Expansion Market Feasibility Analysis for Additional Convention & Meeting Facilities in Seattle

January 28, 2014

January 28, 2014

Mr. Jeffrey Blosser
President & CEO
Washington State Convention Center
800 Convention Place
Seattle, WA 98101

Dear Mr. Blosser:

Conventions, Sports & Leisure (CSL) has completed the expansion market analysis for additional convention and meeting facilities in Seattle. This report outlines the key findings associated with the analysis of local market conditions, historical Washington State Convention Center (WSCC) operations, industry trends and characteristics, competitive and comparable markets and facilities, and convention center demand characteristics specific to the Seattle market. The research presented herein was conducted in the summer of 2013 and is intended to assist WSCC leadership with respect to key building program elements supported by market demand characteristics unique to Seattle, and the financial and economic implications of such potential future development.

We greatly appreciate the opportunity to work with you and look forward to assisting in any way as you further consider this project.

Very truly yours,

CSL International

CSL International

Conventions, Sports & Leisure International
520 Nicollet Mall • Suite 440 • Minneapolis, MN 55402 • Telephone 612.294.2000 • Facsimile 612.294.2045

Table of Contents -

Executive Summary

Conventions, Sports and Leisure International ("CSL") was retained by the Washington State Convention Center Public Facilities District to prepare a market, financial and economic analysis for additional convention and meeting facilities in Seattle. The research presented herein was conducted in the summer of 2013 and is intended to assist WSCC leadership with respect to key building program elements supported by market demand characteristics unique to Seattle, and the financial and economic implications of such potential future development.

This summary highlights the key study findings. The full report should be reviewed in its entirety to gain an understanding of the study methods, limitations and implications. Study components summarized herein are as follows.

- Local Market Conditions
- Historical Washington State Convention Center Operations and Industry Trends Analysis
- Analysis of Competitive and Comparable Facilities and Markets
- Market Demand Analysis
- Summary of Program Findings
- Financial Operating and Economic Impact Analysis

Based on significant architectural and site planning conducted to date, two program options have been developed for adding convention center space proximate to the existing WSCC. The exhibit below summarizes the square footage levels associated with each option, as well as the current inventory of space at the existing WSCC.

Summary of Sellable Space Levels – Existing WSCC & Proposed Expansion

Existing WSCC: (sq. ft.)		New: Option 1		New: Option2	
Ballroom	44,400	Ballroom	50,000	Ballroom	50,000-60,000
Meeting	94,900	Meeting	100,000	Meeting	100,000
Prime Exhibit	205,700	Prime Exhibit	100,000	Prime Exhibit	140,000
Conference Center	34,800	Prime Exhibit	100,000	Prime Exhibit	170,000
Prime Exhibit 205,700 sq. ft.		Prime Exhibit 200,000 sq. ft.		Prime Exhibit 310,000 sq. ft.	

Note: All Conference Center space is considered to be meeting space and is included in the 94,900 square feet.
Source: WSCC

As presented, the current WSCC provides nearly 206,000 square feet of prime exhibit space, in addition to approximately 140,000 square feet of meeting and ballroom space. Development Option 1 is very similar in size to the existing WSCC and would incorporate 200,000 square feet of exhibit space on two levels, 100,000 square feet of breakout meeting rooms and a 50,000-square foot ballroom. The Option 2 building program would provide significantly more space, including 310,000 square feet of exhibit space (170,000 contiguous square feet on one level plus 140,000 contiguous square of another level), 100,000 square feet of meeting space and ballroom space of between 50,000 and 60,000 square feet.

This summary presents key findings associated with the market demand analysis for the space parameters outlined above; and for the financial and economic impacts associated with added convention space in downtown Seattle.

<u>Local Market Conditions</u>

The walkable area surrounding a convention center in terms of its hotel, restaurant and other visitor amenities and attractions has become an increasingly important factor in an event planner's site selection process. In the case of Seattle, the area surrounding the WSCC encompasses an active convention, hotel, restaurant and entertainment district. In addition, there are vibrant close-in neighborhoods/districts including the waterfront, Pioneer Square, Capitol Hill, etc. that support restaurant, retail and entertainment development and activity within and surrounding the downtown area. The significant corporate base moving into the downtown area (highlighted by the Amazon project in South Lake Union) also supports important visitor industry assets. These conditions represent a significant competitive advantage against convention centers in destinations that are somewhat more isolated, and help to define the market support for future convention center development options in Seattle.

The Hedreen hotel project with a potential room inventory of over 1,600 rooms will have a very significant impact on the ability to attract non-local events to any new convention space in Seattle. The project is planned for a full city block bounded by 8th and 9th Avenues, and Howell and Stewart Streets (currently the site of the Greyhound bus station). A total of five other hotel development projects are also currently in the pre-planning or planning stages within one-half mile of the WSCC.

Average hotel occupancy in downtown Seattle during 2012 was 78.2 percent, