveloped hotel will have 189 rooms, up to 10 luxury condos, as well as meeting, restaurants, parking and dock space. This will be an outstanding amenity for the market, but will be a minor factor in addressing the available room block for Monona Terrace, due to its distance from the center.

## **MONTHLY SEASONALITY**

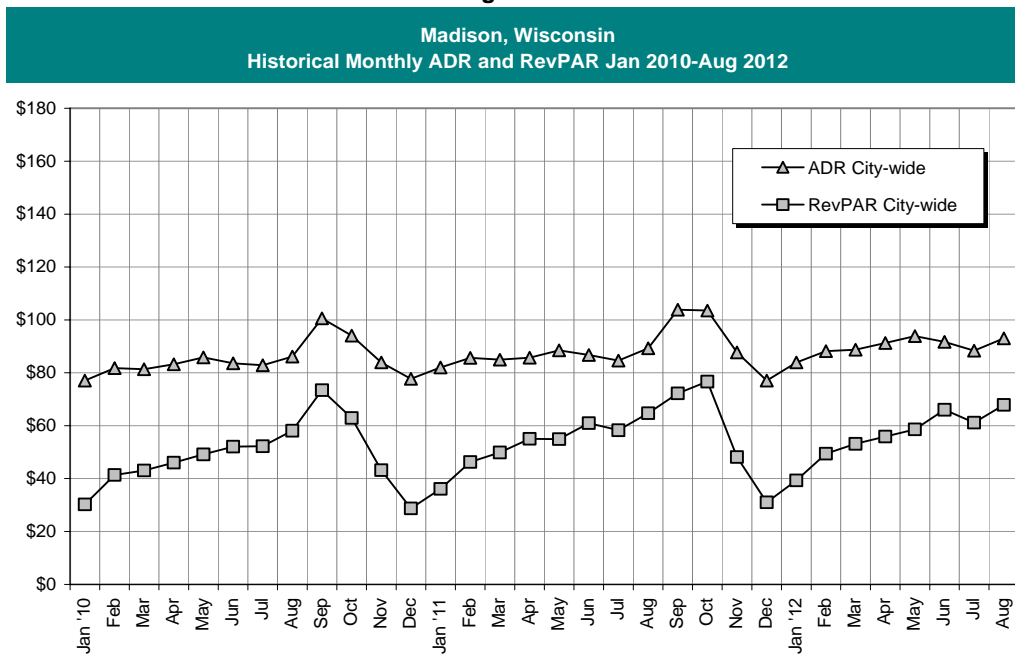
Figure 6-3 and 6-4 show monthly seasonality of occupancy and rates from the center. Note that August, a non-school month is especially busy. This happens to be one of the busiest months for Monona Terrace.

**Figure 6-3**



Source: Smith Travel Research

**Figure 6-4**



Source: Smith Travel Research

As shown in the charts, high season in Madison typically runs from Summer through Fall. Winter is most quiet in which occupancy could dip below 40 percent, ADR below \$80, and RevPAR below \$30.

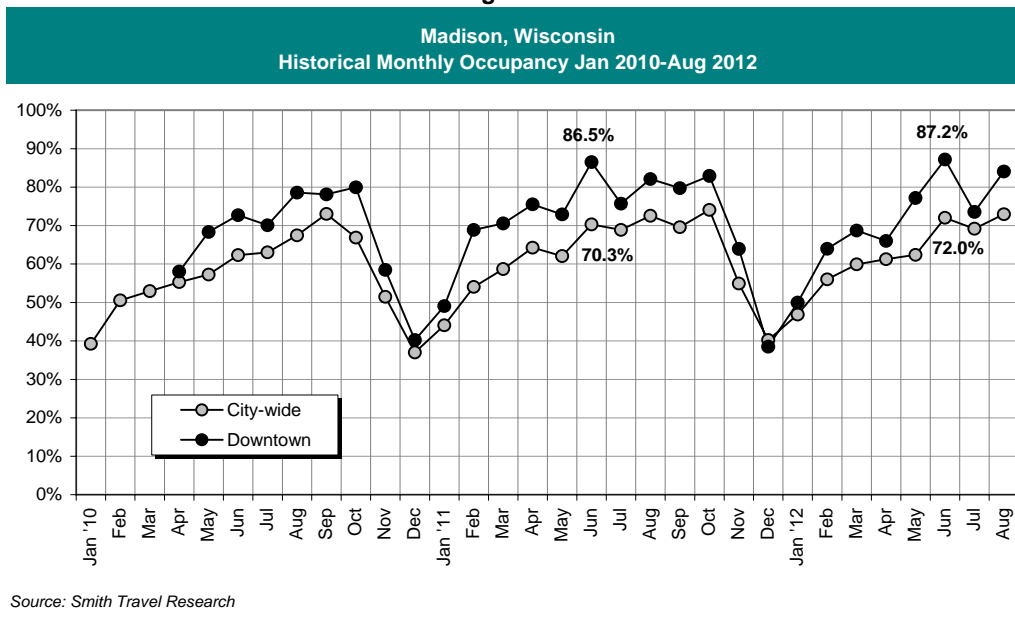


## DOWNTOWN MADISON HOTEL MARKET

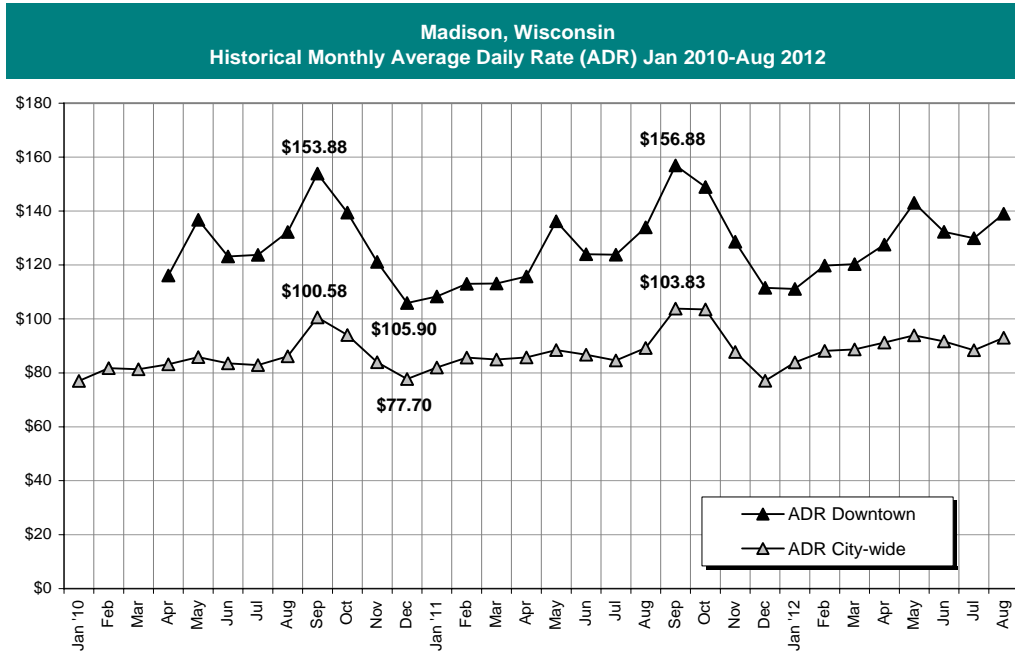
According to Smith Travel Research data maintained by Greater Madison Convention and Visitors Bureau and our independent research, hotels/ motels in downtown Madison enjoy higher occupancy, ADR, and RevPAR when compared to the market overall. Figure 6-5 through Figure 6-7 compare lodging statistics in downtown vs. market-wide and show that downtown hotels perform better. The reason for this is the concentration of assets downtown, Capital related business and a higher quality of hotel stock overall. In this comparison, downtown hotels are represented by 214-room Best Western Plus Inn On The Park, 240-room Hilton Madison Monona Terrace, 151-room Hyatt Place Madison Downtown, and 365-room Madison Concourse Hotel. While several other hotels exist in the broader area, notably the Doubletree, Sheraton and the Clarion Suites, the hotels in this analysis are those most immediate to Monona Terrace.

As the charts show, in the 24 months through August 2012, peak occupancy in downtown hotels reached above 85 percent, compared to 70 percent market-wide. Peak ADR in downtown hotels was \$50 higher than market-wide rate, while in low season it was still \$30 higher than market-wide amounts. Peak RevPAR was also nearly \$50 higher than the market-wide rate, while in low season it stayed above \$40 while the market-wide rate dipped to \$30.

**Figure 6-5**

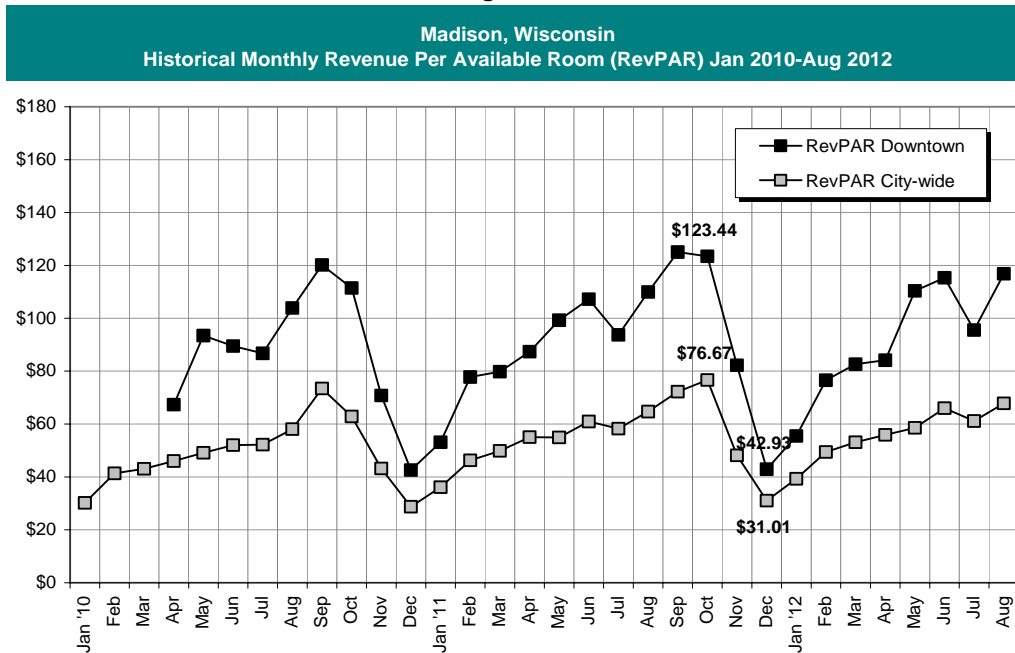


**Figure 6-6**



Source: Smith Travel Research

**Figure 6-7**



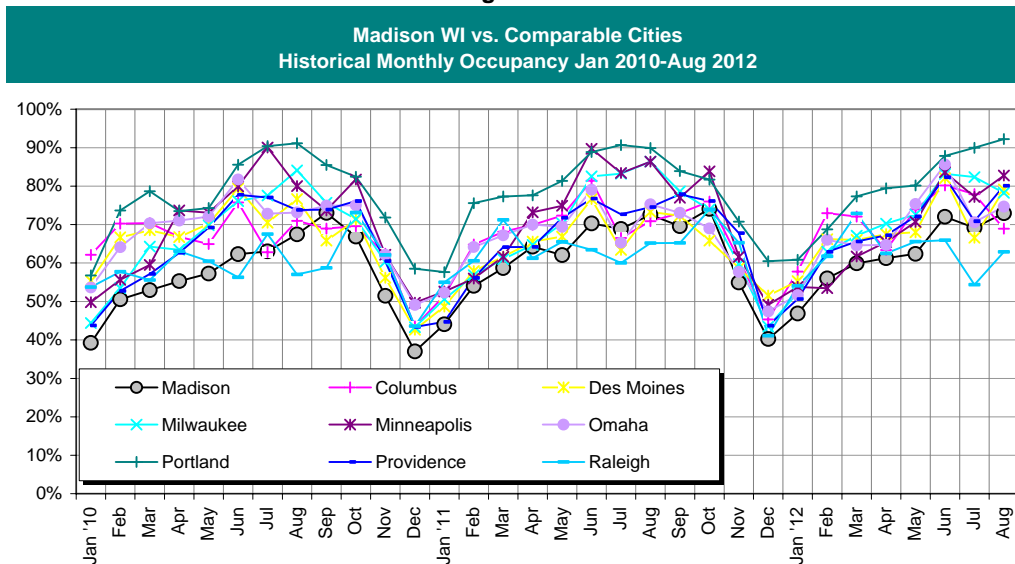
Source: Smith Travel Research

These statistics show the downtown Madison location is desirable and preferred by visitors to Madison and given greater priority in hotel booking decisions.

## MADISON LODGING MARKET VS. PEER CITIES

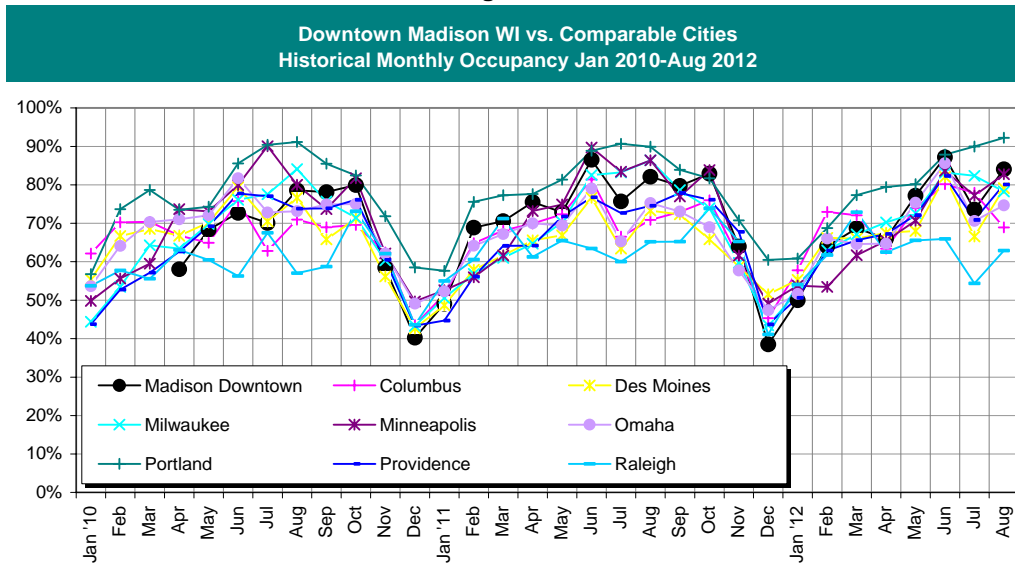
Figure 6-8 through Figure 6-13 compare lodging statistics in Madison and its peer cities: Columbus, Ohio; Des Moines, Iowa; Milwaukee, Wisconsin; Minneapolis, Minnesota; Omaha, Nebraska; Portland, Oregon; Providence, Rhode Island; and Raleigh, North Carolina. These cities were chosen because of similarities of size of market, presence of university, state capital presence, and presence of convention center. Figure 6-8 and Figure 6-9 compare the occupancy trends.

**Figure 6-8**



Source: Smith Travel Research

**Figure 6-9**



Source: Smith Travel Research

As shown in the charts, market-wide occupancy in Madison stayed on the lower side of the peers. On the other hand, downtown Madison hotels are shown to experience comparable occupancy as peer markets.

Figure 6-10 and Figure 6-11 compare the ADR trends.

Figure 6-10

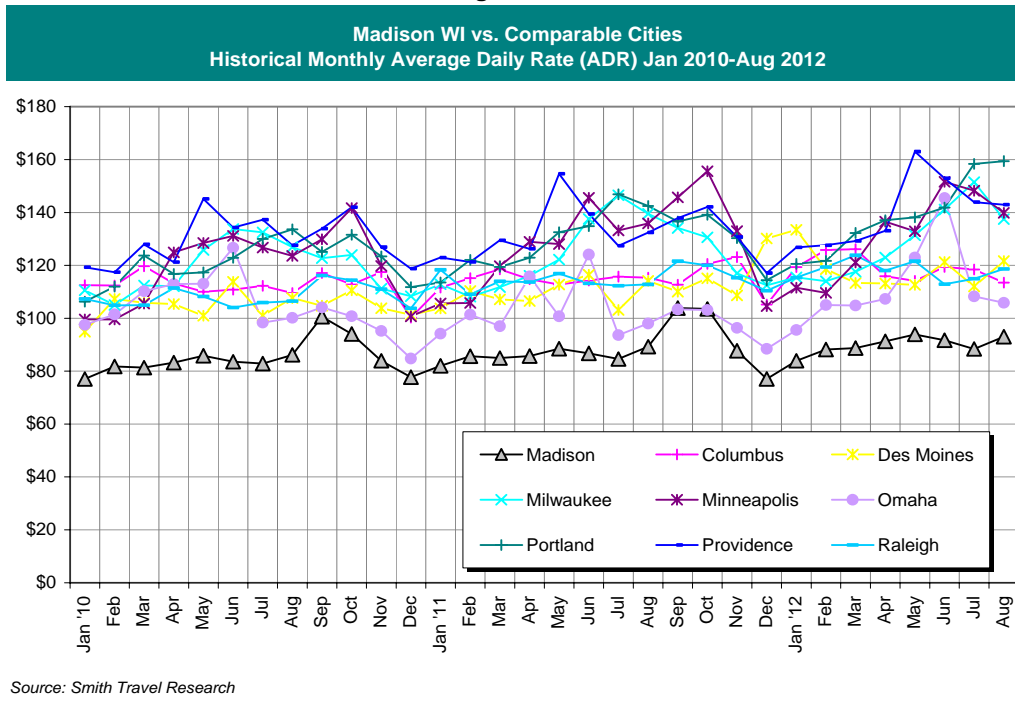
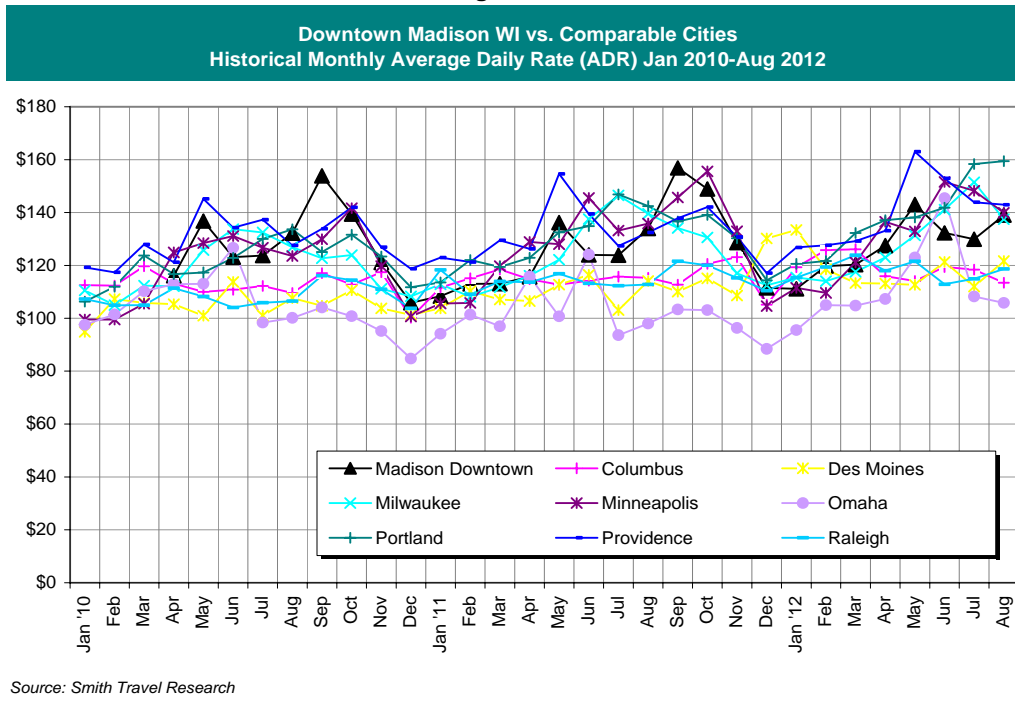


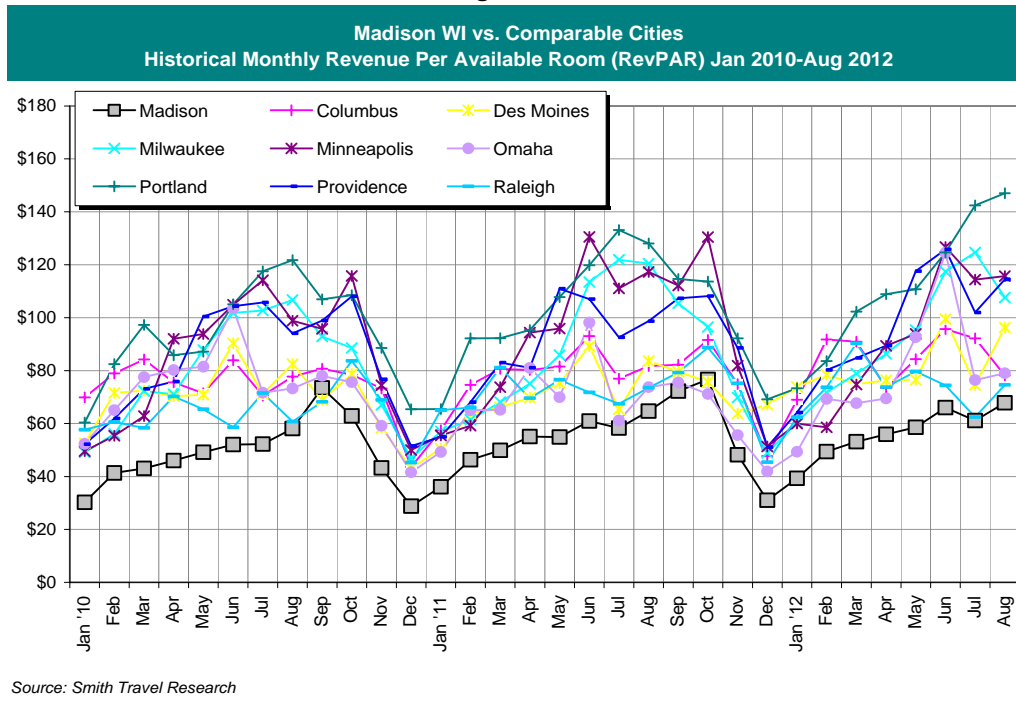
Figure 6-11



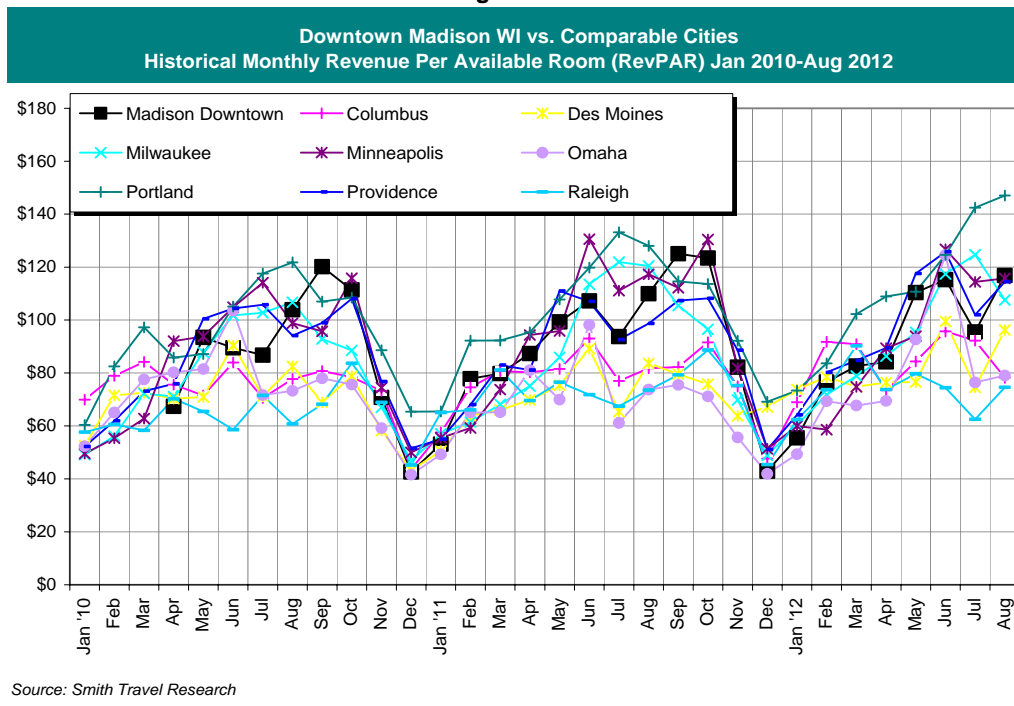
As shown in charts, market-wide, Madison hotels trailed all of the peers in terms of ADR, staying below peers' ADR throughout the 32-month period. However, downtown Madison hotels enjoyed very comparable or higher rates compared to peers, and this would be experience by any new product added to the market.

Figure 6-12 and Figure 6-13 compare the ADR trends.

**Figure 6-12**



**Figure 6-13**



As shown in the charts, similar to ADR, market-wide RevPAR of Madison hotels trailed all of the peers, staying below all other cities’ RevPAR throughout the 32-month period. However, downtown Madison hotels enjoyed comparable rates to peers.

## LODGING STATISTICS OF COMPETITIVE SETS

Competitive sets are subsets of properties that most resemble and are most competitive to the proposed Hotel. Analyses of competitive sets are essential to further examine their historical trends and future potentials before and after the proposed Hotel entering the market.

Two competitive sets are selected to the proposed Headquarters Hotel for Madison. They are listed in Table 6-3. Set #1 consists of five hotels, offering 1,035 rooms combined. Set #2 consists of ten hotels, offering 1,845 rooms combined.





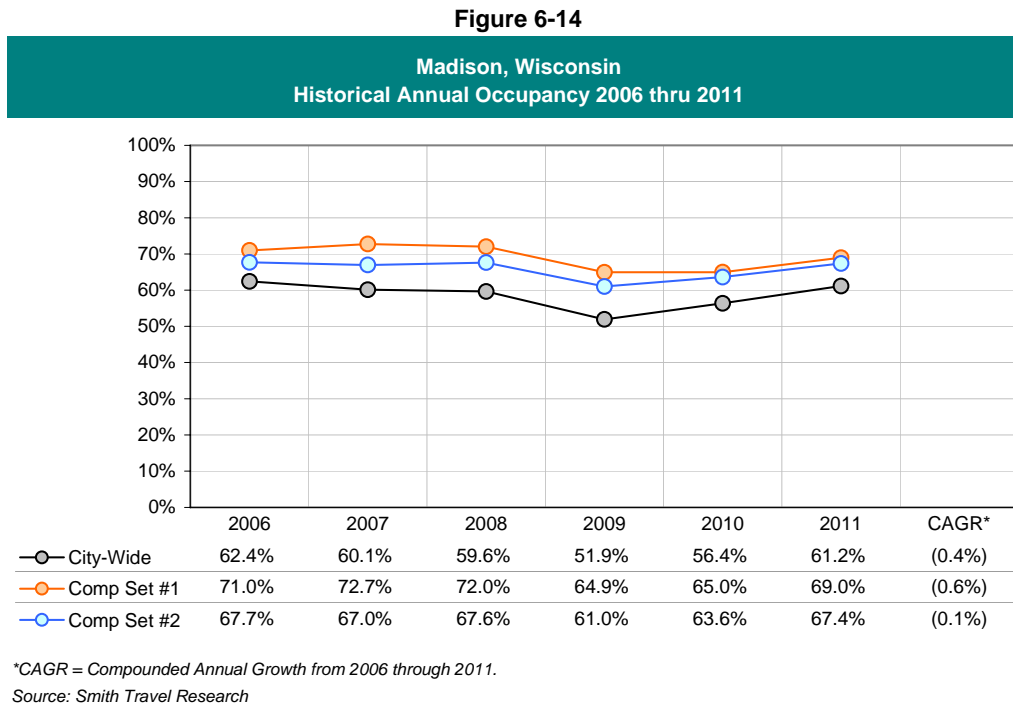
**Table 6-3**

Madison, Wisconsin List of Competitive Sets			
Competitive Set #1	# of Rooms	Competitive Set #2	# of Rooms
1 Campus Inn	74	1 Campus Inn	74
2 Hyatt Place Madison Downtown	151	2 Hyatt Place Madison Downtown	151
3 Hilton Madison Monona Terrace	240	3 Hilton Madison Monona Terrace	240
4 Best Western Plus Inn On The Park	214	4 Best Western Plus Inn On The Park	214
5 Madison Concourse Hotel	356	5 Madison Concourse Hotel	356
		6 Doubletree Madison Downtown	163
		7 Clarion Suites @ The Alliant Energy Center Madison	140
		8 Holiday Inn Express Madison	92
		9 Sheraton Hotel Madison	239
		10 Best Western Plus InnTowner & The Highland Club	176
<b>Total # of Rooms</b>	<b>1,035</b>	<b>Total # of Rooms</b>	<b>1,845</b>
Room block at 50%	518		923
Room block at 60%	621		na

Source: Smith Travel Research

As the city tries to increase demand from conventions, tradeshow and conferences, a key ingredient is room block size. The complexion of hotels in Madison make room blocks very hard to assemble. First, very few rooms are near the center. Second, the occupancy rates are very high, with the best performance being the Hilton, right next to Monona Terrace. The agreement with that hotel stipulates only 62 percent of its rooms be granted for room blocks (150 rooms). Other hotels in the market also have consistent market segments they prefer to cater to, and during busy periods, they will grant an even smaller room block. Table 6-3 shows the room block at 50 and 60 percent for competitive set #1 and at 50 percent for competitive set #2. Room block at 60% for competitive set two would not be granted due to their base of business from other sectors.

Figure 6-14 through Figure 6-17 show the statistics of the two competitive sets from 2006 through 2011, as reported by Smith Travel Research. Figure 6-14 shows the annual occupancy.



As shown on the chart, the competitive sets experienced higher occupancy than market-wide. In general, both maintained healthy and strong occupancy, going below 65 percent only in 2009 for Set #1, and in 2009 and 2010 for Set #2. In 2011, their occupancy was at least 6 percentage points higher than the market-wide rate. Markets that have occupancy over seventy percent have many nights at many hotels that are full. Downtown Madison hotels had over seventy percent occupancy seven months in 2011. Several hotels operate at an annual occupancy rate well over seventy percent.

**Figure 6-15**

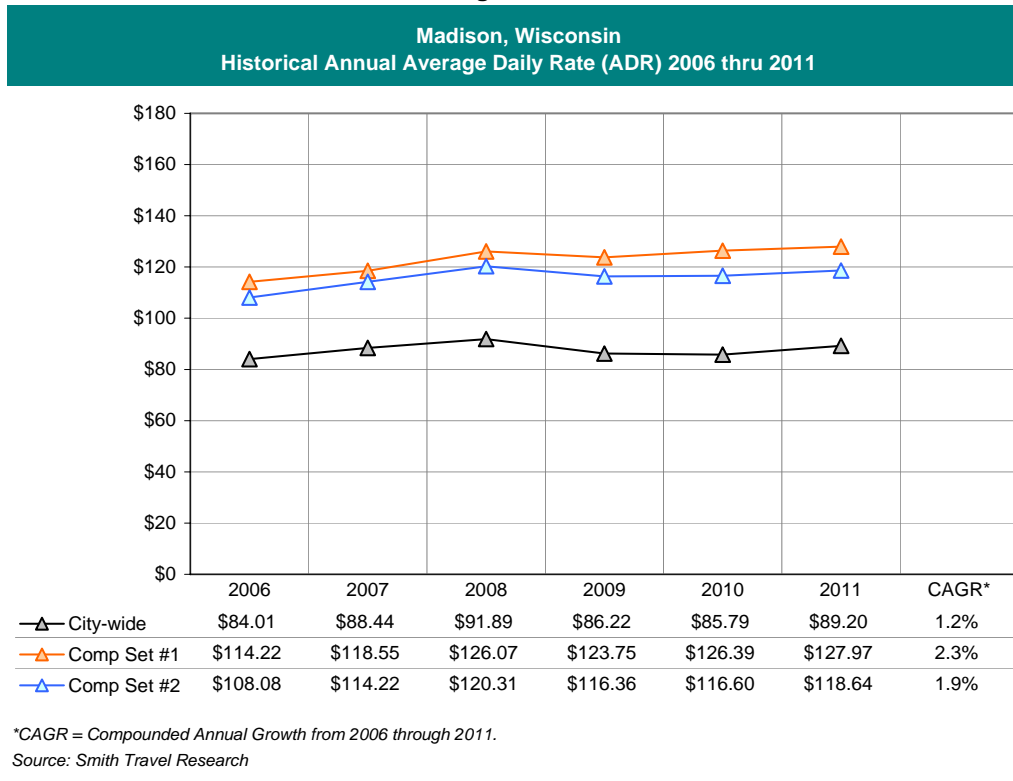


Figure 6-15 above shows that the competitive sets also experienced higher ADR than market-wide. From 2006, annual growth was 2.3 percent for Set #1 and 1.9 percent for Set #2. In 2011, their ADR was more than 30 percent higher than market-wide rate.

**Figure 6-16**

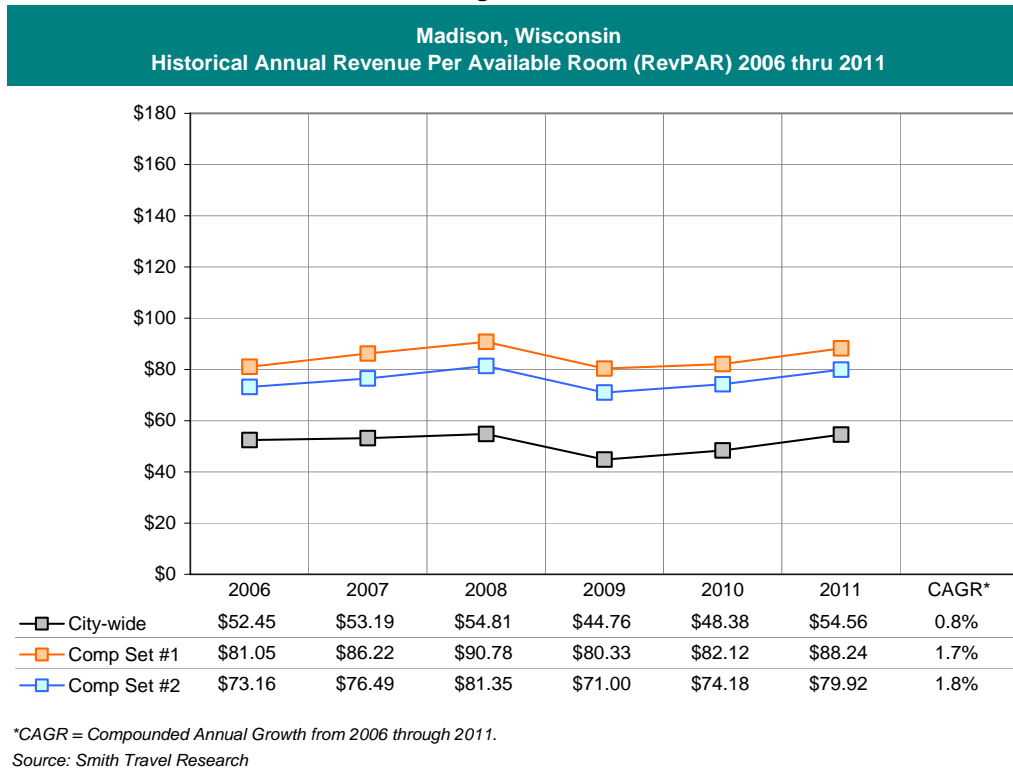
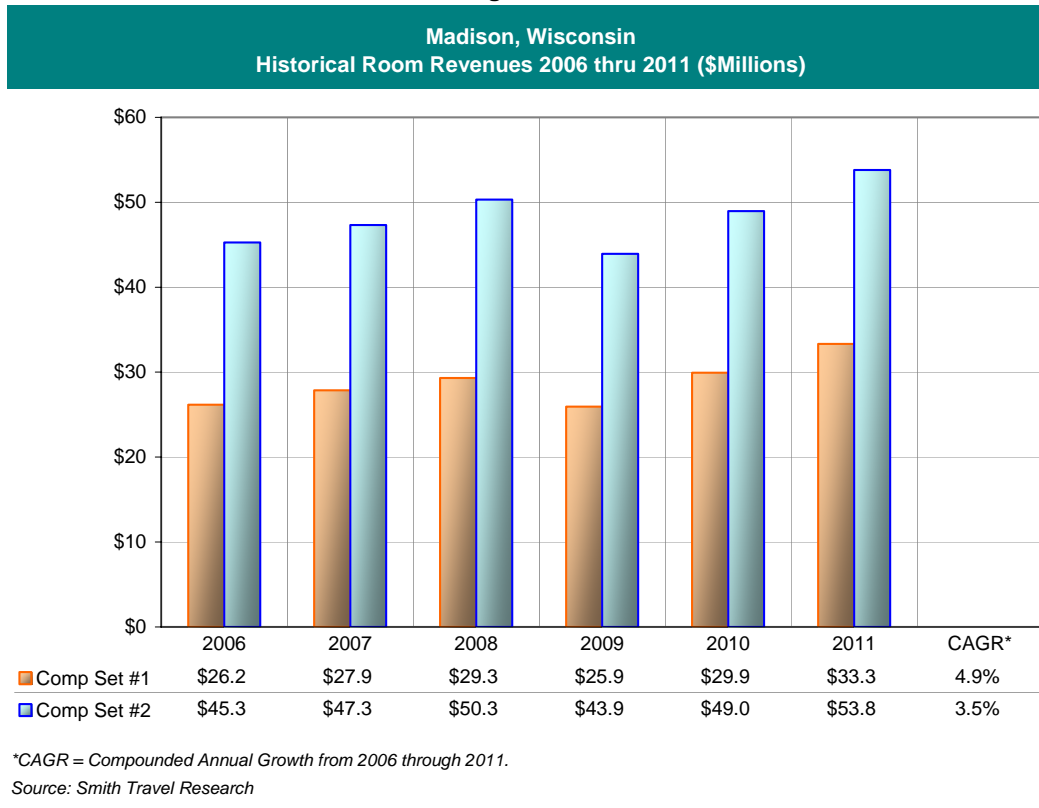


Figure 6-16 above shows that the competitive sets also experienced higher RevPAR than market-wide. From 2006, annual growth was 1.7 percent for Set #1 and 1.8 percent for Set #2. In 2011, their RevPAR was more than 45 percent higher than market-wide rate.

Figure 6-17 shows historical room revenues of the competitive sets.

**Figure 6-17**



As shown on the chart, room revenues of Set #1 and Set #2 increased by 4.9 percent and 3.5 percent annually, respectively, from 2006 through 2011. These are higher than market-wide growth rate, which was 3.1 percent annually during the same period. Revenue Per Available Room is summarized as well, which shows that in 2011, Set #1 had a 10 percent advantage over Set #2.

## LODGING STATISTICS OF NATIONAL COMPARABLE PROPERTIES

Five hotels were selected from nation-wide lodging properties to represent those most comparable to the proposed Headquarters Hotel in Madison. The properties were selected for a number of reasons including, a range of hotel sizes to ascertain the average performance of small to large properties (the average room count for the 5 properties selected is 513 rooms); in the case of the Renaissance Nashville, Marriott San Jose and Columbia Hilton, the properties operate in conjunction with a stigmatized convention center due to a small facility size; each hotel and facility operates in a specialized market with unique demand generators; and each hotel operates in the top tier of their market area. The five hotels have a total room supply of 2,565 rooms and an average size of 513-rooms. They are summarized in Table 6-4.

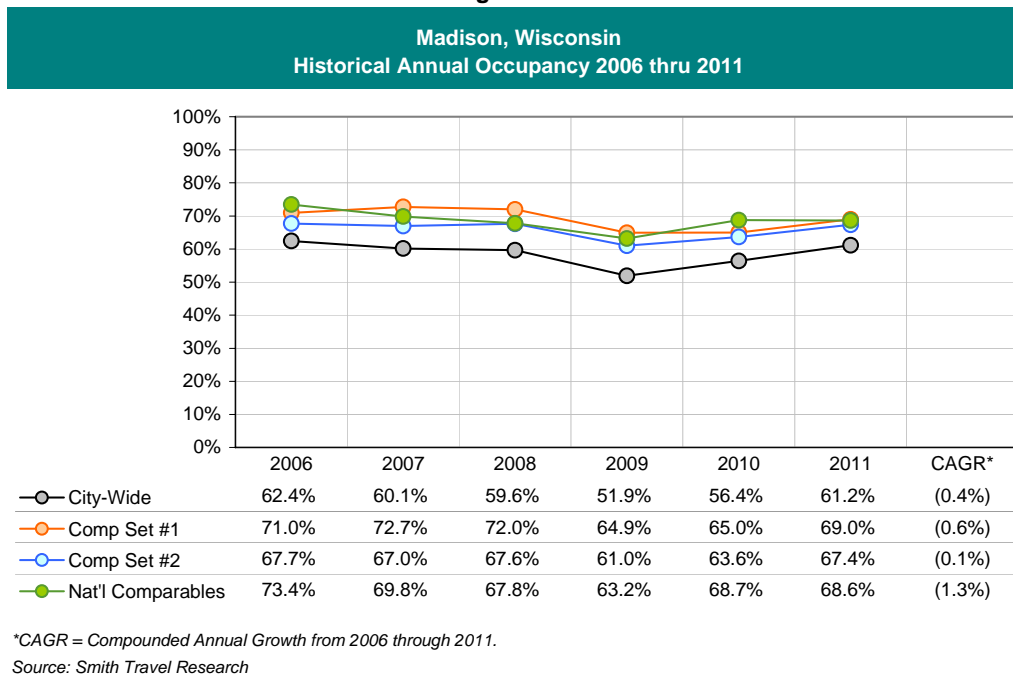
**Table 6-4**

Madison, Wisconsin List of National Comparable Lodging Properties	
Competitive Set #1	# of Rooms
1 Renaissance Nashville Hotel	673
2 Hilton Omaha	600
3 Westin Providence	564
4 Marriott San Jose	506
5 Hilton Columbia Center	222
Total # of Rooms	2,565

*Source: Smith Travel Research*

Figure 6-18 through Figure 6-20 shows the statistics of the national comparable set from 2006 through 2011, as reported by Smith Travel Research. Statistics of Madison market-wide and two competitive sets are also shown as comparison. Figure 6-18 shows the annual occupancy.

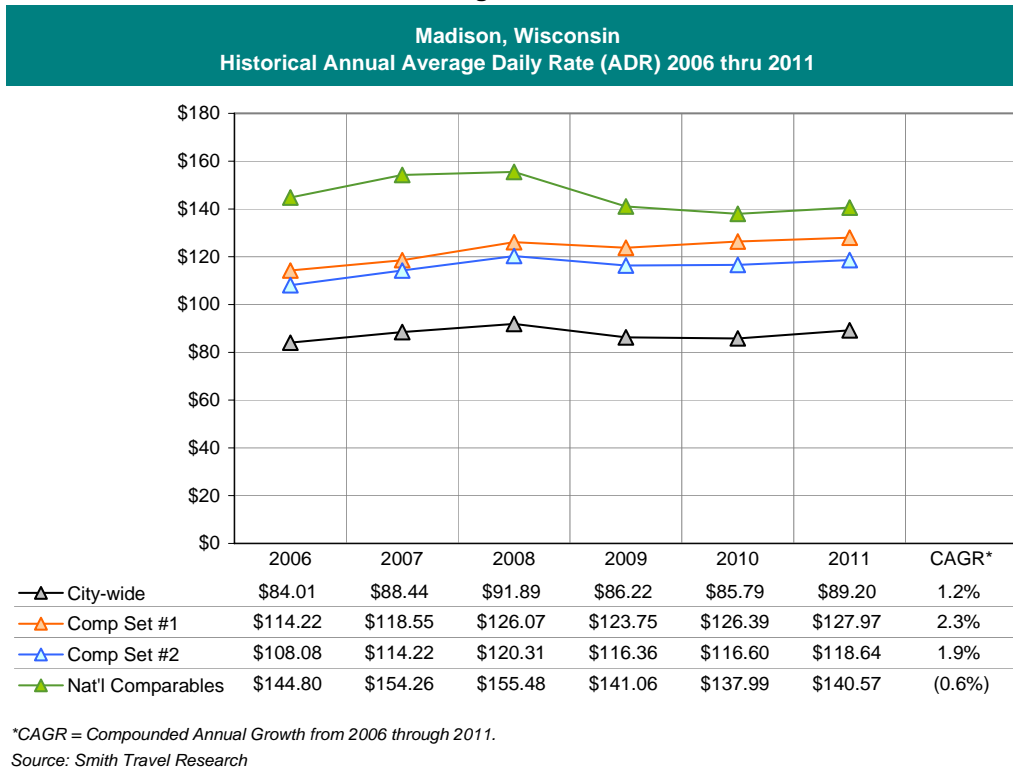
**Figure 6-18**



As shown on the, occupancy rate of the national comparable properties experienced different trend but was in between Madison’s two competitive sets in 2011.



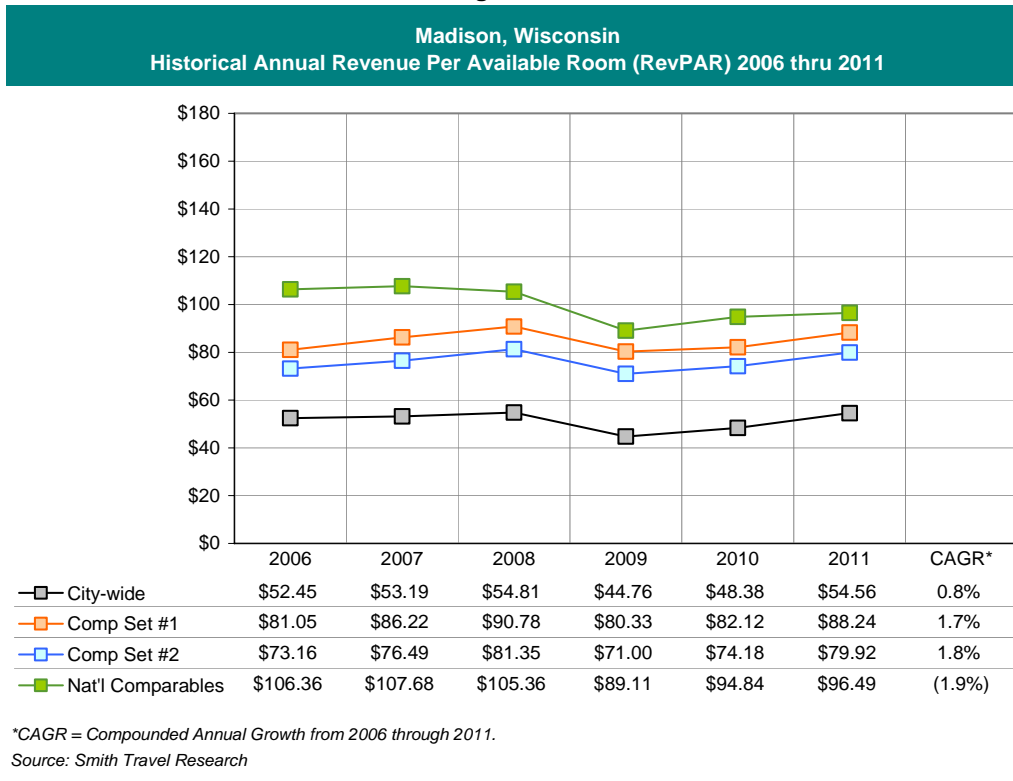
**Figure 6-19**



The national comparable properties notably enjoyed higher ADR than Madison hotels from 2006 through 2011. It is our experience that a new product can have an elevating effect on ADR and on all surrounding properties, sometimes after a very short absorption period decline.



**Figure 6-20**



As shown on the chart above, the national comparable properties also experienced higher RevPAR than Madison hotels from 2006 through 2011.

These statistics of national comparable properties show the potentials for the proposed Headquarters Hotel in Madison to achieve.

## REVIEW OF MONONA TERRACE

Table 6-5 through Table 6-8 summarize event demand and attendance at the Monona Terrace from 2007 through 2011.

**Table 6-5**

<b>Monona Terrace, Madison, Wisconsin Summary of Event Demand</b>						
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>% of Total</b>
Banquets	275	274	233	231	210	37%
Meetings	213	238	193	206	207	32%
Conventions	30	33	28	26	30	4%
Conferences	38	49	40	36	32	6%
Consumer Shows	11	15	13	19	23	2%
Entertainment	33	27	26	30	30	4%
Community Events	72	69	76	61	82	11%
Community Meetings	19	23	23	13	16	3%
<b>Total</b>	<b>691</b>	<b>728</b>	<b>632</b>	<b>622</b>	<b>630</b>	<b>100%</b>

Source: Monona Terrace

As typical with conference/ convention/ civic centers, banquets and meetings make up nearly 70 percent of events at Monona Terrace, due to their frequency and local demand orientation. However, these events generate only 42 percent of attendees, as summarized in Table 6-6, below.

**Table 6-6**

<b>Monona Terrace, Madison, Wisconsin Summary of Actual Attendance</b>						
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>% of Total</b>
Banquets	32,287	44,061	51,174	54,530	49,805	26%
Meetings	18,006	26,956	31,811	33,023	36,535	16%
Conventions	15,119	18,232	17,241	30,242	31,151	13%
Conferences	6,013	9,138	9,918	10,659	9,725	5%
Consumer Shows	13,960	28,153	38,862	40,930	41,368	18%
Entertainment	1,542	7,060	15,279	13,457	9,045	5%
Community Events	28,572	28,610	24,759	30,608	35,345	17%
Community Meetings	197	185	381	252	327	0%
<b>Total</b>	<b>115,696</b>	<b>162,395</b>	<b>189,425</b>	<b>213,701</b>	<b>213,301</b>	<b>100%</b>

Source: Monona Terrace

Indeed, banquets and meetings are smaller events compared to conventions and consumer shows. Table 6-7 shows the average attendance by types of events. Note the uptick in average convention size from 2009 to 2010, largely attributed to marketing strategies employed at the building and CVB. When demand at Monona Terrace is compared to that of comparable sites analyzed elsewhere in this report, the facility does very well in terms of both events and attendance.

**Table 6-7**

<b>Monona Terrace, Madison, Wisconsin Summary of Average Attendance</b>					
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Banquets	117	161	220	236	237
Meetings	85	113	165	160	176
Conventions	504	552	616	1,163	1,038
Conferences	158	186	248	296	304
Consumer Shows	1,269	1,877	2,989	2,154	1,799
Entertainment	47	261	588	449	302
Community Events	397	415	326	502	431
Community Meetings	10	8	17	19	20
<b>Weighted Average</b>	<b>316</b>	<b>300</b>	<b>300</b>	<b>326</b>	<b>312</b>

*Source: Monona Terrace*

Table 6-8 summarizes the level of utilization of Monona Terrace, measured in number of event-days.

**Table 6-8**

<b>Monona Terrace, Madison, Wisconsin Summary of Event Days</b>						
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>Average Event-Days*</b>
Banquets	277	276	233	235	214	1.0
Meetings	264	300	239	262	246	1.2
Conventions	124	132	111	103	128	4.1
Conferences	90	117	102	92	78	2.5
Consumer Shows	16	19	24	42	48	1.8
Entertainment	35	29	27	32	31	1.1
Community Events	75	76	80	65	86	1.1
Community Meetings	19	24	25	13	16	1.0
<b>Total</b>	<b>900</b>	<b>973</b>	<b>841</b>	<b>844</b>	<b>847</b>	

*\*Based on 2007-2011 statistics.  
 Source: Monona Terrace*

As shown in the table, the majority of events in Monona Terrace are one- to two-day events. Moreover, most banquet and meeting events are small sized and held simultaneously. Therefore, even though Monona Terrace was used for over 800 event-days, they only translated to utilization rate of 40 percent in 2010 and 2011 due to number of different available spaces in the complex. These utilization rates are summarized in Table 6-9. Do not interpret these as “under utilized.” The building is actually quite heavily used. The number of events and event days is actually quite high. The issue relates to the smaller size of event and their short

duration in relation to the number of separate spaces in the facility. The convention and conference use level is the issue and primarily relates to hotel room block limitation and facility design that contribute to a comparatively lower use by higher room night generating events. Addressing the room block limitation will provide more opportunity for the convention and conference events that Monona Terrace is eager to accommodate.

**Table 6-9**

<b>Monona Terrace, Madison, Wisconsin Space Utilization</b>						
	SF	SF-Days Available*	2010		2011	
			SF-Days Used	% Used	SF-Days Used	% Used
Ballroom	13,524	4,936,260	2,723,028	55.2%	2,654,820	53.8%
Exhibit Hall	37,200	13,578,000	4,929,000	36.3%	4,631,400	34.1%
Hall of Ideas	6,840	2,496,600	1,240,320	49.7%	1,328,100	53.2%
Multi-Purpose	12,700	4,635,500	2,360,200	50.9%	2,225,500	48.0%
Exterior Space**	50,590	18,465,350	2,811,470	15.2%	2,770,290	15.0%
Meeting Rooms	3,680	1,343,200	540,500	40.2%	537,280	40.0%
Theater/ Lecture Hall	5,540	2,022,100	792,220	39.2%	797,760	39.5%
Other Space***	1,586	578,890	116,714	20.2%	129,425	22.4%
<b>Total</b>	<b>131,660</b>	<b>48,055,900</b>	<b>15,513,452</b>	<b>32.3%</b>	<b>15,074,575</b>	<b>31.4%</b>
<b>Total w/o Exterior Space</b>	<b>81,070</b>	<b>29,590,550</b>	<b>12,701,982</b>	<b>42.9%</b>	<b>12,304,285</b>	<b>41.6%</b>

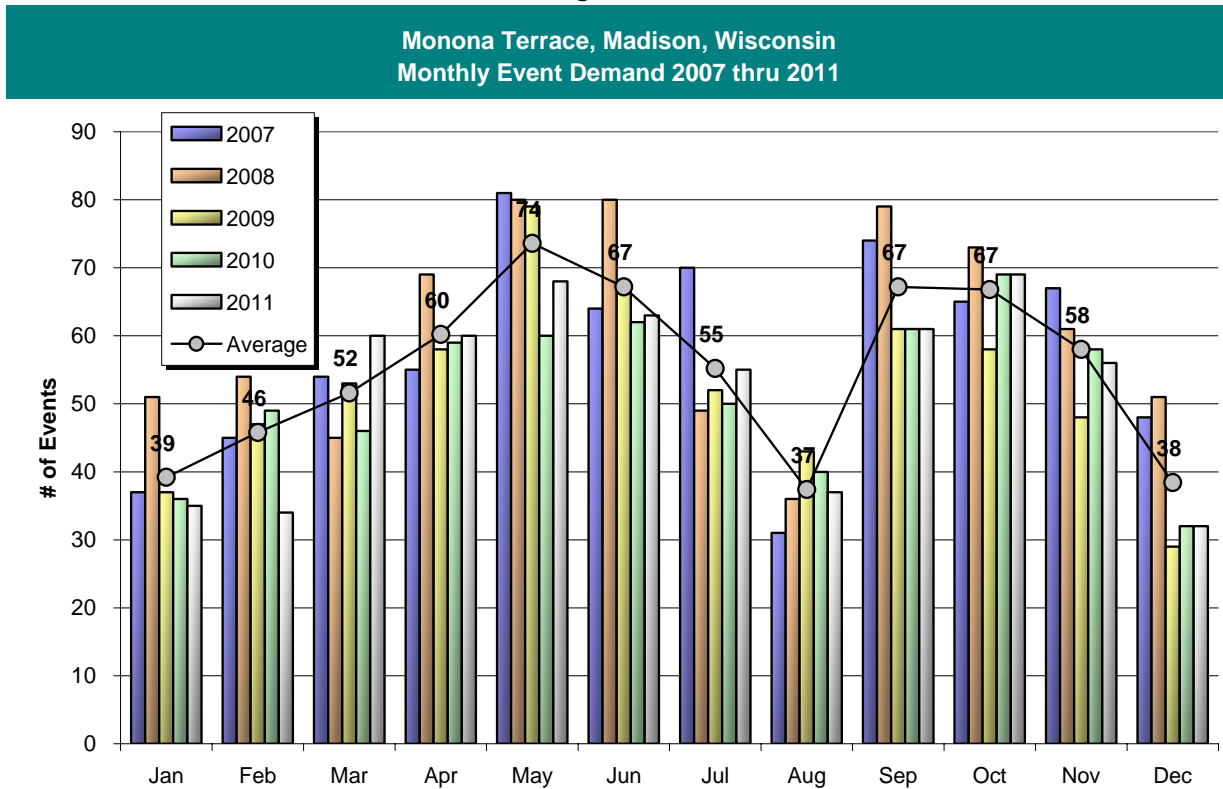
\*SF-Days Available = SF x 365 days.  
 \*\*Including Olin Terrace, Rooftop Center, Rooftop East Circle, and Rooftop West Circle  
 \*\*\*Including Dane Room, Hall of Fame Room, and Wisconsin Room  
 Source: Monona Terrace, Johnson Consulting

The following subsections examine monthly seasonality of the events at Monona Terrace.

**EVENT SEASONALITY**

Figure 6-21 through Figure 6-23 show the number of events and utilized square-foot days by month, from 2007 through 2011.

Figure 6-21

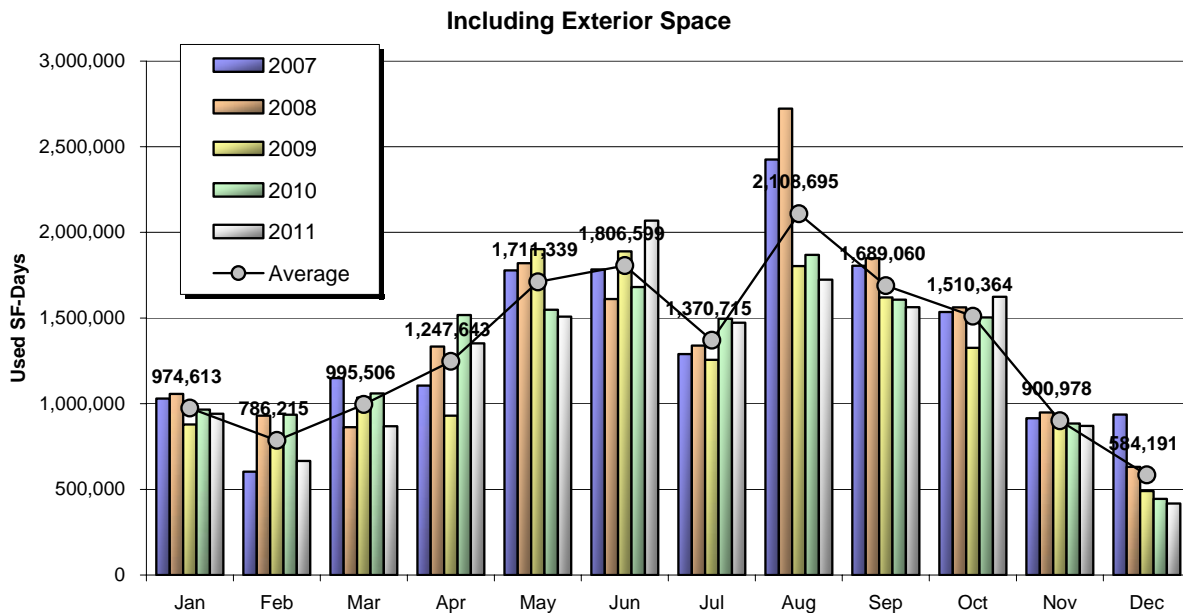
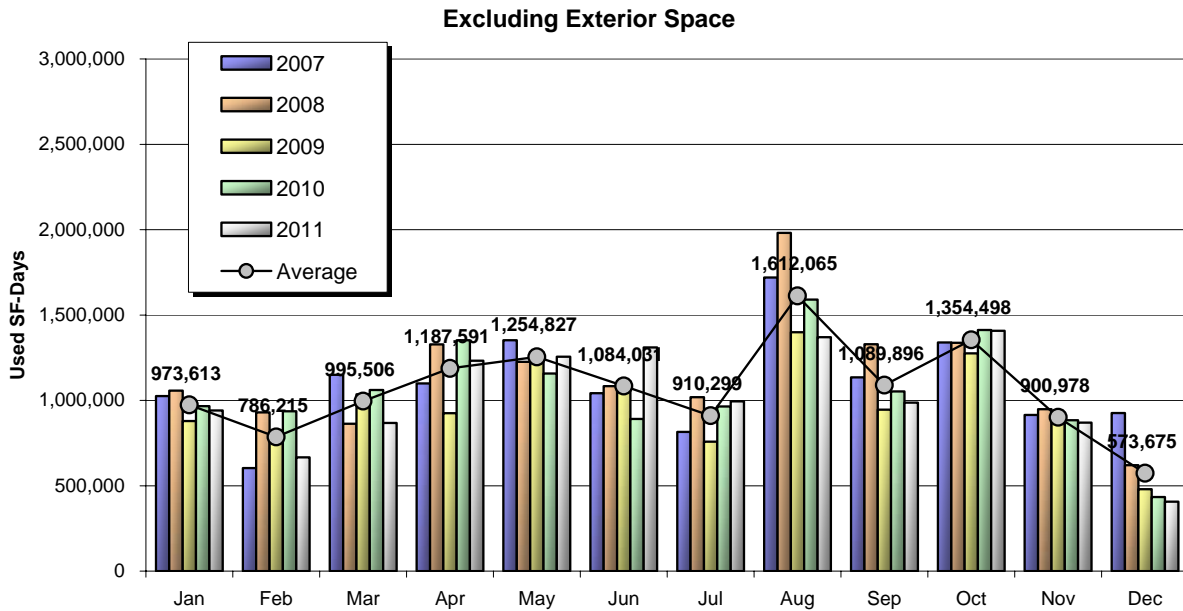


Source: Monona Terrace, Johnson Consulting

The above figure plots number of events by month. It is deceptive because August, which appears to be a slow month, is perhaps the most valuable month to Monona Terrace and the City from a revenue and economic impact perspective. Figure 6-22 captures this value, based on occupied square foot days.

Figure 6-22

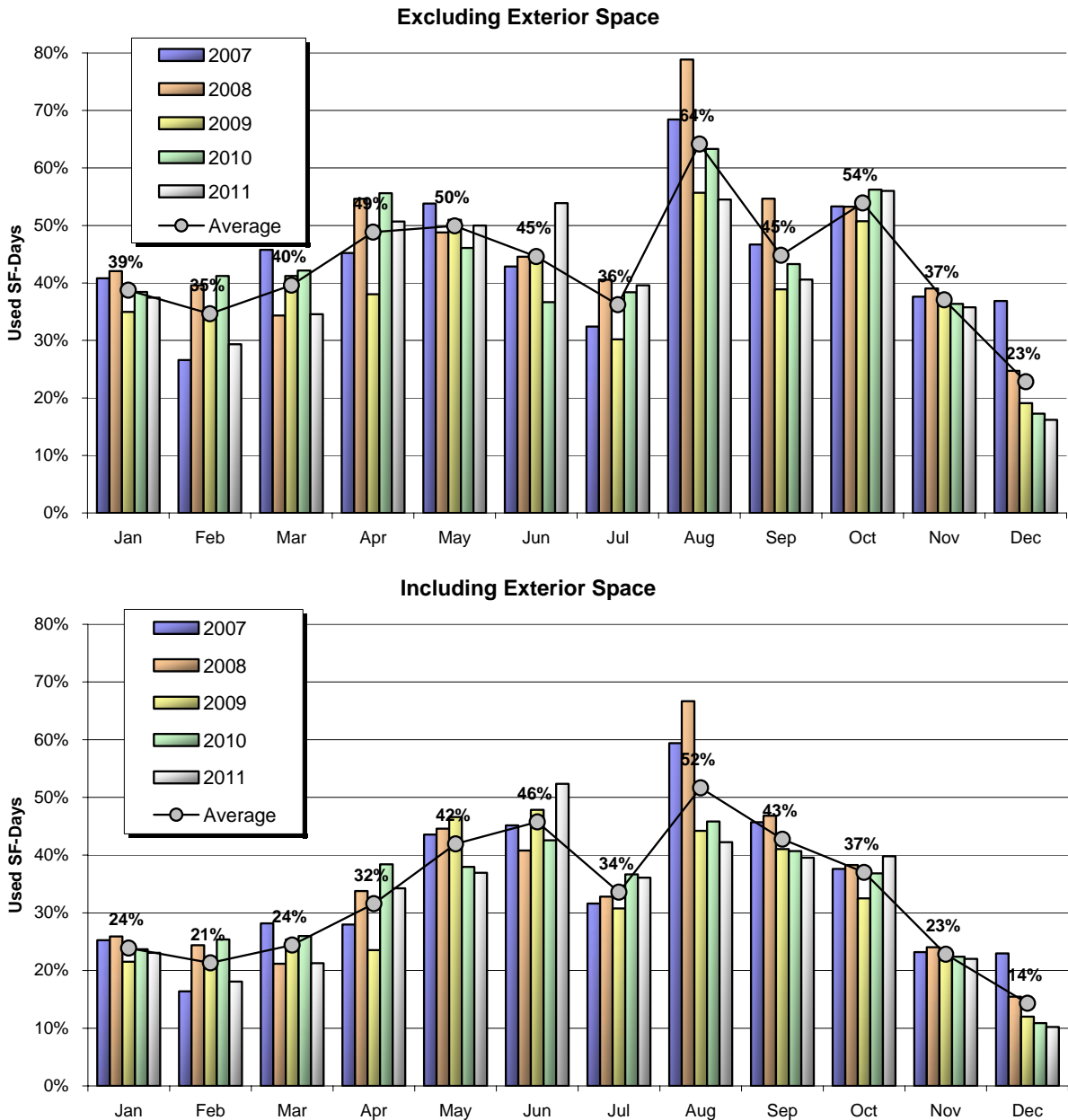
**Monona Terrace, Madison, Wisconsin  
 Historical Monthly Utilized Square Foot Days 2007 thru 2011**



Source: Monona Terrace, Johnson Consulting

Figure 6-23

**Monona Terrace, Madison, Wisconsin  
 Historical Monthly Occupancy 2007 thru 2011**



Source: Monona Terrace, Johnson Consulting

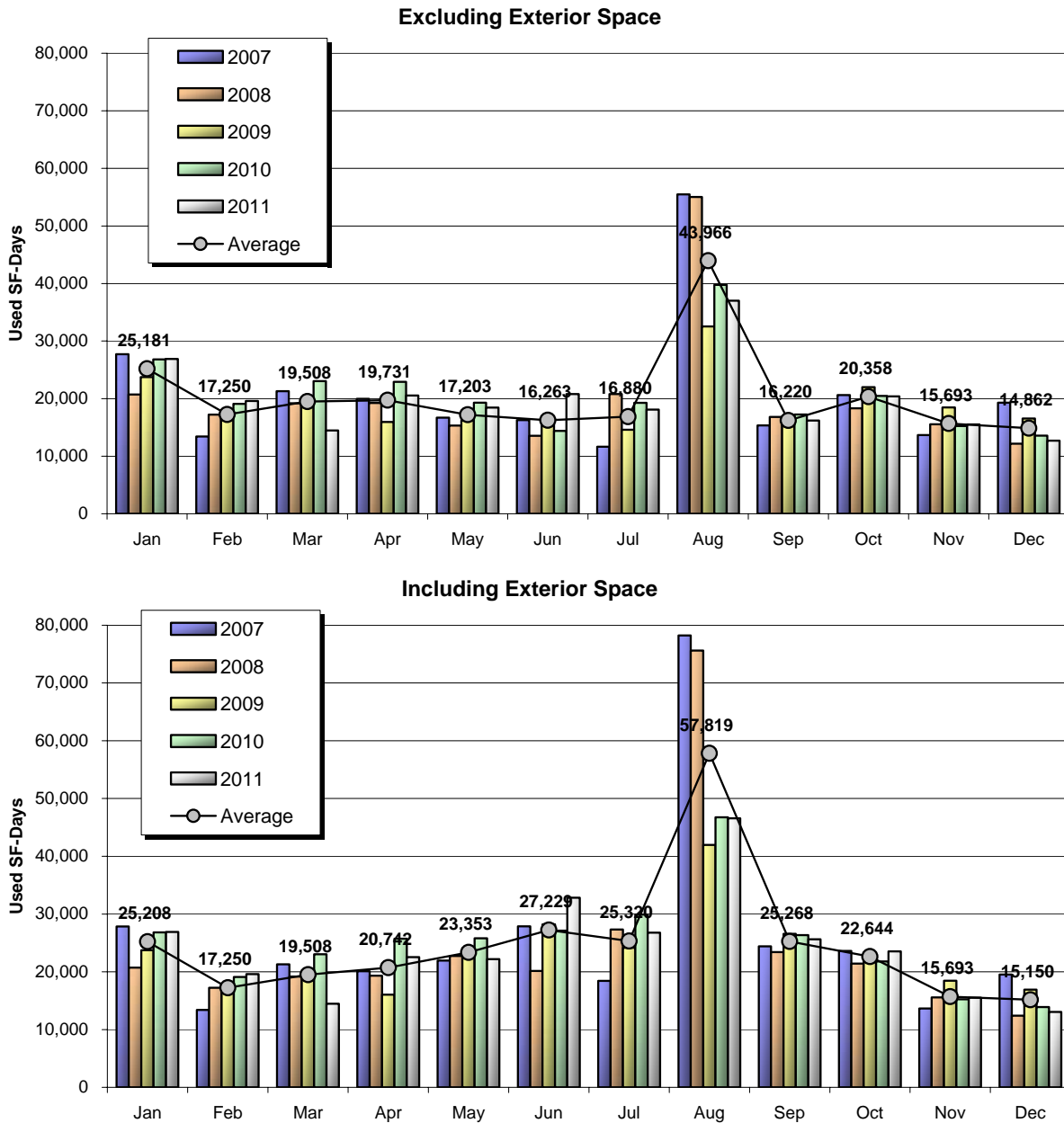
Figure 6-21 through Figure 6-23 show activities at Monona Terrace are not even throughout the year. The month of August has the lowest number of events but it also the busiest, with the highest occupancy and



highest number of square foot days. Figure 6-24 shows the square foot days on per event basis each month from 2007 through 2011.

Figure 6-24

**Monona Terrace, Madison, Wisconsin  
 Historical Monthly Utilized Square Foot Days per Event, 2007 thru 2011**

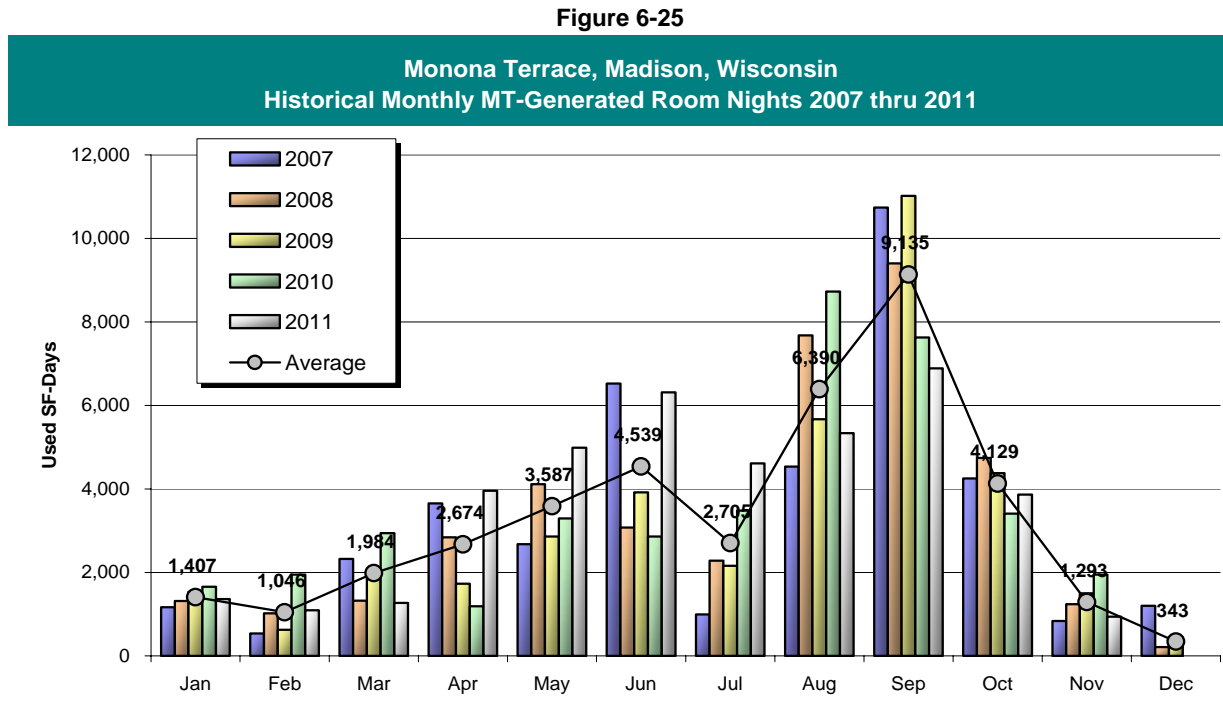


Source: Monona Terrace, Johnson Consulting

Clearly, Figure 6-24 shows that August events are longer and larger. The strategy for Monona Terrace is to fill other months as closely to August as practically possible. Please also note the correlation of peak occupancy and ADR for August and September in Figures 6-3 and 6-4. The goal would be to make many more months as busy as August with the correct hotel strategy.

**MONONA TERRACE-BASED ROOM NIGHTS SEASONALITY**

Figure 6-25 shows the number of room nights generated by events at the Monona Terrace by month, from 2007 through 2011. Note that in our experience, building management only captures a small fraction of room night data about events. Many users are not aware of rooms booked by individuals outside the room block.

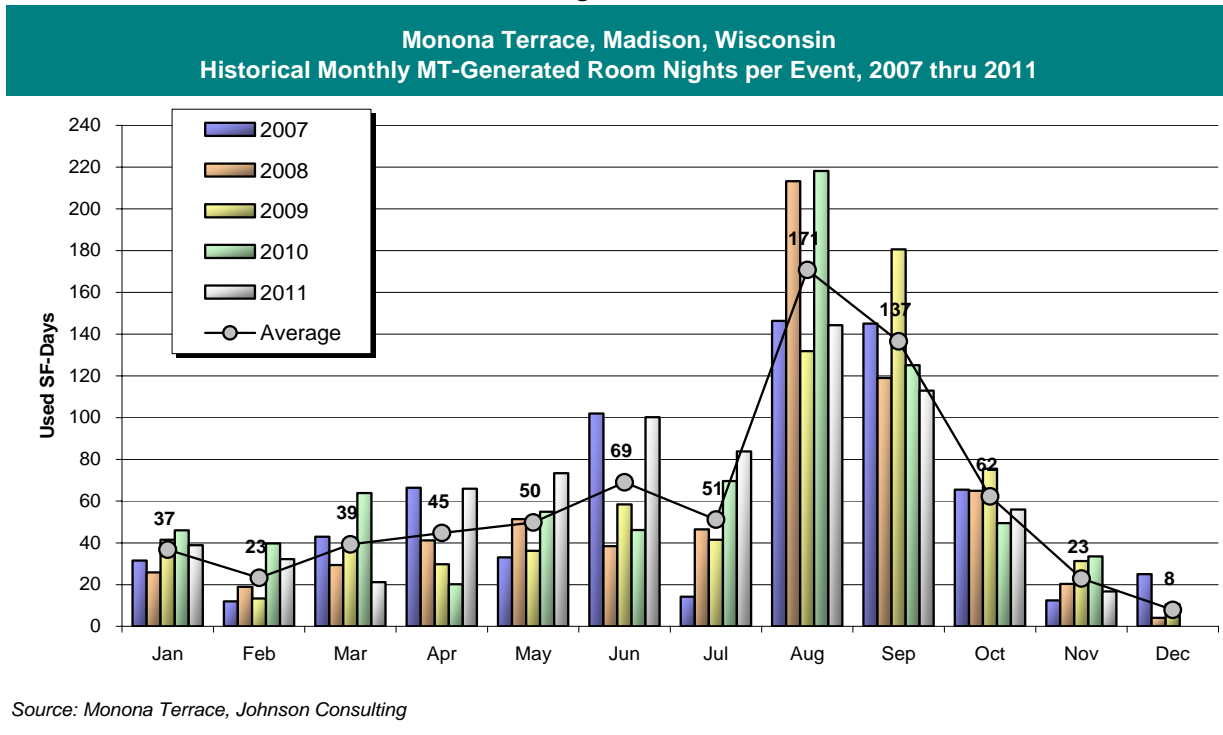


Source: Monona Terrace, Johnson Consulting

As shown on the figure, August and September are the most productive months to generate convention room nights.

Figure 6-26 shows average room nights per events, by month from 2007 through 2011.

Figure 6-26



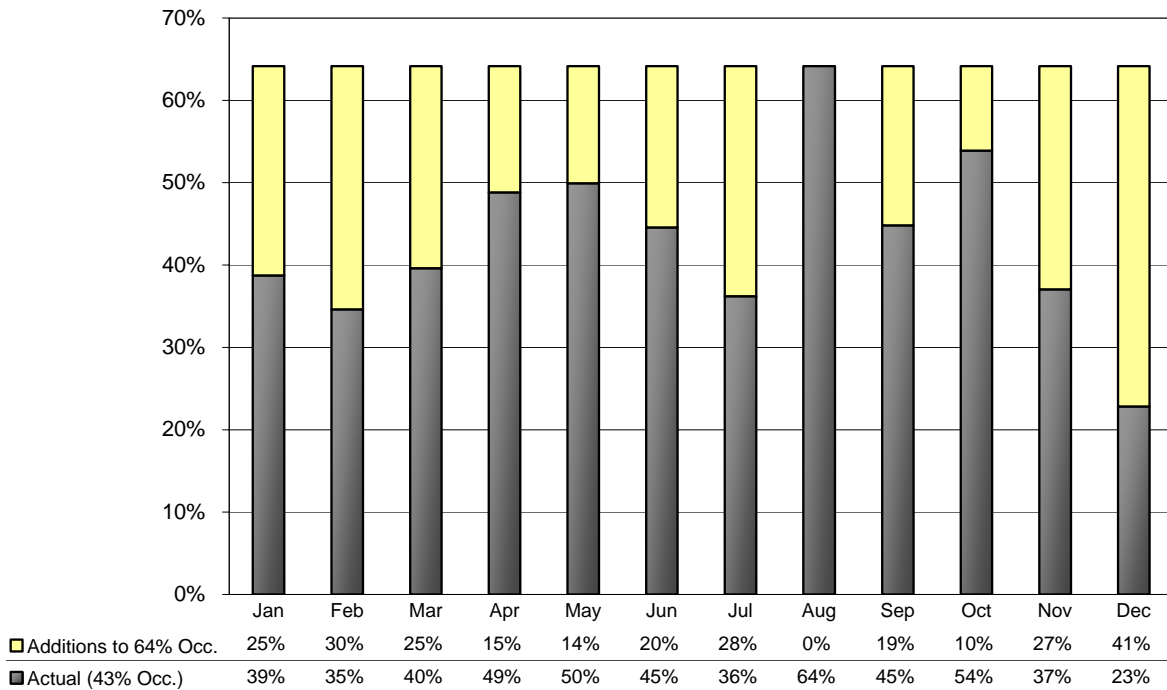
On per event basis, August events are also the most productive in generating room nights.

**POTENTIAL TO INCREASE UTILIZATION AT MONONA TERRACE**

There is capacity at Monona Terrace for more conventions and conferences. However there are few options for larger banquets and social and consumer show events in the City. Figure 6-27 on the following page illustrates the potential to increase utilization in Monona Terrace, by holding more events during “low” months making more months with demand profiles similar to the months of August and September. For example, the busiest month the past five years was August, with an average of 1.6 million square-foot-days of utilization during the month. Having all other months as busy as August would have increased level of utilization from 43 percent to approximately 64 percent, which is nearing the 70-percent practical maximum occupancy of a convention center. Given this, a meeting space strategy for the proposed hotel must play a role in solving the fixed nature of the function space at Monona Terrace.

**Figure 6-27**

**Monona Terrace, Madison, Wisconsin  
 Average Monthly Square Foot Days (2007 thru 2011)**



Source: Monona Terrace, Johnson Consulting

The figure shows there is still capacity at Monona Terrace to hold more events and increase utilization, most efficiently by pursuing events that are longer and larger. It is essential to note that structurally, a much higher level of utilization is not practical without some form of physical modification to add more exhibit and support meeting space or displacing less strategic events. The only practical way to accomplish this is via a larger hotel and its complement of meeting and ballroom space. If the right hotel is added with its own ballroom, space at Monona Terrace will be utilized as exhibit and conference space and the combined array of spaces at both the hotel and at Monona Terrace will allow market expansion.

**LOST EVENT BUSINESS**

The Greater Madison Convention and Visitors Bureau provided records of lost business from bookings for 2008 through 2017. Table 6-10 summarizes those lost opportunities, from a total of 474 leads. These events reflect lost opportunities market-wide, not just from Monona Terrace.



**Table 6-10**

<b>Madison, Wisconsin Summary of Lost Convention/ Meeting Business</b>				
<b>Year</b>	<b># of Events Lost</b>	<b># of Attendees</b>	<b># of Room Nights</b>	<b>Est. Economic Impact (\$Millions)</b>
2008	13	12,010	4,760	\$3.6
2009	71	61,480	37,904	22.1
2010	97	66,050	83,683	37.3
2011	94	78,375	91,773	44.1
2012	94	116,531	111,988	54.2
2013	50	50,651	76,314	33.4
2014	29	58,420	36,156	18.8
2015	15	24,750	44,148	22.4
2016	9	15,510	34,575	15.4
2017	2	1,300	2,535	1.6
<b>Total</b>	<b>474</b>	<b>485,077</b>	<b>523,836</b>	<b>\$253.0</b>

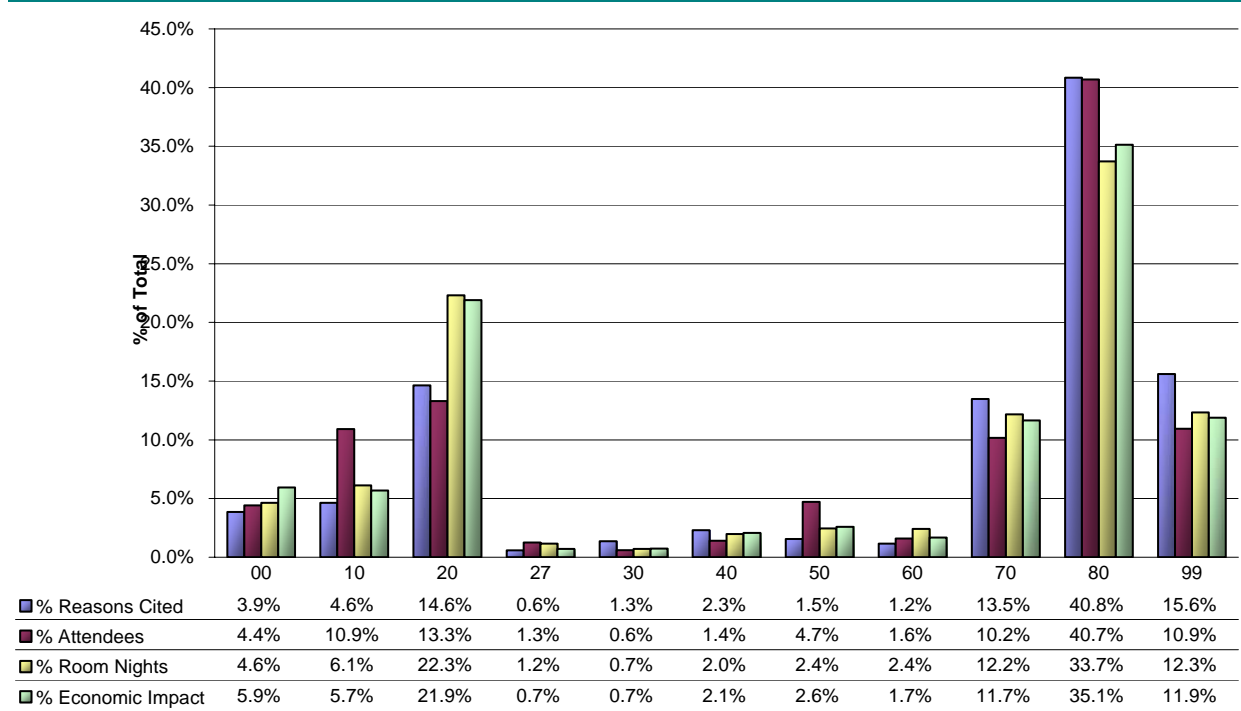
*Source: Greater Madison CVB, Johnson Consulting*

As reported by the CVB, for the 10-year booking period, there are 474 events lost, resulting in loss of over 485,000 attendees, over 523,800 room nights, and \$253 million of economic impact for the entire market. The average event size lost is 1,023 attendees, for all events considered. These large size events are the ones of greatest value to the city. This analysis does not include events that do not even investigate the market because of knowledge that the center and/or hotel supply do not support their event.

Figure 6-28 breakdowns lost business by reasons cited in their withdrawals. In CVB records, there are 31 reasons, which in the following figures are combined into 11 groups of similar issues.

Figure 6-28

**Madison, Wisconsin**  
**Lost Business by Reasons Cited (from 474 Lost Events 2008-2017)**



Loss Code Group	Lost Code	Definition	Loss Code Group	Lost Code	Definition
00	1	No connecting hotel	60	60	Insufficient exhibit space
	2	Require sleeping and meeting rooms under one roof		61	Lack of available meeting space
10	10	Conflicting events at desired times	70	70	Total cost of coming to Madison too high
	14	Date scheduling conflict		72	Meeting space too expensive at AEC
20	20	Insufficient number hotel rooms in area		74	Meeting space too expensive at MT
	21	Madison headquarter hotel block not large enough		76	Competition offered cash incentive
	22	Room rates too high	78	Competition offered other incentive	
	23	Lack of sleeping room availability	80	80	Demographics, area population
	25	Not enough hotels bidding		81	Chose to remain in current facility or city
27	Lack of local funding	82		Weather	
30	Not enough community support	83	Considering Madison for different year		
40	40	Not enough direct flights into Madison	85	Entire event canceled	
	50	Not enough meeting space at hotel	86	Client is unresponsive	
	52	Not enough meeting space at AEC	87	Lack of decision maker interest	
54	54	Not enough meeting space at MT	88	Geographic or Rotation	
			99	99	Other

Notes:  
 MT = Monona Terrace  
 AEC = Alliant Energy Center  
 Source: Greater Madison CVB, Johnson Consulting

As shown in the figure, from 474 event lost in 2008-to-2017 bookings, hotel-related reasons (Group 20) are the reasons for the second highest lost business as measured in number of attendees, room nights, and

economic impact; second only the reasons that are beyond the city’s control such as weather, rotation, etc (Group 80). Therefore, development of the appropriate sized hotel is the number one variable the city can influence.

As a sub-set of Table 6-10 and Figure 6-28, Table 6-11 shows the lost opportunities that specifically cited hotel-related reasons (Group 20), regardless of venue listed (Monona Terrace, Hotel, and/or Alliant Energy Center). This highlights that there are bigger hotel supply and quality issues at hand that can be partially addressed by the addition of a new headquarters hotel to support Monona Terrace. This will support Monona Terrace in reaching the room block size needed to recapture turned away events and compete for events that have so far not even considered Madison as a viable destination. Additionally, with a larger and higher quality room supply, other hotels will benefit from the recapture of other lost business that was categorized specifically for a hotel facility or the Alliant Energy Center.

**Table 6-11**

Madison, Wisconsin Summary of Lost Convention/ Meeting Business Due to Hotel-Related Reasons				
Year	# of Events Lost	# of Attendance	# of Room Nights	Est. Economic Impact (\$Millions)
2008	2	385	190	\$0.2
2009	10	6,825	8,044	4.1
2010	17	8,946	16,083	8.2
2011	20	22,190	20,522	12.0
2012	9	5,860	10,613	5.5
2013	4	5,550	10,751	3.5
2014	5	4,900	11,046	4.3
2015	4	11,000	21,277	11.3
2016	5	12,310	29,050	12.4
2017	0	0	0	0.0
	<b>76</b>	<b>77,966</b>	<b>127,576</b>	<b>\$61.5</b>

*Source: Greater Madison CVB*

As shown in the table, from 2008 through 2017 bookings, there are 76 lost opportunities, which are anticipated to have had generated nearly 78,000 attendees, 127,600 room nights, and \$61.5 million economic impact.

Figure 6-12 shows a further sub-set of the previous tables, showing lost opportunities that specifically cited hotel-related reasons and specifically affected Monona Terrace.

**Table 6-12**

<b>Madison, Wisconsin                      Summary of Lost Convention/ Meeting Business Due to Hotel-Related Reasons Affecting Monona Terrace</b>				
Year	# of Events Lost	# of Attendance	# of Room Nights	Est. Economic Impact (\$Millions)
2009	1	1,700	5,540	\$2.1
2010	6	4,225	8,615	3.9
2011	9	13,525	11,999	8.1
2012	7	5,350	8,918	5.0
2013	3	2,550	5,170	2.0
2014	5	4,900	11,046	4.3
2015	3	2,000	4,147	1.6
2016	4	3,310	7,920	2.7
	<b>38</b>	<b>37,560</b>	<b>63,355</b>	<b>\$29.7</b>

*Source: Greater Madison CVB*

As shown in the table, from 2008 through 2016 bookings, there are 38 lost opportunities to Monona Terrace due to hotel-related reasons. These opportunities are anticipated to have had generated over 37,600 attendees, 63,300 room nights, and \$29.7 million economic impact.

**LOST BUSINESS IN 2010 AND 2011**

Table 6-13 focuses on lost business in 2010 and 2011.





**Table 6-13**

Madison, Wisconsin Summary of Lost Convention/ Meeting Business						
Year	# of Events Lost	Attendance		Room Nights		Est. Economic Impact (\$Millions)
		# of Attendees	Average Attendees	# of Room Nights	Average Room Nights	
2008	13	12,010	924	4,760	366	\$3.6
2009	71	61,480	866	37,904	534	22.1
2010	97	66,050	681	83,683	863	37.3
2011	94	78,375	834	91,773	976	44.1
2012	94	116,531	1,240	111,988	1,191	54.2
2013	50	50,651	1,013	76,314	1,526	33.4
2014	29	58,420	2,014	36,156	1,247	18.8
2015	15	24,750	1,650	44,148	2,943	22.4
2016	9	15,510	1,723	34,575	3,842	15.4
2017	2	1,300	650	2,535	1,268	1.6
<b>Total</b>	<b>474</b>	<b>485,077</b>		<b>523,836</b>		<b>\$253.0</b>
<i>Average in 2010 and 2011</i>						
	96	72,213	756	87,728	919	\$41

*Source: Greater Madison CVB, Johnson Consulting*

In 2010 and 2011, 191 events were lost in the Madison market. Madison lost an average of approximately 87,700 room nights per year, with the average event having an estimated room night impact of 919 rooms over the stay of the event.

Table 6-14 and Figure 6-29 shows a breakdown of lost business in 2010 and 2011 by the size of peak room nights, in 100-room increments.



**Table 6-14**

<b>Madison, Wisconsin</b>						
<b>Lost Business by Peak Room Nights (2010 and 2011 Average)</b>						
<b>Peak Room Nights</b>		<b># of Lost Events</b>	<b># of Attendees</b>	<b># of Room Nights</b>		<b>Est. Economic Impact</b>
1	-	100	33	6,013	4,483	\$2.7
101	-	200	24	9,145	11,140	5.9
201	-	300	13	7,035	9,769	4.8
301	-	400	10	16,250	18,655	7.6
401	-	500	9	10,475	11,358	6.5
501	-	600	2	3,050	4,129	1.8
601	-	700	3	5,770	13,301	3.7
701	-	800	2	3,600	5,385	2.8
801	-	900	1	1,375	2,958	1.5
901	-	1,000	1	2,500	2,013	0.6
1,001	or more		1	7,000	4,540	2.8
<b>Total</b>			<b>96</b>	<b>72,213</b>	<b>87,728</b>	<b>\$40.7</b>

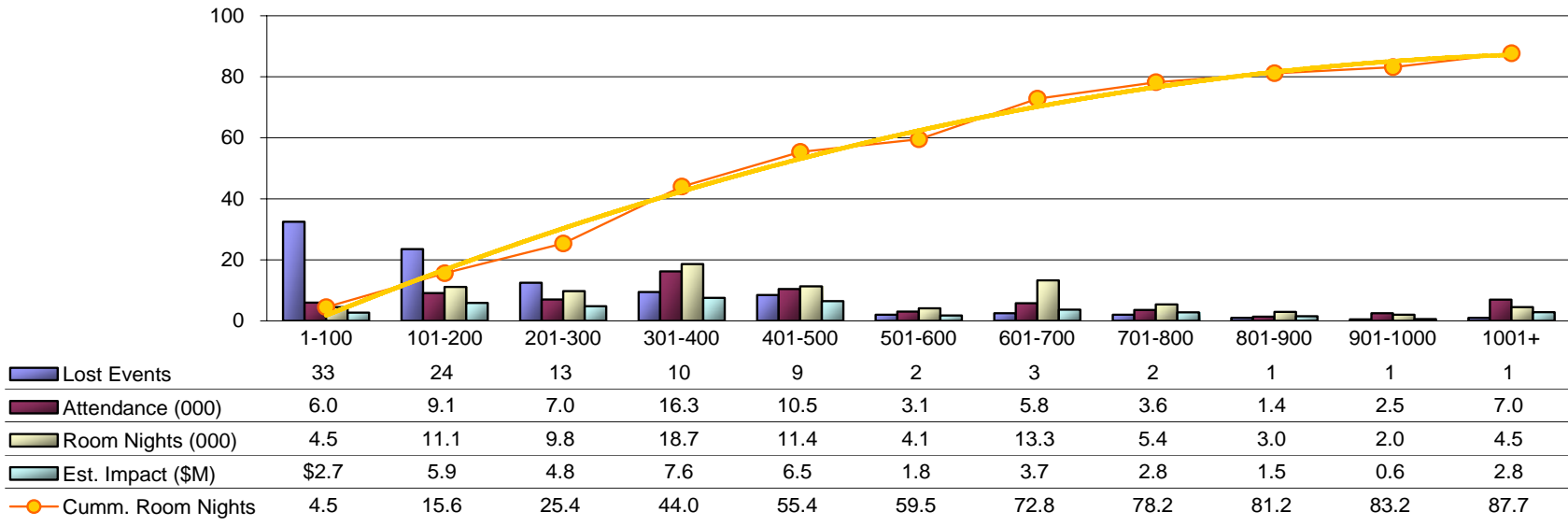
*Source: Greater Madison CVB, Johnson Consulting*

The gray area represents events sized for Monona Terrace. Smaller events are sized for hotels, including the proposed headquarters hotel.



Figure 6-29

**Madison, Wisconsin  
 Lost Business by Size of Peak Room Nights (Averaged from 2010 and 2011 Bookings)**



Source: Greater Madison CVB, Johnson Consulting

The table and figure suggest that events requesting over 301 peak rooms have the greatest impact, as evidenced by the combined potential of attendance, room nights, and estimated economic impact, especially when compared to the number of events itself. Beyond that 301-to-400 peak room bracket, the increase in attendance, room nights, and economic impact loss diminishes. Given that the current room block is not regularly able to support these types of events adequately, additional room supply that can be relied upon as part of the room block is necessary. Therefore, adding a new hotel and modifying room block strategies in existing hotels so that the City can accommodate up to 401-500 peak room nights regularly and consistently, is where help is most needed for Madison.

## CONCLUSION

Madison lodging activities grew by 4.4 percent annually from 1992 – 2011. This is healthy growth and is attributed to ADR increases as well as room supply increases. Downtown Madison hotels historically perform better than the rest of Madison hotels and enjoyed comparable ADR rates to its peer cities. In 2011, for example occupancy and average daily rates for the downtown hotel comp set far exceeds the market overall. Additionally, there were seven months where the downtown demand exceeds seventy percent, and to reiterate typically demand in excess of seventy percent indicates unaccommodated demand.

Downtown Madison is a desirable and a preferred location by visitors to the city. The addition of the 194-room Hampton Inn and the expansion and upgrade of Edgewater Hotel will reinforce this preference but will be a minor factor in addressing the available room block for Monona Terrace due to their distance from the center.

There is capacity at Monona Terrace for more conventions and conferences Pursuing events that are longer and larger will create the greatest impact. To achieve this however will require a larger room block size, but the geographic location of hotels in Madison makes room blocks very hard to assemble. As described earlier, currently only the 240-room Hilton Madison Monona Terrace has a room block agreement with the City. The Hilton agrees to commit a minimum room block of 150 rooms (or 62.5 percent of room capacity) on peak night(s), based on availability at the time of booking. Considering the only existing room block agreement is with Hilton, a minimum of an additional 250 rooms are needed to reach the minimum 400 room block target. For a hotel to offer a 250-room block at a 62.5 percent ratio (like at the Hilton), its size has to be 400 rooms.

However, rather than offering a 400 room block in two separate properties, offering a larger block in a single property is preferable. To achieve a larger room block commitment a ratio greater than 62.5 percent is required and it is not uncommon in the industry to find room block requirements of 80 percent. Therefore, if a new Headquarters Hotel were to accommodate 400 peak rooms in its single property, its size needs to be 500 rooms.



The proposed addition of an adjacent headquarters hotel will address many of the reasons cited for lost business. From 2008-2017, Madison has lost 474 events worth over \$253 million in economic impact. Specifically, at Monona Terrace during that same time period 76 events and over \$61 million in economic impact were lost as well as incalculable amount of building revenue.

It is very likely too that a substantial share of potential business, in addition to lost business, has not even considered Madison in past years because event planners know there are insufficient hotel room blocks for their events. These events have not been recorded as lost business because an initial inquiry was never made. Although it is not possible to determine the extent of this latent business, it could add significantly to the amount of lost business actually recorded. Local corporations also have latent demand, demand that would come or be created if the right mix of hotel and meeting space were provided.

**SECTION VII**

**HOTEL PROGRAM & OPERATING PROJECTIONS**

## HOTEL OPERATING PROJECTIONS

This section projects demand, occupancy, average daily rates, as well as operating income and expenses for the proposed new hotel in Madison, to be developed in close proximity to Monona Terrace, and compiles the results into a ten-year pro forma. The analysis focuses on a 500-room hotel. Section 8 analyzes the impact of a 300, 400 and 500 room hotel. While a hotel smaller than 500 rooms can be considered because of site capacity and cost reasons, a 500 room hotel best solves the room block issue, addresses capacity issues at Monona Terrace and exploits the last, close site (Judge Doyle Square) to Monona Terrace to achieve additional rooms to serve Monona Terrace.

### RECOMMENDED HOTEL PROGRAM

Based on discussions in Section 5 and Section 6 of this report, the recommended program for the new Headquarters Hotel includes a top meeting brand affiliated hotel with approximately 500 rooms with a minimum of 30,000 to 40,000 square feet of divisible ballroom space configured into separate main and junior ballrooms and 10,000 to 20,000 square feet of meeting rooms for a total of 50,000 square feet of function space (or 100 square feet per room). This amount of ballroom and meeting room space will allow the Hotel to co-host events with Monona Terrace, serving as an “expansion” of the convention facility. The hotel should be first-class, chain-affiliated operation.

### DEMAND ANALYSIS

Given the assessment of supply discussed in Section 5, lodging demand growth is analyzed in order to predict the environment for success for the proposed Headquarters Hotel. Currently, the 240-room Hilton Madison is located in close proximity to Monona Terrace. Time and experience has shown that this property is too small. By the time its corporate and top tier customers are served, often not enough rooms are left for room blocks or the room blocks are offered at rates conventions will not accept. A new hotel is needed to support Monona Terrace to be able to host larger conventions and compete with other centers in the region. These considerations are reflected in the projections below.

### SUMMARY OF HISTORICAL LODGING TRENDS

Table 7-1 summarizes historical lodging trends in city-wide Madison and the existing competitive set to the proposed hotel. These trends serve as the basis of the Hotel projections and were previously discussed in greater detail in Section 5 of this report.

Table 7-1

Historical Lodging Trends Madison City-Wide, Competitive Set Properties, and National Comparable Properties							
	2005	2006	2007	2008	2009	2010	2011
<b>Occupancy</b>							
City-wide						56.4%	61.2%
Competitive Set		71.0%	72.7%	72.0%	64.9%	65.0%	69.0%
Peer Properties in Comparable Markets		73.4%	69.8%	67.8%	63.2%	68.7%	68.6%
<b>ADR</b>							
City-wide						\$85.80	\$89.17
Competitive Set		\$114.22	\$118.55	\$126.07	\$123.75	\$126.39	\$127.97
Peer Properties in Comparable Markets		\$144.80	\$154.26	\$155.48	\$141.06	\$137.99	\$140.57
<b>RevPAR</b>							
City-wide						\$48.37	\$54.56
Competitive Set		\$81.05	\$86.22	\$90.78	\$80.33	\$82.12	\$88.24
Peer Properties in Comparable Markets		\$106.36	\$107.68	\$105.36	\$89.11	\$94.84	\$96.49
<b>Supply (000's)</b>							
City-wide							
Competitive Set		323	323	323	323	365	378
Peer Properties in Comparable Markets		727	792	881	881	881	898
<b>Demand (000's)</b>							
City-wide							
Competitive Set		229	235	233	210	237	260
Peer Properties in Comparable Markets		534	553	597	557	606	616
<b>Revenues (\$Millions)</b>							
City-wide		\$88.9	\$92.7	\$96.6	\$83.5	\$92.6	\$103.8
Competitive Set		\$26.2	\$27.9	\$29.3	\$25.9	\$29.9	\$33.3
Peer Properties in Comparable Markets		\$77.4	\$85.3	\$92.9	\$78.5	\$83.6	\$86.6

Source: Smith Travel Research, Johnson Consulting

As shown in the table, city-wide occupancy was 61.2 percent in 2011, and average daily rate was \$88.17. For the competitive set (Set #1 in Section 5), which includes 356-room Madison Concourse Hotel, 240-room Hilton Madison Monona Terrace, 214-room Best Western Plus Inn On The Park, 151-room Hyatt Place Madison Downtown, 74-room Campus Inn, average occupancy was 69 percent in 2011, and average daily rate was \$127.97. These reflect average decline of 0.6 percent in occupancy and average growth of 2.3 percent in ADR from 2009. Even with the new Hampton Inn and the renovation of the Edgewater, just inducing and serving new demand will be accomplished. Very little effect on the capacity to host more and larger events will be accomplished by these additions.

## SEGMENTATION

Table 7-2 shows the estimated segmentation of the Madison hotel market, based on interviews with the local hotel community, the CVB, and confirmed by us during our field work. Of the hotels analyzed, the Hilton was the top performer in the market in terms of both rate and occupancy, indicating two factors: It is very



successful and less inclined to provide room blocks to Monona Terrace; and newer, branded properties perform well, especially if they have the demand generator provided by Monona Terrace located nearby.

**Table 7-2**

<b>Madison Market Segmentation</b>	
	<b>Market Share</b>
Corporate	19.0%
Group	44.0%
Leisure	37.0%
Total	<u>100.0%</u>

*Source: Johnson Consulting*

Madison market is mostly reliant upon the group travelers. Leisure segment comes a close second, followed by corporate segment. The following briefly describes the market segments.

- Commercial/ Corporate Segment - The commercial segment consists of those who are traveling for business purposes. Sales visits, research, small training sessions, and executive education are all considered to be in the commercial segment. Most commercial travelers will fly to a market and rent a car for local transportation. It is estimated that the commercial market makes up approximately 19 percent of the room night demand in the market and have generated approximately 49,495 room nights in 2011 for the Competitive Set #1.
- Group Market – The group segment consists of those visiting the area either as part of an association, SMERF (social, military, education, religious, or fraternal), or corporate conventions or tradeshows. It also includes other corporate group functions, university conferences, as well as tour bus demand although these are sometimes counted as leisure travelers. It is estimated that the group segment currently accounts for 44 percent of the market demand and have generated approximately 114,619 room nights in 2011.
- Leisure Segment - The leisure segment consists of individuals, couples, families, or small groups that travel for pleasure or to visit friends or family. In the Madison market, it is estimated that the leisure segment accounts for 37 percent of the hotel market and have generated approximately 96,384 room nights in 2011.

This is a balanced demand cross-section and shows that the market is attractive to group, leisure and commercial business.

**LATENT DEMAND**

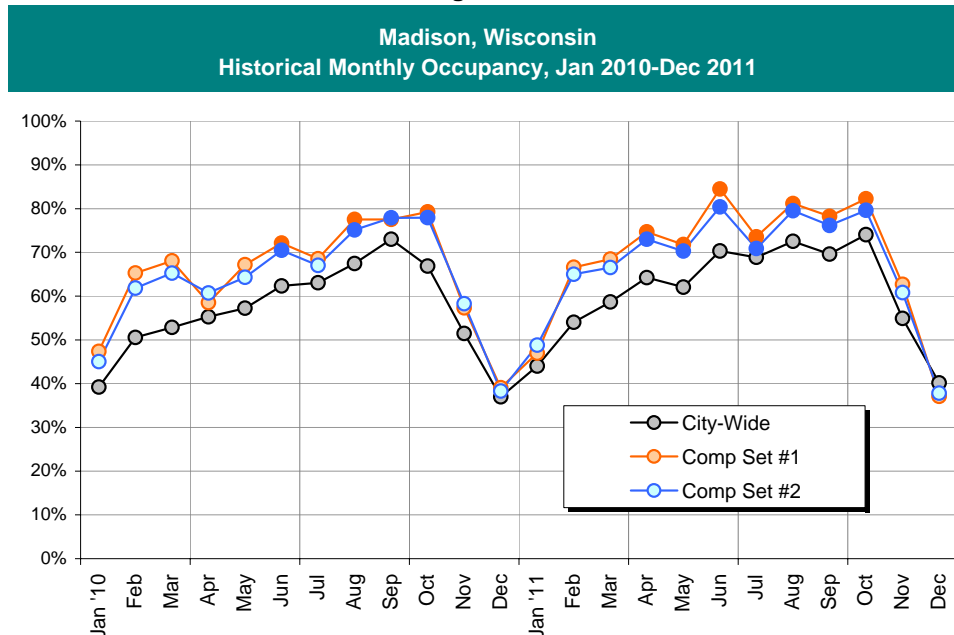
Latent demand is defined as potential room night demand that either cannot be accommodated by the existing supply or would be induced to the market with additions to supply. Both components of this demand are described below.

**Unaccommodated Demand**

Unaccommodated demand is defined as demand that would have been captured by the market, but for a lack of available rooms. This demand is therefore deferred to later dates, accepts lesser accommodations, moves just outside the metro area, moves its business to another metro area, or cancels plans altogether. As new properties are added to the market, it is expected that any unaccommodated demand will be accommodated in the new supply.

In most markets, average monthly demand in excess of 70 percent indicates unaccommodated demand. Madison market as a whole is not experiencing unaccommodated demand, but as shown in Figure 7-1 below, the Madison Downtown Competitive set operates much differently with 11 months from 2010 to 2011 in which occupancy was 70 percent or higher. A new hotel that induces demand to the market will not only help absorb existing demand and future growth in the market, but it will also be a demand generator for corporate and association meeting business that is currently held elsewhere.

**Figure 7-1**



Source: Smith Travel Research, Madison WI Convention and Visitors Bureau

When translated to numbers, unaccommodated demand during the months in which occupancy is over 70 percent is estimated to average a minimum of 17,300 room nights annually in the primary competitive set. It is believed that this amount is substantially higher, as many people would choose the downtown area over outlying areas if a new brand affiliated property were present, shifting demand into the Central Business District from outlying areas.

### Induced Demand

Induced demand is defined as demand that is attracted to a market due to the addition of a demand generator. The expansion of a local major business, or opening/expansion/ renovation of a convention center, in house meeting space at a new hotel, and/or the development of a critical mass of unique shopping and/or dining destinations are all examples of demand generators. Indeed, Monona Terrace has been the primary group demand generator in the market. The proposed Headquarters Hotel would also induce significant demand into the market and maximize the ability of convention and conference facilities such as Monona Terrace and Alliant Energy Center to host groups. The primary source of this demand would be group business and recapture of suburban demand.

### POTENTIAL DEMAND

While there currently does not appear to be much unaccommodated demand in the market, as the economy continues to recover, and if the Edgewater and Hampton Inn accomplish their objectives, which is expected, demand will continue to be in balance with or outpace hotel room supply for several years, especially during peak periods of the year and when larger conventions come to the market and during the popular leisure months of spring, summer and fall. We also expect that there will be many more groups that can be accommodated in or will consider Monona Terrace, especially if a new hotel with substantial meeting and ballroom space is provided. This incremental demand can be partially accommodated by the development of an additional hotel within close proximity to the Monona Terrace. In turn, the addition of the hotel will induce more demand to the market itself primarily in the group sector and help maximize the ability of Monona Terrace and Alliant Energy Center to host events. An additional hotel will be able to accommodate a portion of this demand, but overflow demand will be pushed to other area hotels, benefiting the market. We know this phenomenon is factual. As was shown in Section 5, and based on conversations with the CVB and the manager at the Ft. Worth Convention Center, the new Omni there caused a wave of development and has improved room inventory to increase and improve in quality since its opening. Now over 2,000 rooms serve the convention center and even during the recession, the property is the rate and occupancy leader.

### GROUP DEMAND FROM MONONA TERRACE

As has been noted throughout this report, Monona Terrace is comparatively small for its market. Expansion is prohibitive and the proposed hotel site is close enough to provide and “expansion” of sorts to the complex.

Ballroom space and meeting space is essential for this specific property, and if the room block agreement is structured properly, and the hotel is managed in a way that serves the Convention Center (dictated by the room block agreement), it will structurally enhance the way Monona Terrace and its support properties can attract business. The group segment is discussed in greatest detail because it is expected to be the primary source of room night demand for the new Hotel. In convention and meetings market competition, Madison has the advantage of being the capital city of Wisconsin. This makes the City one of the “must” locations for rotating state events. The urban attractiveness of the City as well as the presence of UW will make the City attractive for regional, national, and international groups as well.

### PROJECTION OF OCCUPANCY AND AVERAGE DAILY RATE

As stated earlier in this report, the Hotel is assumed to be a 500-room hotel and will begin marketing as soon as financing is in place. For analytical purposes, it is assumed that the Hotel will open in January 2015. Prior to that, two hotels are scheduled to add room as well. First, 194-room Hampton Inn is scheduled to open in the Fall of 2013 (assumed to be October 1<sup>st</sup> for analytical purposes). Subsequently, Edgewater Hotel is scheduled to add 82 rooms in the late Spring of 2014 (assumed to be May 1<sup>st</sup> for analytical purposes). Table 7-3 shows the calculation for estimating the additional room nights resulted from these three hotels. Then, on the next page, Table 7-4 displays estimated future growth in demand by segment, from 2009 through 2019. The projections assume that there is no new hotel in the downtown area other than the Hampton Inn, Edgewater Hotel, and the new Headquarters Hotel during the ten-year projection period.



Table 7-3

Estimated Competitive Set Supply Growth											
	2009	2010	2011	2012	2013	2014	2015*	2016	2017	2018	2019
Available Room Nights of Prior Year					377,775	395,478	468,538				
<b>Additions:</b>											
1. Hampton Inn (194 rooms) opens in <b>Fall 2013</b> (assumed to be <b>Oct 1, 2013</b> )											
New Room Nights in 2013 (only 3 months: Oct thru Dec)					17,703						
New Room Nights in 2014 (the remaining of full year's worth) <i>(Full-year's worth of room nights = 194 x 365 = 70,810)</i>						53,108					
2. Edgewater Hotel (additional 82 rooms) opens in <b>late Spring 2014</b> (assumed to be <b>May 1, 2014</b> )											
New Room Nights in 2014 (only 8 months: May thru Dec)						19,953					
New Room Nights in 2015 (the remaining of full year's worth) <i>(Full-year's worth of room nights = 82 x 365 = 29,930)</i>							9,977				
3. Headquarters Hotel (500 rooms) opens in <b>Jan 1, 2015</b>											
New Room Nights in 2015 (full-year's worth, because it opens in Jan 1)							182,500				
Available Room Nights**	323,025	364,550	377,775	377,775	395,478	468,538	661,015	661,015	661,015	661,015	661,015
<i>Annual Growth</i>		12.9%	3.6%	0.0%	4.7%	18.5%	41.1%	0.0%	0.0%	0.0%	0.0%

\*The proposed Headquarters Hotel is expected to open near the beginning of 2015.  
\*\*Hampton Inn (194 rooms) is scheduled to open in Fall of 2013. Edgewater Hotel expansion (adding 82 rooms) is scheduled to open in late Spring of 2014.  
Source: Smith Travel Research, Johnson Consulting



Table 7-4

Estimated Competitive Set Demand Growth by Segment											
Demand Segment	2009	2010	2011	2012	2013	2014	2015*	2016	2017	2018	2019
Commercial Transient	27,962	31,583	34,736	35,636	36,888	41,999	50,399	55,439	58,211	59,957	60,856
<i>Annual Growth</i>		12.9%	10.0%	2.6%	3.5%	13.9%	20.0%	10.0%	5.0%	3.0%	1.5%
Corporate Group	11,881	13,419	14,759	15,141	15,673	17,845	22,306	24,983	26,232	27,019	27,424
<i>Annual Growth</i>		12.9%	10.0%	2.6%	3.5%	13.9%	25.0%	12.0%	5.0%	3.0%	1.5%
Group related to Monona Terrace	58,366	65,923	72,504	74,382	76,996	87,665	113,964	131,059	137,612	141,740	143,866
<i>Annual Growth</i>		12.9%	10.0%	2.6%	3.5%	13.9%	30.0%	15.0%	5.0%	3.0%	1.5%
In-House Group	33,903	38,293	42,115	43,206	44,725	50,922	65,180	75,608	79,389	81,770	82,997
<i>Annual Growth</i>		12.9%	10.0%	2.6%	3.5%	13.9%	28.0%	16.0%	5.0%	3.0%	1.5%
Leisure Group	16,545	18,688	20,553	21,086	21,827	24,851	28,578	30,722	32,258	33,226	33,724
<i>Annual Growth</i>		12.9%	10.0%	2.6%	3.5%	13.9%	15.0%	7.5%	5.0%	3.0%	1.5%
Leisure Transient	61,044	68,949	75,831	77,796	80,530	91,688	105,441	113,349	119,016	122,587	124,425
<i>Annual Growth</i>		12.9%	10.0%	2.6%	3.5%	13.9%	15.0%	7.5%	5.0%	3.0%	1.5%
Total	209,701	236,855	260,498	267,246	276,639	314,969	385,868	431,159	452,717	466,299	473,293
<i>Annual Growth</i>		12.9%	10.0%	11.5%	3.5%	13.9%	22.5%	11.7%	5.0%	3.0%	1.5%
Absolute # of Rooms at Year-End	885	999	1,035	1,035	1,229	1,311	1,811	1,811	1,811	1,811	1,811
Available Room Nights**	323,025	364,550	377,775	377,775	395,478	468,538	661,015	661,015	661,015	661,015	661,015
<i>Annual Growth</i>		12.9%	3.6%	0.0%	4.7%	18.5%	41.1%	0.0%	0.0%	0.0%	0.0%
Occupancy	<b>64.9%</b>	<b>65.0%</b>	<b>69.0%</b>	<b>70.7%</b>	<b>70.0%</b>	<b>67.2%</b>	<b>58.4%</b>	<b>65.2%</b>	<b>68.5%</b>	<b>70.5%</b>	<b>71.6%</b>
<i>Annual Growth</i>		<b>0.1%</b>	<b>6.1%</b>	<b>2.6%</b>	<b>(1.1%)</b>	<b>(3.9%)</b>	<b>(16.5%)</b>	<b>11.7%</b>	<b>5.0%</b>	<b>3.0%</b>	<b>1.5%</b>

\*The proposed Headquarters Hotel is expected to open near the beginning of 2015.

\*\*Hampton Inn (194 rooms) is scheduled to open in Fall of 2013. Edgewater Hotel expansion (adding 82 rooms) is scheduled to open in late Spring of 2014.

The numbers of room nights correspond to those shown in Table 7-3.

Source: Smith Travel Research, Johnson Consulting

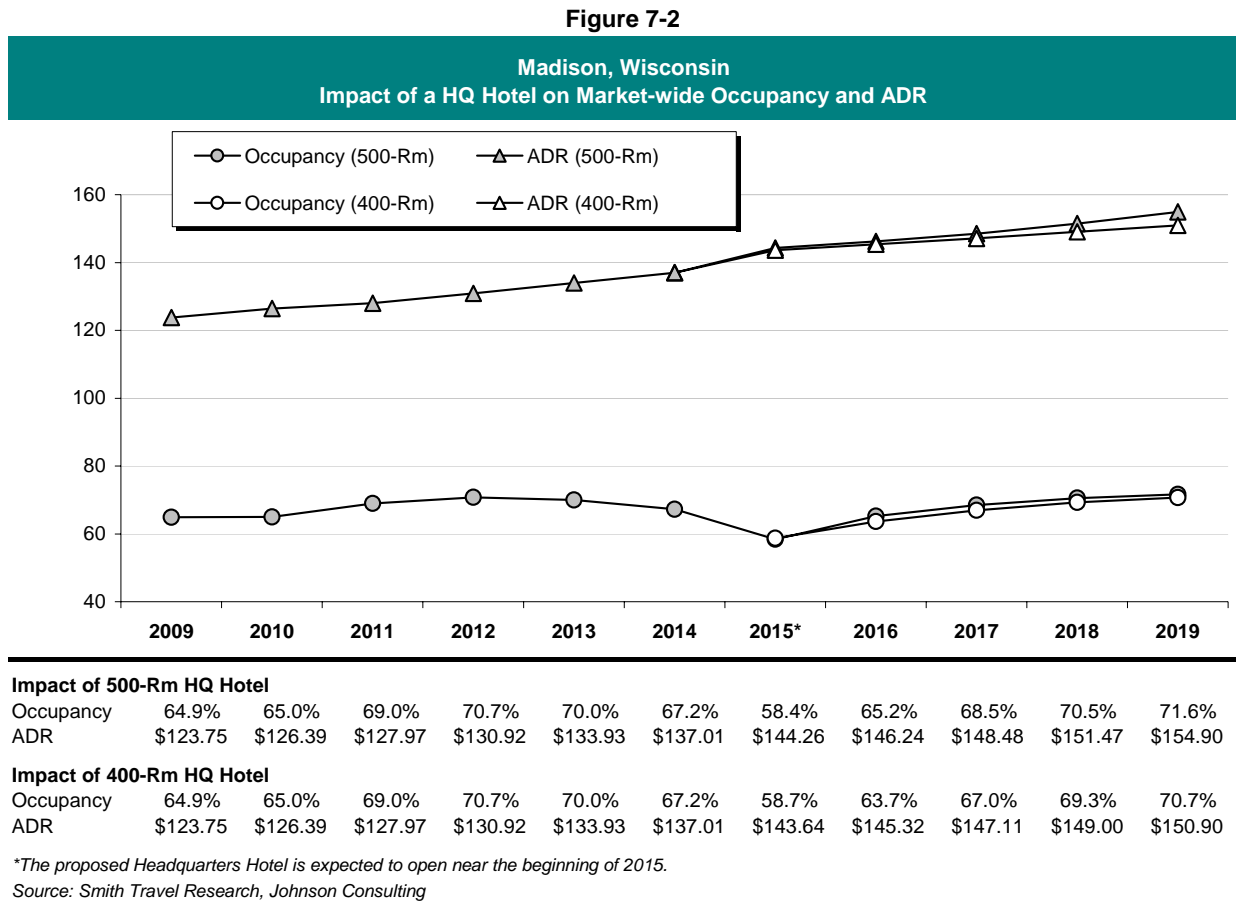
Table 7-3 shows that the Fall 2013 opening of 194-room Hampton Inn, late Spring 2014 addition of 82 rooms from Edgewater Hotel, and the January 2015 opening of 500-room Headquarters Hotel are estimated to increase available room nights by 4.7 percent in 2013, 18.5 percent in 2014, and 41.1 percent in 2015.

Table 7-4 shows that the competitive set ended 2011 with an average occupancy of 69 percent, which was an increase of 6.1 percent from the previous year. With no addition to supply in 2012, it is estimated that occupancy will increase by 2.6 percent, which is the long-term, annual growth from 2006 through 2011. In 2013, the Fall opening of Hampton Inn is expected to induce 3.5 percent of demand growth. In 2014, the full operation of Hampton Inn and the late Spring addition of 82 rooms from Edgewater Hotel are expected to induce 13.9 percent of demand growth.

As already pointed out, in 2015, the recommended 500-room Hotel (or minimum 400 rooms), which is expected to open at the beginning of 2015, along with the first full year operation of the expanded Edgewater Hotel, will increase the number of available room nights of the competitive set by 41.1 percent. To offset the increase in supply, the Hotel is expected to be a demand driver that will generate demand for not just the Monona Terrace and the Hotel itself, but for other properties as well. The hotel will attract larger events at Monona Terrace and will sell events largest than it can serve internally. In addition, its place in the market will be one that serves convention hotel groups, groups that are smaller than those targeted by the Monona Terrace (for in-house meetings), and groups that need more space than the other area hotels can handle. This phenomenon has been observed in a number of markets that have added new convention hotel properties, including Ft. Worth, Texas and Baltimore, Maryland, as shown in Section 5 of this report. Additionally, after 1 year of operations, the Omni Dallas Headquarters hotel has posted an occupancy rate 8 percent ahead of projections, while occupancy rates and average daily rates increased for the central city hotel supply, even as the total hotel supply increased.

Johnson Consulting estimates that the Hotel will induce new demand into the market due to its strong national sales force, unique quality and amenity package, and strategic location in close proximity to Monona Terrace. We also believe that the above factors will help the in-house, new business for the Hotel even when the Monona Terrace is not full. As a result, in-house group demand in the competitive set is expected to increase by 28 percent in 2015; group related to Monona Terrace by 30 percent; corporate group up by 25 percent; corporate transient by 20 percent, and leisure up by 15 percent. Again, most increases will be related to the opening of the Hotel. These increases will decline quickly as the Hotel establishes itself within the market. Occupancy in the competitive set is expected to dip to 58.4 percent, as the Hotel will not be able to induce all of the competitive set's demand – as stated previously, the proposed Hotel will help create more room nights than it can consume, but not as much as all of the competitive set can, short-term. However, with continued growth in the competitive set demand, the average occupancy rate in competitive set is expected to quickly recover and reach a healthy 71.6 percent by the Hotel's fifth year of operation in 2019.

Figure 7-2 illustrates the occupancy estimates shown in previously in Table 7-4. The figure also shows a 500-room Hotel impact on ADR, as well as a 400-room Hotel impact on both occupancy and ADR.



The chart shows that even though occupancy is expected to dip for the competitive set in the year that the Headquarters Hotel opens, the market will quickly recover and reach a healthier level. It will also improve overall ADR.

### PENETRATION RATE ANALYSIS

Occupancy penetration is the ratio of a particular property’s actual room nights captured compared to its fair share. Fair share is defined as the ratio of the property’s number of rooms to the total rooms in the defined competitive supply. For example, if a hotel has 100 rooms and the market has 1,000 rooms, its ‘fair share’ of business would be 10 percent of a market’s room nights. The ratio is then applied to the total market demand by segment to measure the property’s actual room nights captured compared to its fair share of room nights. Table 7-5 shows how the property would fare if it captured its fair share of the competitive set’s demand.



Table 7-5

Fair Share Room Night Capture of Proposed Hotel					
	2015	2016	2017	2018	2019
Commercial Transient	13,915	15,306	16,071	16,554	16,802
Corporate Group	6,159	6,898	7,242	7,460	7,572
Group related to Monona Terrace	31,464	36,184	37,993	39,133	39,720
In-House Group	17,995	20,875	21,918	22,576	22,915
Leisure Group	7,890	8,482	8,906	9,173	9,311
Leisure Transient	29,111	31,295	32,859	33,845	34,353
<b>Total</b>	<b>106,534</b>	<b>119,039</b>	<b>124,991</b>	<b>128,741</b>	<b>130,672</b>
Available Room Nights	182,500	182,500	182,500	182,500	182,500
Fair Share Occupancy	58.4%	65.2%	68.5%	70.5%	71.6%

*Source: Johnson Consulting*

In a “fair-share” scenario, the Hotel would capture over 106,500 nights in 2015, increasing to over 130,600 by stabilized year of 2019, achieving an occupancy rate of 71.6 percent. The largest share of room nights would come from the aggregate of different demand segments.

After preparing projections of overall market occupancy, Johnson Consulting assessed the expected qualities of the Hotel in relation to the competitive supply to formulate projections of occupancy for the Hotel’s first ten years of operation. This projection represents the Hotel’s relative performance, or “penetration” within the competitive supply. Characteristics considered in this analysis include, but are not limited to, location, market orientation, pricing strategies, chain affiliation, facilities, and amenities. Table 7-6 shows the projected penetration of the market segments by the Hotel.

Table 7-6

Estimated Market Penetration Rates of Proposed Hotel					
	2015	2016	2017	2018	2019
Commercial Transient	90%	90%	86%	83.5%	82%
Corporate Group	100%	100%	100%	100%	100%
Group related to Monona Terrace	135%	130%	128%	125%	124%
In-House Group	135%	130%	124%	121%	120%
Leisure Group	100%	100%	100%	100%	100%
Leisure Transient	75%	75%	75%	75%	75%
<b>Total Market Penetration</b>	<b>108%</b>	<b>107%</b>	<b>104%</b>	<b>103%</b>	<b>102%</b>
Projected Competitive Set Occupancy	58.4%	65.2%	68.5%	70.5%	71.6%
Subject Occupancy	63.1%	69.5%	71.5%	72.4%	73.0%

*Source: Johnson Consulting*

The Hotel is expected to penetrate the market at 108 percent in Year 1 and 107 percent in Year 2 due to its size, strategic location, national brand name, standards and rewards program, and its full-service amenities. Subsequently, it is expected that this penetration level will decrease over the first five years to a stabilized penetration level of 102 percent. The resulting Hotel occupancy is projected to be 63.1 percent in 2015, increasing to 69.5 percent in 2016, 71.5 percent in 2017, 72.4 percent in 2018, and 73 percent in 2019. The Hotel will excel at penetrating Monona Terrace group market, as it will be the primary headquarters hotel (along with others). It will also excel at penetrating the in-house group market, as it will induce such groups when Monona Terrace is not hosting a large event or co-house events with Monona Terrace.

Table 7-7 displays the projected occupied room nights by sector and the occupancy rate for the Hotel.

**Table 7-7**

Projected Occupied Room Nights of the Proposed Hotel						
Demand Segment	2015	2016	2017	2018	2019	% Recaptured and/ or Induced
Commercial Transient	12,523	13,775	13,821	13,822	13,822	20.0%
<i>Annual Growth</i>	--	10.0%	0.3%	0.0%	0.0%	
Corporate Group	6,159	6,898	7,242	7,460	7,572	75.0%
<i>Annual Growth</i>	--	12.0%	5.0%	3.0%	1.5%	
Group related to Monona Terrace	42,477	47,039	48,631	48,916	49,253	75.0%
<i>Annual Growth</i>	--	10.7%	3.4%	0.6%	0.7%	
In-House Group	24,294	27,137	27,179	27,317	27,498	90.0%
<i>Annual Growth</i>	--	11.7%	0.2%	0.5%	0.7%	
Leisure Group	7,890	8,482	8,906	9,173	9,311	75.0%
<i>Annual Growth</i>	--	7.5%	5.0%	3.0%	1.5%	
Leisure Transient	21,833	23,471	24,644	25,384	25,765	60.0%
<i>Annual Growth</i>	--	7.5%	5.0%	3.0%	1.5%	
Total	115,176	126,802	130,425	132,072	133,220	69.5%
<i>Annual Growth</i>	--	10.1%	2.9%	1.3%	0.9%	(weighted avrg)
Available Room Nights	182,500	182,500	182,500	182,500	182,500	
<b>Occupancy</b>	<b>63.1%</b>	<b>69.5%</b>	<b>71.5%</b>	<b>72.4%</b>	<b>73.0%</b>	

Source: Johnson Consulting

Based on the estimated penetration rates for the growing group demand segment, as well as the leisure and corporate markets, we project that the Hotel will capture more Monona Terrace-related room nights than commercial transient guest room nights.

Table 7-8 shows the resulting stabilized demand mix for the Hotel.

Table 7-8

Projected Market Demand Mix	
	2019
Commercial Transient	10%
Corporate Group	6%
Group related to Monona Terrace	37%
In-House Group	21%
Leisure Group	7%
Leisure Transient	19%
<b>Total</b>	<b>100%</b>

*Source: Johnson Consulting*

Based on its penetration of the market and its new/induced group demand, the Hotel is expected to rely on the group market (corporate, Monona Terrace-related, in-house, and leisure group) for 71 percent of its demand. Commercial transient and leisure transient segments are estimated to account for 10 percent and 19 percent, respectively, of demand. A weighted average of 69.5 percent of this demand will be recaptured in the market due to room nights that can not be accommodated in the supply today, the decision for people to stay overnight when they visit the downtown area, capture room nights that leak out of the area, new demand at the convention center, and room nights due to the marketing efforts of the brand.

### AVERAGE RATE ANALYSIS

The average rate is the weighted average of the rates charged to all guests in all segments throughout the year. For example, due to seasonality, the months of June, July, and August have high demand and therefore yield higher rates. Yet these are offset by low months, such as December and January. Rates also differ depending upon how far in advance the room is sold and based on the user type. Groups usually are able to attain a discount because they are filling more rooms; however, their rates can exceed more discounted leisure business. Corporate travelers usually pay the highest rate, and leisure travelers generally pay the least for rooms. Group events also pay a fair rate, but also have substantially more food and beverage and services spending, hence are of solid value to the hotel. The resulting average provides a benchmark for performance measurement as well as a tool for managing target revenue generated per occupied and available room night.

### Competitive Position

The competitive position of a property determines, in large part, its ability to generate higher hotel room rates. A hotel with high comparative quality to the rest of the competitive set as well as a good location will be able to penetrate the competitive set rate at greater than 100 percent. The proposed Hotel will be the largest and second closest to Monona Terrace, the newest hotel in the market, and a part of the stronger hotel inventory. For that reason, the Hotel is expected to penetrate the average rate higher than 100 percent even

with its higher reliance on group business. However, it will most likely discount rate somewhat in the first year to establish a strong base of business.

### Average Rate Increases

Average daily has continued to grow at an accelerated rate since 2006 and is expected to continue increasing via an improved economy, natural growth, and due to the addition of the Hotel. This growth in demand should help support further rate increases. Within the competitive set, the historical annual rate increase since 2006 through 2011 has been 2.3 percent annually.

### Projected Average Daily Rate

Table 7-9 displays the projected average daily rate in the competitive set and the proposed Hotel's penetration and resulting rate.

**Table 7-9**

Average Daily Room Rate Projections				
Year	Annual Increase	Competitive Set ADR	HQ Hotel's ADR Penetration	HQ Hotel's ADR
2006	--	\$114.22		
2007	3.8%	\$118.55		
2008	6.3%	\$126.07		
2009	(1.8%)	\$123.75	--	--
2010	2.1%	\$126.39	--	--
2011	1.3%	\$127.97	--	--
2012	2.3%	\$130.92	--	--
2013	2.3%	\$133.93	--	--
2014	2.3%	\$137.01	--	--
2015	2.3%	\$140.16	110.0%	\$154.20
2016	0.0%	\$140.16	115.0%	\$161.20
2017	0.8%	\$141.23	118.0%	\$166.70
2018	1.5%	\$143.40	120.0%	\$172.10
2019	2.3%	\$146.69	120.0%	\$176.00

*Note: Rates in 2006 through 2011 are as reported by Smith Travel Research*  
*Source: Johnson Consulting*

The competitive set's average daily rate was \$114.22 in 2006 and \$127.97 in 2011, reflecting a 2.3 percent compounded annual growth. We project rates to increase in the set as a whole by the same annual growth rate, reaching \$140.16 in 2015. We expect that given its location, market orientation, and quality, the proposed Hotel will be able to penetrate the competitive set at 110 percent, leading to a first-year rate of

\$154.20, compared with the competitive set rate of \$140.16. The penetration is expected to increase and stabilize at 120 percent, leading to a 2019 rate of \$176.00 in 2019 dollars.

### INFLATION ASSUMPTION

Inflation will be used to project income and expenses for the project after stabilization. The Consumer Price Index is not necessarily the best measure of hotel inflation, as it takes into account prices for numerous goods and services. Inflation in the hotel industry should take into account demand increases for travel and resulting rate increases. Johnson Consulting analyzed historical rate increases in the competitive set in Table 7-10.

**Table 7-10**

<b>Historic Average Daily Room Rate Changes</b>	
<b>Hotel Set</b>	<b>Annual Increase</b>
Competitive Set (2006-2011)	2.3%

*Source: Johnson Consulting*

From 2006 through 2011, the annual average rate increase was 2.3 percent. Growth during non-recession years is generally higher than this. Based on these figures and assuming that there is no further economic contraction, we have estimated long-term rate increases of three percent.

### COMPARABLE HOTEL OPERATIONS

In order to determine the hotel operating ratios for the Hotel, Johnson Consulting relied on our industry experience, comparable hotels, and a HOST report.

### HOST REPORT

A HOST report is a composite of similar hotels across the US. Smith Travel Research collects operating data from hotels and makes these composite analyses, called Host reports, available based on the results of the hotels chosen. Because not all hotels participate and a minimum of four brands must be used, the resulting composite will not be a perfect predictor of performance. However, it allows for helpful comparison.

Johnson Consulting developed one list for the HOST analysis, which is of comparable properties in comparable cities. The tables on the following pages list the hotels used in the analysis and the resulting HOST ratios. APR in the tables stands for Average Published Rate.



**STR**  
**HOST Response Report**  
**2011 Full-Service: Selected Properties**

**Job #:** 73224

STR #	PROPERTY NAME	ADDRESS	CITY	ST	ZIP	ROOMS	APR (\$)	PRICE	CHAIN SCALE	YEAR OPEN	LOCATION
17413	Hilton Madison Monona Terrace	9 E Wilson St	Madison	WI	53703	240	139	Luxury	Upper Upsc	200102	Urban
20769	Renaissance Nashville Hotel	611 Commerce St	Nashville	TN	37203	673	162	Luxury	Upper Upsc	198708	Urban
29359	Westin Providence	1 W Exchange St	Providence	RI	2903	564	254	Upscale	Upper Upsc	199412	Urban
42961	Marriott San Jose	301 S Market St	San Jose	CA	95113	506	274	Upscale	Upper Upsc	200304	Urban
50171	Hilton Omaha	1001 Cass St	Omaha	NE	68102	487	198	Luxury	Upper Upsc	200404	Urban
Total Properties:			5	Total Rooms:			2470				

Source: SMITH TRAVEL RESEARCH - The information contained in this report is based upon independent surveys and research from sources considered reliable but no representation is made as to its completeness or accuracy. This information is in no way to be constructed as a recommendation by Smith Travel Research of any industry standard and is intended solely for the internal purposes of your company and should not be published in any manner unless authorized by Smith Travel Research. Copyright 2012 Smith Travel Research.

**STR**  
Custom HOST Report  
2011 Full-Service: Selected Properties

Job #: 73224  
Props: 5  
Rooms: 2,470

Occupancy: 70.5%  
ADR: \$139.89  
RevPAR: \$98.61

REVENUE	Ratio to Sales <sup>1</sup>	Amount Per Available Room	Amount Per Occupied Room Night
	%	\$	\$
Rooms	69.2 %	\$35,933	\$139.89
Food	13.5	7,007	\$27.28
Beverage	4.3	2,216	\$8.63
Other Food & Beverage	7.3	3,764	\$14.65
Telecommunications	0.7	381	\$1.48
Other Operated Departments	1.3	685	\$2.67
Rentals & Other Income	3.2	1,651	\$6.43
Cancellation Fee	0.4	231	\$0.90
<b>TOTAL REVENUE</b>	<b>100.0 %</b>	<b>\$51,868</b>	<b>\$201.93</b>
<b>DEPARTMENTAL EXPENSES</b>			
Rooms	27.3 %	\$9,810	\$38.19
Food & Beverage	76.0	9,874	\$38.44
Telecommunications	168.2	641	\$2.50
Other Operated Depts & Rentals	1.2	612	\$2.38
<b>TOTAL DEPARTMENTAL EXPENSES</b>	<b>40.4 %</b>	<b>\$20,937</b>	<b>\$81.51</b>
<b>DEPARTMENTAL PROFITS</b>			
Rooms	72.7 %	\$26,123	\$101.70
Food & Beverage	24.0	3,113	\$12.12
Telecommunications	-68.2	-260	-\$1.02
Other Operated Depts & Rentals	98.8	1,955	\$7.62
<b>TOTAL DEPARTMENTAL PROFITS</b>	<b>59.6 %</b>	<b>\$30,931</b>	<b>\$120.42</b>
<b>UNDISTRIBUTED OPERATING EXPENSES</b>			
Administrative & General	9.0 %	\$4,665	\$18.16
Marketing	8.7	4,518	\$17.59
Utility Costs	4.7	2,419	\$9.42
Property Operation & Maintenance	4.2	2,202	\$8.57
<b>TOTAL UNDISTRIBUTED OPERATING EXPENSES</b>	<b>26.6 %</b>	<b>\$13,804</b>	<b>\$53.74</b>
<b>GROSS OPERATING PROFIT</b>			
	33.0 %	\$17,127	\$66.68
Franchise Fees (Royalty)	2.2	1,145	\$4.46
Management Fees	3.0	1,541	\$6.00
<b>INCOME BEFORE FIXED CHARGES</b>	<b>27.8 %</b>	<b>\$14,441</b>	<b>\$56.22</b>
<b>SELECTED FIXED CHARGES</b>			
Property Taxes	5.2 %	\$2,686	\$10.46
Insurance	1.0	523	\$2.03
Reserve For Capital Replacement	2.6	1,374	\$5.35
<b>AMOUNT AVAILABLE FOR DEBT SERVICE &amp; OTHER FIXED CHARGES <sup>2</sup></b>	<b>19.0 %</b>	<b>\$9,858</b>	<b>\$38.38</b>
<b>SUPPLEMENTAL PAYROLL ANALYSIS <sup>3</sup></b>			
Rooms	16.7 %	\$6,006	\$23.38
Total Food and Beverage	44.8	5,824	\$22.67
Telecommunications	135.4	538	\$2.03
Other Operated Departments	113.4	424	\$1.71
Administrative & General	5.0	2,605	\$10.14
Marketing	2.7	1,424	\$5.54
Property Operations & Maintenance	2.2	1,151	\$4.48
<b>TOTAL PAYROLL &amp; RELATED EXPENSES</b>	<b>34.2 %</b>	<b>\$17,720</b>	<b>\$68.98</b>
<b>SUPPLEMENTAL FOOD &amp; BEVERAGE INFORMATION <sup>3</sup></b>			
Cost of Food Sales	27.1 %	\$1,902	\$7.40
Cost of Beverage Sales	22.4	496	\$1.93
<b>Total Cost of F&amp;B Sales</b>	<b>18.5</b>	<b>2,398</b>	<b>\$9.34</b>
<b>Food &amp; Beverage Payroll</b>	<b>44.8</b>	<b>5,824</b>	<b>\$22.67</b>
<b>Food &amp; Beverage Other Expenses</b>	<b>12.7</b>	<b>1,652</b>	<b>\$6.43</b>

<sup>1</sup> Rooms, F&B, and Telecommunications expense ratios to sales for departmental expenses and profits are based on their respective departmental revenues. All other expenses are based on total revenue.

<sup>2</sup> Other Fixed Charges include Depreciation and Amortization, Interest, Rent, and Equipment Leases

<sup>3</sup> Payroll and Costs of Sales are included in expenses. Amounts shown here are for additional detail only. Not all HOST participants provide detailed data on payroll and F&B costs; therefore, the following supplemental analyses provide the ratios for only these hotels in the samples that reported detailed information. Consequently, the amounts may not tie to the departmental figures provided.

NOTE: Totals may not add due to rounding.



The combined comparable hotels in peer cities reported that room revenue accounts for 69.2 percent of sales while total food and beverage revenue accounts for 25.1 percent of sales. Total revenue per occupied room night is \$201.93. Departmental expenses total 40.4 percent of sales, leaving 59.6 percent of revenues as departmental profit. Undistributed operating expenses total 26.6 percent, leaving a gross operating profit of 33.0 percent. Net operating income before fixed charges was reported to be 27.8 percent. Net amount available for debt service and other fixed charges (such as depreciation and amortization, interest, rent, and equipment leases) was 19 percent of sales. This equates to approximately \$9,858 per room per year, or \$38.38 per occupied room night.

### PROJECTION OF INCOME AND EXPENSE

The final step in this analysis of the potential Project was to prepare income and expense projections for ten years. The financial projections are presented in Table 7-11. PAR stands for 'per available room' and POR stands for 'per occupied room night.'



Table 7-11

Statement of Operating Proforma - 500-Room New Hotel (in \$000, Inflated)														
	2015			2016	2017	2018	2019		2020	2021	2022	2023	2024	
1 Room Count	500			500	500	500	500		500	500	500	500	500	
2 Available Room Nights	182,500			182,500	182,500	182,500	182,500		182,500	182,500	182,500	182,500	182,500	
3 Occupancy Rates	63.1%			69.5%	71.5%	72.4%	73.0%		73.0%	73.0%	73.0%	73.0%	73.0%	
4 Occupied Room Nights	115,176			126,802	130,425	132,072	133,220		133,220	133,220	133,220	133,220	133,220	
5 Average Daily Rate	\$154.20			\$161.20	\$166.70	\$172.10	\$176.00		\$181.28	\$186.72	\$192.32	\$198.09	\$204.03	
6 RevPAR	\$97.32			\$112.00	\$119.13	\$124.55	\$128.47		\$132.33	\$136.30	\$140.39	\$144.60	\$148.94	
7 Percent of Change from Prior Year	--			15.1%	6.4%	4.5%	3.2%		3.0%	3.0%	3.0%	3.0%	3.0%	
<b>Revenue</b>		<b>%</b>	<b>PAR</b>	<b>POR</b>				<b>%</b>						
8 Rooms	\$17,760	71.5%	\$35,520	\$154.20	\$20,441	\$21,742	\$22,730	\$23,447	69.2%	\$24,150	\$24,875	\$25,621	\$26,389	\$27,181
9 Hotel Food and Beverage	5,866	23.6%	11,732	50.93	6,968	7,646	8,244	8,504	25.1%	8,760	9,022	9,293	9,572	9,859
10 Telephone	174	0.7%	348	1.51	202	218	230	237	0.7%	244	252	259	267	275
11 Other Operated Departments	249	1.0%	497	2.16	318	373	427	440	1.3%	454	467	481	496	511
12 Rentals and Other Income	808	3.3%	1,616	7.01	983	1,103	1,215	1,254	3.7%	1,291	1,330	1,370	1,411	1,453
13 Total Hotel Revenue	\$24,857	100.0%	\$49,714	\$215.82	\$28,912	\$31,082	\$32,846	\$33,882	100.0%	\$34,899	\$35,946	\$37,024	\$38,135	\$39,279
<b>Expenses</b>														
14 Rooms	\$5,381	30.3%	\$10,763	\$46.72	\$5,989	\$6,153	\$6,205	\$6,401	27.3%	\$6,593	\$6,791	\$6,994	\$7,204	\$7,420
15 Hotel Food and Beverage	4,458	76.0%	8,917	38.71	5,295	5,811	6,266	6,463	76.0%	6,657	6,857	7,063	7,275	7,493
16 Telephone	293	168.2%	585	2.54	340	366	387	399	168.2%	411	423	436	449	462
17 Other Operated Departments	3	1.2%	6	0.03	4	4	5	5	1.2%	5	6	6	6	6
18 Rent and Other Income	10	1.2%	19	0.08	12	13	15	15	1.2%	15	16	16	17	17
19 Total Hotel Expenses	\$10,145	40.8%	\$20,290	\$88.08	\$11,641	\$12,348	\$12,877	\$13,284	39.2%	\$13,682	\$14,093	\$14,515	\$14,951	\$15,399
20 Departmental Operating Income	\$14,712	59.2%	\$29,424	\$127.73	\$17,271	\$18,734	\$19,969	\$20,599	60.8%	\$21,217	\$21,853	\$22,509	\$23,184	\$23,880
<b>Undistributed Operating Expenses</b>														
21 Administrative and General	\$2,237	9.0%	\$4,474	\$19.42	\$2,602	\$2,797	\$2,956	\$3,049	9.0%	\$3,141	\$3,235	\$3,332	\$3,432	\$3,535
22 Credit Card Commissions	373	1.5%	746	3.24	434	466	493	508	1.5%	523	539	555	572	550
23 Marketing	2,237	9.0%	4,474	19.42	2,573	2,735	2,858	2,948	8.7%	\$3,036	3,127	3,221	3,318	3,417
24 Utility Costs	1,168	4.7%	2,337	10.14	1,359	1,461	1,544	1,592	4.7%	\$1,640	1,689	1,740	1,792	1,846
25 Property Operations and Maintenance	671	2.7%	1,342	5.83	925	1,150	1,380	1,423	4.2%	\$1,466	1,510	1,555	1,602	1,650
26 Total	\$6,686	26.9%	\$13,373	\$58.05	\$7,893	\$8,610	\$9,230	\$9,521	28.1%	\$9,807	\$10,101	\$10,404	\$10,716	\$10,998
27 Gross Operating Profit	\$8,025	32.3%	\$16,051	\$69.68	\$9,378	\$10,125	\$10,739	\$11,078	32.7%	\$11,410	\$11,753	\$12,105	\$12,468	\$12,882
<b>Selected Fixed Charges</b>														
28 Property Taxes	\$1,119	4.5%	\$2,237	\$9.71	\$1,272	\$1,305	\$1,314	\$1,355	4.0%	\$1,396	\$1,438	\$1,481	\$1,525	\$1,571
29 Insurance	249	1.0%	497	2.16	289	311	328	339	1.0%	349	359	370	381	393
30 Total	\$1,367	5.5%	\$2,734	\$11.87	\$1,561	\$1,616	\$1,642	\$1,694	5.0%	\$1,745	\$1,797	\$1,851	\$1,907	\$1,964
31 Income Before Management Fees	\$6,658	26.8%	\$13,316	\$57.81	\$7,817	\$8,508	\$9,097	\$9,384	27.7%	\$9,665	\$9,955	\$10,254	\$10,561	\$10,918
32 Management Fee and Chain Services	\$746	3.0%	\$1,491	\$6.47	\$867	\$932	\$985	\$1,016	3.0%	\$1,047	\$1,078	\$1,111	\$1,144	\$1,178
33 Income after Management Fees	\$5,912	23.8%	\$11,825	\$51.33	\$6,950	\$7,576	\$8,111	\$8,367	24.7%	\$8,618	\$8,877	\$9,143	\$9,417	\$9,739
34 Reserve for Replacement	\$646	2.6%	\$1,293	\$5.61	\$752	\$808	\$854	\$881	2.6%	\$907	\$935	\$963	\$992	\$1,021
35 Project Net Operating Income	\$5,266	21.2%	\$10,532	\$45.72	\$6,198	\$6,768	\$7,257	\$7,486	22.1%	\$7,711	\$7,942	\$8,181	\$8,426	\$8,718

Source: Johnson Consulting

Hotel gross income is projected to be \$24.9 million in 2015, increasing to \$33.9 million in 2019. Net operating income is projected to be \$5.3 million in 2015, increasing to \$7.5 million in 2019. By 2024, net operating income is projected to be \$8.7 million. Net operating income as a percent of revenue is projected to increase from 21.2 percent in 2015 to 22.1 percent in 2019.

We recognize this hotel will be part of a mixed-use development. Hence, it is unclear how parking will be treated. It is not recognized in the proforma. Property taxes are considered in the proforma.

## BASIS FOR INCOME AND EXPENSE ASSUMPTIONS

The estimates of income and expense statements are based on the results of operations of comparable hotels, including those discussed at the beginning of this section.

The steps in the projection of income and expenses for the potential Hotel include projecting the income and expenses for 2015 (or Year 1, the “base” year of operation). Then, income and expenses for the potential Hotel were estimated for the projection period, using the base year estimates as a basis for prior and subsequent income and expense levels. The income for each of these years is estimated based on the expected impact that the change in occupancy and average daily room rates is expected to have on income and expenses. Expense estimates are assumed to have both fixed and variable components, and vary based on projected occupancy levels.

Revenue increases beyond the stabilized year use the three percent inflation rate discussed earlier, unless indicated otherwise. On the expense side, annual increases are based percent of revenue, so will increase at the same three percent rate. Breakdown for revenue and expenses is derived from the operating ratio averages.

## DISTRIBUTED DEPARTMENTAL REVENUES AND EXPENSES

**Rooms Department:** Room revenue is calculated by multiplying the estimated occupied room nights by the estimated average daily rate (ADR) projected in this analysis. Based on the projected ADR and room nights previously presented, room revenue is projected to account for 71.5 percent of total revenue in 2015, decreasing to 69.2 percent by 2018.

Rooms department expenses include payroll and related costs associated with the front desk and housekeeping, operating supplies, laundry linens, cable television, and other items necessary to maintain guest rooms. Expenses are estimated at 30.3 percent of room sales in 2015; 27.3 percent in 2019.

**Food and Beverage:** Based on similar hotel performance, it is projected that the hotel will generate \$5.9 million in food and beverage sales in 2015, increasing to \$8.5 million in 2019, which is based on \$50.93 per occupied room night (POR) in 2015, increasing to \$63.84 POR in 2019. Food and beverage expenses for the

hotel amount to 76 percent of food and beverage revenue throughout the projection period. Food and beverage revenue is largely driven by catering at group functions, but also includes restaurant operations and room service.

**Telephone Department:** Telephone usage is declining in hotels due to cellular phone use. Estimated telephone revenue is based on the experience of the similar convention properties, and thus a projection of \$1.51 POR was used in 2015, increasing slightly to \$1.78 by 2019. The projection estimates expenses at 168.2 percent of telephone revenue throughout the period, as most guests use their cell phones now.

**Other Operated Departments:** This income category is typically comprised of smaller departments that generate income from activities such as valet laundry, business services, and similar others. This income category is estimated to begin at \$2.16 per occupied room night in 2015 and increase to \$3.31 by 2019.

The projection estimates expenses of other operated departments at approximately 1.2 percent of revenue over the projection period, based on the HOST report.

**Rentals and Other Income:** This income category is typically comprised of interest, rental of equipment, in-house leases, commissions on vending machine sales, movies, and other miscellaneous income. This income category is typically highly dependent on occupancy. The projection estimates that rental and other income will be \$7.01 per occupied room in 2015, increasing to nearly \$9.41 by 2019.

The expenses related to rental and other income are usually estimated and reported to be zero by hotel companies. This projection assumes an expense ratio of 1.2 percent, based on HOST report.

#### **UNDISTRIBUTED OPERATING EXPENSES**

Operating expenses that are not chargeable to a particular operating department are presented as undistributed operating expenses in accordance with the Uniform System of Accounts for hotels. These expenses are discussed in the following paragraphs.

**Administrative and General:** This category covers expenses such as salaries and wages for management staff, bookkeeping, credit card commissions (which we have estimated separately), data processing charges, corporate office charges, office supplies, legal, accounting, allowance for bad debts, travel expenses, and similar items. General insurance (liability, business risk, etc.) is included in the Administrative and General (A&G) category. These expenses are expected to amount to 9.0 percent throughout the projection period.

**Credit Card Commissions:** It is estimated that credit card commissions amount to 1.5 percent of total revenue throughout the projection period. These are pass-through expenses and do not provide revenue to the operator.

**Marketing Expenses:** Marketing expenses include wages, salaries, employee benefits and payroll costs for a sales staff, local advertising, national brand system marketing costs, the cost of printing brochures, and other related items. Based on the marketing expenses typical for convention hotels, the projection estimates that marketing expenses begin at 9.0 percent of total revenues, declining to 8.7 percent.

**Utilities:** Johnson Consulting estimates that utility expenses will be 4.7 percent of total revenue throughout the projection period.

**Property Operations and Maintenance:** Property operations and maintenance expenses include salaries and wages, employee benefits, other payroll costs, normal maintenance of the building and grounds, landscaping and electrical and mechanical equipment. Based on the comparable information, property operations and maintenance expenses are expected to be 2.7 percent of total revenue in 2015 and due to typical wear-and-tear increase slightly to 4.2 percent in 2019.

## FIXED CHARGES

**Property Taxes:** For the proposed Hotel, property taxes are estimated at 4.5 percent in 2015; decreasing to 4.0 percent in 2019.

**Insurance:** This insurance category covers only the cost of building and contents insurance and no liability insurance. The liability insurance is found in the A&G expense. Based on the experience of similar properties, this expense is estimated to be 1.0 percent throughout the projection period.

**Management Fees and Chain Services:** Unless the hotel is financed using tax-exempt bonds, the management fee will be generally based upon a percentage of revenues. The chain services expense includes the payments the hotel owes to the corporate parent for the company's rewards program and a variety of other services performed centrally by the chain company for its managed hotels. For the proposed 500-room Hotel in Madison, the management fee and chain services combined are projected to be 3.0 percent annually, or \$746,000 in 2015, increasing to \$1 million in 2019.

**Reserve for Replacement:** As is standard for income-producing properties, a reserve for replacement for furniture, fixtures, and equipment, as well as other long-lived items has been included in this analysis. According to the HOST reports, the reserve for replacement in the competitive set is reported as 2.6 percent. For the proposed Hotel in Madison, reserve for replacement is estimated at 2.6 percent throughout the projection period.

## CONCLUSION

A new hotel is needed to support Monona Terrace to host both larger and more frequent conventions and compete with other centers regionally and nationally. A real concern is that the hotel be of a suitable size to maximize Monona Terrace and fill the function space within a new hotel. Knowing that the Judge Doyle



Square is one of the last sites in downtown Madison and within close proximity to Monona Terrace, getting the right amount of hotel rooms and function space is critical.

At minimum the hotel should be of a size not less than 400 rooms with a room block of 250 but Madison could accommodate a hotel near 500 rooms with a room block of 400 rooms. The hotel should also have ample function space to support larger conventions that could be held simultaneously at the hotel and Monona Terrace.

The proposed Headquarters Hotel would induce significant demand into the market and maximize the ability of convention and conference facilities including Monona Terrace and the Alliant Energy Center to host groups. Johnson Consulting estimates that the Hotel will induce new demand due to its strong national sales force, unique quality and amenity package, and strategic location close to Monona Terrace.

While occupancy of the competitive set will decline at the onset of the opening of the new hotel, the market is expected to quickly recover and return to a better rate within five years of operation.

The Judge Doyle Square site is the last practical site for a close hotel and its meeting space is close enough to effectuate an “expansion” of Monona Terrace. The City would be prudent to justify TIF investment for a larger hotel with substantial meeting space because it will help on the hotel room block matter and provide extra capacity to help attract more business to all hotels in the market.

**SECTION VIII**  
HOTEL IMPACTS

## ECONOMIC AND FISCAL IMPACT ASSOCIATED WITH A NEW HEADQUARTERS HOTEL

This section analyzes the economic and fiscal benefit that would be generated from developing the proposed new Headquarters Hotel in Madison, Wisconsin.

Johnson Consulting advocates pushing for as large a hotel as possible (up to 500 rooms) for two key reasons.

- 1.) We are very concerned that a hotel of 300 or even 400 rooms will put the city in the same condition it is in now – too few rooms available for room blocks of the right size needed to make the city more attractive for conventions and conferences. Currently, the Hilton has a 62 percent room block, but often these rooms are hard to get because commercial and in-house group demand is so strong. Further, this hotel is not what we consider a “group” house. Typical room blocks will be in the 60 to 70 percent range (however, Fort Worth’s room block agreement with the Omni Hotel stipulates up to 80 percent). Using the optimistic 70 percent of the combined Hilton and the new property, between 360 and 500 rooms would be committable, to the Monona Terrace. As was shown in Section VI, the City’s goal is towards more months like August – a portfolio of regularly recurring larger events. What is essential is a consistently available larger room block. A smaller hotel will affect this requirement, as growth in corporate demand, even with the expanded Edgewater and new Hampton Inn, will cause the experience at the Hilton to repeat itself.
- 2.) Unless drastic measures are taken later, the Judge Doyle Square Site is among the last sites close enough to Monona Terrace to build hotel rooms close enough to make a difference in demand at the center. It is suggested that market potential exists for both hotel-based demand and Monona Terrace sized events to justify creating a groups oriented hotel that hosts in-house group business well, but also extends the Monona Terrace product by combining meeting facilities for many events. De facto, the hotel’s meeting space becomes an expansion for Monona Terrace.

In the following analysis a 500-room scenario is presented, supplemented with assessments of impacts of adding just 300 rooms, and 400 rooms.

### DEFINITIONS

The economic and fiscal impact analysis is based on room night and operating projections of the proposed 500-room Headquarters Hotel in Madison. For the purpose of this analysis, impact is discussed in terms of the Madison area economy. The levels of impacts are described as follows:

- Direct impacts - are an expression of the spending that occurs as a direct result of the events and activities that occur in the Hotels. For example, a hotel guest’s expenditures on hotel rooms and meals are a direct economic impact.

- Indirect impacts - consist of re-spending of the initial or direct expenditures, or, the supply of goods and services resulting from the initial direct spending in these facilities. For example, a hotel guest'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 local, regional, or state economies is counted as an indirect economic impact.
- Induced impacts – represent changes in local consumption due to the personal spending by employees whose incomes are affected by direct and indirect spending. For example, a waiter at the Hotel restaurant may have more personal income as a result of the guest's visit. The amount of the increased income the waiter spends in the local economy is considered an induced impact.
- Personal income – measures increased employee and worker compensation related to the events being analyzed. This figure represents increased payroll expenditures, including benefits paid to workers locally. It also expresses how the employees of local businesses share in the increased outputs.
- Employment impact – measures the number of jobs supported in the study area related to the spending generated as a result of the events occurring in the Convention Center. Employment impact is stated in a number of full-time equivalent jobs.

This analysis differentiates impacts from spending by people coming from out of town and by local residents, defined as follows:

- Net New Spending - is spending by out-of-town attendees, exhibitors, and other visitors who come from outside the subject area, (i.e., City, County, metro area, and State of Wisconsin), which represents the amount of "new dollars" that flow into the respective economies.
- Transfer Spending - Spending by those who live in the market area represents "transfer" spending. For example, a resident of the City of Madison who eats at the Hotel restaurant would transfer income from one sector of the City's economy to another, and therefore is not bringing new dollars into the City economy. Nevertheless, they are part of the economic activities generated by the Hotels.

The analysis will present total impacts of the Hotel, as expressed through net new spending (to the City, County, metro area, and State of Wisconsin) and transfer spending.

## ECONOMIC IMPACT ANALYSIS OF THE HOTEL

In Section 7, projections for the 500-room Headquarters Hotel are presented. The projections serve as the basis for the economic and fiscal impact analysis of the Hotel.



Hotel guests, by definition, originate from outside Madison; thus spending by guests in the Hotel is 100 percent new to Madison. It is assumed that the new hotel will cause more demand than it consumes, due to the amount of meeting space it will have, the positive influence it will have on Monona Terrace and the fact that it will spend extensively to market group business. This is a reasonable assumption for a couple of reasons. First, there is inherent growth in the market overall. This new hotel is absorbing some of that growth. If a new larger hotel were not attracted, natural market forces would result in smaller limited service properties evolving, most likely in less productive areas outside the downtown core, consuming this demand. A hotel that is newer, larger and complements Monona Terrace will induce more demand than limited service properties and will shift that into the downtown core. Further, a new larger hotel actually forces other hotels to work harder. It is our experience that if hotels see a new product, they will increase marketing and sales efforts and upgrade their properties, having an overall wholesome effect on the market.

### ECONOMIC IMPACT CALCULATION

The economic impact analysis focuses on the 500-room hotel’s stabilized year of operation (Year 5). As shown in Section 7 of this report, the hotel’s occupancy rate stabilizes at 73 percent, resulting in 133,220 occupied room nights, all of which are effectively net new- induced, recaptured from suburban locales or capture of market growth. According to the expected market segmentation of the Hotel, these 133,295 room nights include 58,600 group room nights, and 74,600 commercial, leisure and other room nights.

Assuming that the average length of stay per occupied night is 1.2 days across all segments and the average number of guests per room is 1.4, 1.2, and 1.7 for group, commercial, and leisure and other segment, respectively, the 133,220 occupied room nights translates to 235,500 guest-days, total. Table 8-1 summarizes the calculation.

**Table 8-1**

500-Room Hotel, Madison, Wisconsin Statistics and Assumptions - Stabilized Year				
	Group	Commercial	Leisure and Other	Total
# of Occupied Room Nights				133,220
Market Segmentation	44.0%	19.0%	37.0%	100.0%
# of Occupied Room Nights	58,617	25,312	49,291	133,220
x Avrg Length of Stay per Night (in # of Days)	1.2	1.2	1.2	
x Avrg # of Guests per Room	1.4	1.2	1.7	
= Estimated # of Guest-Days	98,500	36,400	100,600	235,500

*Source: Johnson Consulting*

By definition, these hotel guest-days are all non-local, i.e., from outside City of Madison, thus any related spending would be net new to the City.

Table 8-2 shows the estimated number of room nights and guest-days (or person-days) that are net new to Dane County, Madison Metropolitan Statistical Area, and State of Wisconsin, which is assumed to be 90 percent, 80 percent, and 50 percent, respectively, of total room nights generated by the 500-room Hotel.

**Table 8-2**

<b>500-Room Hotel, Madison, Wisconsin Estimate of Net New Person Days and Room Nights</b>				
	<b>From Out of City</b>	<b>From Out of County</b>	<b>From Out of MSA</b>	<b>From Out of State</b>
<b>Room Nights</b>				
Group	58,617	52,755	46,894	29,309
Commercial	25,312	22,781	20,250	12,656
Leisure and Other	49,291	44,362	39,433	24,646
Total	133,220	119,898	106,577	66,611
<b>Person-Days</b>				
Group	98,500	88,650	78,800	49,250
Commercial	36,400	32,760	29,120	18,200
Leisure and Other	100,600	90,540	80,480	50,300
Total	235,500	211,950	188,400	117,750

*Source: Johnson Consulting*

Multiplying the number of occupied room nights and the estimated number of guest-days with the average daily rate (ADR) and average daily spending per guest, total amount of guest spending can be estimated. Based on the 500-room Hotel’s projected ADR of \$176.00 for Year 5 (assumed to be 2019) as described in Section 7 of this report, discounted back to 2012 dollars, the ADR used for this impact analysis is \$143.10, which then translates to \$138.40 for group, \$179.10 for commercial, and \$130.20 for leisure and other segment. In addition to lodging, it is assumed that each guest incurs daily expenditures for recreation, transportation, meals, shopping, and other. For group segment, estimates for these categories of spending are derived from study by Destination Marketing Association International (DMAI, formerly International Association of Convention and Visitors Bureaus, or IACVB) and Johnson Consulting’s experience with similar projects in comparably-sized markets. These spending amounts are adjusted slightly for commercial guests (e.g., no spending on entertainment tickets) and leisure guests (e.g., greater recreation spending and smaller food and beverage spending).

Table 8-3 shows the estimated average daily spending per guest, shown in 2012 dollars.

**Table 8-3**

500-Room Hotel, Madison, Wisconsin Average Daily Spending per Guest (in 2012 Dollars)			
	Group	Commercial	Leisure and Other
<b>Type of Spending</b>			
Tickets/ Entertainment	\$6.40	\$8.50	\$16.00
Transportation	48.30	64.20	48.30
Eating and Drinking	24.00	26.40	10.60
Lodging	138.40	179.10	130.20
Shopping	21.40	18.20	23.50
Other	9.60	14.40	9.60
Association Spending	25.00	na	na
<b>Total</b>	<b>\$273.10</b>	<b>\$310.80</b>	<b>\$238.20</b>

*Source: Destination Marketing Association International, Johnson Consulting*

As the table shows, the estimated average daily spending for hotel guests ranges from \$238.20 to \$310.80 per day, including lodging.

Multiplying average daily spending with the number of person-days will result in direct spending, which will then ripple throughout the economy, generating indirect spending, induced spending, increased earnings, and employment. Table xx shows the multiplier rates that are used to estimate the overall impact. The rates are based on those applied to a Madison Convention Center impact analysis in 2008.

**Table 8-4**

500-Room Hotel, Madison, Wisconsin Economic Impact Multipliers		
Impact	Multiplier	Base
Indirect Spending	0.33	of direct spending
Induced Spending	0.43	of direct spending
Increased Earnings	0.70	of direct spending
Increased Employment	17.54	per \$1 million of direct spending

*Source: Implan, Johnson Consulting*

The multiplier rates mean that for every dollar spent by people in Madison, it results in an additional 76 cents of spending and 70 cents of increased earnings to the economy. Also, every million dollars spent result in 17.54 jobs in the market.

Table 8-5 shows the estimated overall economic impact of the 500-room Hotel..

**Table 8-5**

<b>500-Room Hotel, Madison, Wisconsin Economic Impact (\$Millions) - Stabilized Year</b>				
	<b>Net New to City</b>	<b>Net New to County</b>	<b>Net New to MSA</b>	<b>Net New to State</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>
<b>Hotel</b>				
Direct Spending	\$44.9	\$40.4	\$35.9	\$22.4
Indirect Spending	14.7	12.8	11.0	11.7
Induced Spending	19.2	16.3	14.3	13.8
Total	\$78.8	\$69.4	\$61.2	\$48.0
Personal Income	\$31.3	\$27.2	\$23.6	\$18.8
Employment (in FTE)	787	692	608	333
<i>Notes:</i>				
<i>Column (a) represents City-wide impact from spending by all out-of-City visitors.</i>				
<i>Column (b) is a subset of Column (a), representing County-wide impact from spending by all out-of-County visitor.</i>				
<i>Column (c) is a subset of Column (b), representing State-wide impact from spending by all out-of-MiSA visitors.</i>				
<i>Column (d) is a subset of Column (c), representing State-wide impact from spending by all out-of-State visitors.</i>				
<i>Employment impact shows # of jobs supported in area; and is over and above on-site employment at the Hotel.</i>				
<i>Source: Johnson Consulting</i>				

As shown in the table, Johnson Consulting projects that in the stabilized year of operation, the proposed 500-room Hotel is estimated to generate approximately \$78.8 million in total direct, indirect, and induced spending, \$31.3 million in earnings, and support for the equivalent of 787 full-time jobs, all of which are net new impact to the City of Madison. (This employment impact shows the number of jobs supported Madison-wide, and is over and above on-site employment at the Hotel.) Net new impact to Dane County is projected to include approximately \$69.5 million in total direct, indirect, and induced spending, \$27.2 million in earnings, and 692 full-time jobs. Net new impact to the MSA is projected to include approximately \$61.2 million in total direct, indirect, and induced spending, \$23.6 million in earnings, and 608 full-time jobs. Net new impact to the State of Wisconsin is projected to include approximately \$48 million in total direct, indirect, and induced spending, \$18.8 million in earnings, and 333 full-time jobs.

## FISCAL IMPACT OF THE HOTEL

Fiscal impacts are tax revenues that result from the spending and income related to the activities by the guests to the 500-room Hotel. This analysis estimates fiscal impacts for the governmental units that levy taxes in the jurisdiction. Like the annual spending estimates on which they are based, fiscal impacts are based on activities in stabilized year of operation.

The fiscal impacts are the public sector’s return on investment. Fiscal impacts provide a partial offset to the capital and operating expenditures required to support the development of the facility. Although the new tax

revenues cannot be expected to pay for a publicly-funded project in full, fiscal impacts are important because they improve the ability of the public sector to provide potential support for the project. The overall economic impacts, including the fiscal impacts, provide a rationale for public participation in a project.

Based on the spending shown in Table 8-5 for the Hotel, Johnson Consulting estimated the fiscal impacts from three major categories of tax revenues that are directly affected by event attendees' activity: general sales tax, hotel tax, income tax from the incremental increase in personal and corporate income, and property tax. Applicable tax rates include the following:

- General Sales Tax – State sales tax in Wisconsin is 5 percent, while Dane County sales tax is 0.5 percent.
- Hotel Tax – includes Transient Occupancy Tax (TOT) of 9 percent, in addition to the 5.5 percent general sales tax.
- Income Tax – includes the following:
  - State Individual Income Tax – uses an effective rate of 4.46 percent. State individual income tax rates are graduated and taxpayer-specific. The 4.46 percent rate reflects an effective rate, which is based on average tax rate as a percentage of Wisconsin Adjusted Gross Income (WAGI) as reported by Wisconsin Department of Revenue.
  - State Corporate Income Tax – is 7.90 percent in Wisconsin.
- Property Tax – Property tax as shown in the pro forma in Table 7-11 in Section 7 is \$1.4 million in Year 5 (2019). We estimate the balance of the proposed mixed-use development and the increase of demand should result in a minimum 150 percent of the pro forma amount shown.

Table 8-6 summarizes the fiscal impact estimates of the 500-room Hotel.

**Table 8-6**

<b>500-Room Hotel, Madison, Wisconsin Estimates of Annual Fiscal Impact</b>			
	<b>Taxable Spending or Income (\$000)</b>	<b>Tax Rate</b>	<b>Tax Revenues (\$000)</b>
General Sales Tax			
State Sales Tax	\$44,868 <sup>1</sup>	5.00%	\$2,243
County Sales Tax	\$44,868	0.50%	224
Total Sales Tax		5.50%	\$2,468
Room Tax			
Transient Occupancy Tax <i>(In addition to the 5.5% sales tax)</i>	\$15,942 <sup>2</sup>	9.00%	\$1,435
Income Tax			
State Personal Income Tax	\$31,298 <sup>3</sup>	4.46%	\$1,396
State Corporate Income Tax	78,802 <sup>4</sup>	7.90%	6,225
Total Income Tax			\$7,621
Property Tax <sup>5</sup>			
Of Hotel			\$1,102
Of Balance of Mixed-Use Complex			551
Total Property Tax			\$1,653
			<b>\$13,177</b>

<sup>1</sup> Includes spending on eating and drinking, lodging, shopping, and other.

<sup>2</sup> Includes spending on lodging only.

<sup>3</sup> Corresponds to Personal Income in Table 8-4.

<sup>4</sup> Corresponds to Total Spending in Table 8-4.

<sup>5</sup> Hotel property tax corresponds to proforma, shown in 2012 dollars.

Property tax of balance of complex is assumed to amount to 50 percent of Hotel property tax.

Source: Johnson Consulting

As the table shows, direct spending generated by the 500-room Hotel guests is projected to result in approximately \$13.2 million in tax revenues, which include \$2.5 million of General Sales Tax; \$1.4 million in Room Tax; \$7.6 million in Individual and Corporate Income Tax, and \$1.65 million in Property Tax, annually.

## IMPACT OF A NEW HEADQUARTERS HOTEL TO MONONA TERRACE

Based on discussions we have had with Monona Terrace management and the City, the general sense is this hotel is just a headquarters hotel. In our judgment it is much more than that. If the proper amount of meeting and ballroom space is added, it is a structural change in the capacity offering in downtown Madison. This structural change is required by the market, given the small size of Monona Terrace and the potential development of similar sized convention centers in Brookfield and Appleton. The hotel and Monona Terrace package also becomes a defensive strategy for the City. The Marriott in Middleton, the Dells products and

proposed offerings in Brookfield all pose threats to downtown Madison. By being aggressive, the City is addressing risks and intensifying hotel concentration in downtown.

As previously discussed in Section 6 of this report, every year Monona Terrace is losing business, nearly 25 percent of which cited hotel-related reasons. In 2010 and 2011 alone, approximately 37 Monona Terrace based potential events were lost along with 36,600 room nights due to hotel-related reasons.

The proposed addition of an adjacent headquarters hotel will significantly address many of the reasons cited for lost business. It will certainly help in recapturing a portion of lost events. Moreover, it is likely that a substantial share of potential business, in addition to lost business, has not considered Madison in past years because event planners know there are insufficient hotel room blocks for their events. These events have not been recorded as lost business because an initial inquiry was never made. Although it is not possible to determine the extent of this latent business, it could add significantly to the amount of lost business actually recorded.

**Table 8-7**

<b>Madison, Wisconsin Recovery of Lost Business*</b>			
<b>% Recovery</b>	<b># of Events</b>	<b># of Attendees</b>	<b># of Room Nights</b>
10%	10	7,221	8,773
15%	14	10,832	13,159
20%	19	14,443	17,546
25%	24	18,053	21,932
30%	29	21,664	26,318
35%	33	25,274	30,705
40%	38	28,885	35,091
45%	43	32,496	39,478
50%	48	36,106	43,864
55%	53	39,717	48,250
60%	57	43,328	52,637
65%	62	46,938	57,023
70%	67	50,549	61,410
75%	72	54,159	65,796
80%	76	57,770	70,182
85%	81	61,381	74,569
90%	86	64,991	78,955
95%	91	68,602	83,342
100%	96	72,213	87,728

*\*Based on lost business in 2010 and 2011.  
 Source: Greater Madison CVB, Johnson Consulting*

Table 8-8 shows the estimated impact of a 300-room, 400-room, or 500-room Headquarters Hotel Monona Terrace, assuming a 50-percent recovery rate for recaptured events that will be hosted in Monona Terrace and/ or co-hosted at Monona Terrace and the proposed new hotel.



**Table 8-8**

Monona Terrace, Madison, Wisconsin Estimated Impact of New Headquarters Hotel to Monona Terrace Event Demand													
	Current Stabilized Year of Operation				w/ 300-Room HQ Hotel			w/ 400-Room HQ Hotel			w/ 500-Room HQ Hotel		
	2010	2011	Average	Average Attendance	Incremental	Average Attendance	Total	Incremental	Average Attendance	Total	Incremental	Average Attendance	Total
<b># of Events</b>													
Banquets	231	210	221		(5)		216	(10)		211	(15)		206
Meetings	206	207	207		(10)		197	(15)		192	(20)		187
Conventions	26	30	28		10		38	15		43	24		52
Conferences	36	32	34		10		44	15		49	24		58
Consumer Shows	19	23	21		0		21	0		21	0		21
Entertainment	30	30	30		0		30	0		30	0		30
Community Events	61	82	72		0		72	0		72	0		72
Community Meetings	13	16	15		0		15	0		15	0		15
<b>Total</b>	<b>622</b>	<b>630</b>	<b>628</b>		<b>5</b>		<b>633</b>	<b>5</b>		<b>633</b>	<b>13</b>		<b>641</b>
<b># of Attendees</b>													
Banquets	54,530	49,805	52,168	236	(1,200)	236	50,968	(2,361)	236	49,807	(3,500)	236	48,668
Meetings	33,023	36,535	34,779	168	(1,700)	168	33,079	(2,520)	168	32,259	(3,400)	168	31,379
Conventions	30,242	31,151	30,697	1,096	12,100	1,206	42,797	19,320	1,288	50,017	32,900	1,370	63,597
Conferences	10,659	9,725	10,192	300	3,300	330	13,492	5,280	352	15,472	9,000	375	19,192
Consumer Shows	40,930	41,368	41,149	1,959	0		41,149	0		41,149	0		41,149
Entertainment	13,457	9,045	11,251	375	0		11,251	0		11,251	0		11,251
Community Events	30,608	35,345	32,977	458	0		32,977	0		32,977	0		32,977
Community Meetings	252	327	290	19	0		290	0		290	0		290
<b>Total</b>	<b>213,701</b>	<b>213,301</b>	<b>213,503</b>		<b>12,500</b>		<b>226,003</b>	<b>19,719</b>		<b>233,222</b>	<b>35,000</b>		<b>248,503</b>
<b># of Incremental Room Nights</b>					<b>14,300</b>			<b>22,500</b>			<b>40,000</b>		
<i>Notes:</i>													
- Incremental events assume a 50% recovery rate from lost business.													
- Incremental events are assumed to fill two high-impact events equally: conventions and conferences.													
- Average attendance for incremental events reflects a 25% increase over stabilized year's average.													
- Average room nights for incremental events are based on lost business statistics.													
Source: Monona Terrace, Johnson Consulting													



As shown in the table, the presence of a 300-, 400-, or 500-room Headquarters Hotel to support Monona Terrace has different impact to the facility. Essentially, the Headquarters Hotel will help Monona Terrace in two ways: (i) to improve attractiveness of Madison and Monona Terrace for larger conventions and conferences, and (ii) to attract smaller meetings and banquet events from Monona Terrace, allowing the facility to accommodate more of those larger, high-impact conventions and conferences. A smaller headquarters hotel would limit the City's ability to attract new demand and would attract fewer of small events away from Monona Terrace, and therefore would have less impact on operations at Monona Terrace and the community as a whole. A larger headquarters hotel will more significantly improve Madison's attractiveness as an event location to potential event planners and potential attendees. Furthermore, a larger hotel would move more banquets and meetings from Monona Terrace, allowing the facility to serve a greater number of convention and conference events (and their banquet business).

The estimates assume that incremental high-impact events will be equally distributed between conventions and conferences, and have greater average attendance as well. In the 300-room scenario, Monona Terrace has potential to accommodate twenty new conventions and conferences, translating to approximately 12,500 net additional attendees and 14,300 new room nights. In the 500-room scenario, Monona Terrace has a potential to accommodate 48 new conventions and conferences, translating to approximately 35,000 net additional attendees and 40,000 new room nights, which are approximately 70 percent of the Headquarters Hotel's estimated new group room nights as shown previously in Table 8-1 (the remaining 30 percent may be associated with new events at Alliant Energy Center and other meetings facilities in Madison). These events are expected to be held at Monona Terrace or the combined Monona Terrace AND the hotel- co hosted-; but does not include in-house meetings at the hotel.

Table 8-9 shows the estimated Monona Terrace revenues associated with those increased business due to a new Headquarters Hotel offering 300 room, 400 rooms, or 500 rooms.



Table 8-9

Monona Terrace, Madison, Wisconsin Estimated Impact of New Headquarters Hotel to Monona Terrace Revenues (\$000)									
	Current Stabilized Year of Operation			With 300-Room HQ Hotel		With 400-Room HQ Hotel		With 500-Room HQ Hotel	
	2010	2011	Average	Incremental	Total	Incremental	Total	Incremental	Total
<b># of Events</b>									
Banquets	\$947	\$861	\$904	(\$14)	\$890	(\$27)	\$877	(\$39)	\$865
Meetings	724	652	688	(22)	666	(32)	656	(44)	644
Conventions	1,384	1,647	1,516	388	1,904	620	2,136	1,056	2,572
Conferences	550	476	513	108	621	173	686	294	807
Consumer Shows	176	147	162	0	162	0	162	0	162
Entertainment	64	64	64	0	64	0	64	0	64
Community Events	68	74	71	0	71	0	71	0	71
Community Meetings	1	1	1	0	1	0	1	0	1
<b>Subtotal</b>	<b>\$3,914</b>	<b>\$3,921</b>	<b>\$3,919</b>	<b>\$461</b>	<b>\$4,380</b>	<b>\$734</b>	<b>\$4,653</b>	<b>\$1,267</b>	<b>\$5,186</b>
<b>Ancillary Revenue</b>									
Gift Shop	\$153	\$155	\$154	\$5.9	\$160	\$9.2	\$163	\$16.4	\$170
Tours	8	8	8	0.3	8	0.5	8	0.8	9
Misc	86	80	83	3.2	86	5.0	88	8.9	92
<b>Subtotal</b>	<b>\$247</b>	<b>\$243</b>	<b>\$245</b>	<b>\$9.3</b>	<b>\$254</b>	<b>\$14.7</b>	<b>\$260</b>	<b>\$26.1</b>	<b>\$271</b>
<b>Total Revenue</b>	<b>\$4,161</b>	<b>\$4,164</b>	<b>\$4,164</b>	<b>\$470</b>	<b>\$4,634</b>	<b>\$748</b>	<b>\$4,912</b>	<b>\$1,293</b>	<b>\$5,457</b>

Source: Monona Terrace, Johnson Consulting

As shown on the table, with a new 300-room Headquarters Hotel, Monona Terrace is expected to host more convention and conference events that result in approximately \$470,000 of additional revenues, while a 500-room Headquarters Hotel is expected to increase such revenues by \$1.3 million. It is expected that a minimum of 30 percent of incremental revenue will be captured by the Hotel for co-hosted events.

Additionally, the additional 40,000 room nights are estimated to generate \$5.6 million of additional room revenues, which translates to approximately \$500,000 of additional Transient Occupancy Tax revenues, annually.

## CONCLUSION

A 500-room hotel would generate approximately \$78.8 million in total direct, indirect and induced spending, \$31.3 million in earnings, and support 787 full-time equivalent jobs.

A new hotel is needed to sustain Monona Terrace operations and unlock significant market potential. Since Monona Terrace can't be expanded in any significant way, the addition of a new hotel, operated in concert with the center, would significantly increase event demand at Monona Terrace and help Madison maintain its market competitiveness. In order for the City of Madison and Monona Terrace to maximize its potential, Johnson Consulting recommends that a full service hotel of a size not smaller than 400 rooms, which could accommodate a room block of at 250 and optimally, a 500-room hotel with a room block of 400 rooms be built to serve the facility.

Ideally, a larger hotel that could serve as a headquarters would be preferable. It is always optimal to house convention attendees under one roof. The hotel should also have ample function space up to 50,000 square feet to create latent demand and allow Madison to compete for larger events than Monona Terrace alone could host.

Finally, the additional of a new hotel to serve Monona Terrace has multiple benefits including more facility income, greater room and sales tax, and greater economic impact. However more so than all those attributes is building Madison as a destination city. This development is a cornerstone to building Madison's reputation, desirability and ultimately a location that is in the conversation by meeting planners looking to book their next convention. This attractiveness increase affects all facets of economic and cultural economic development.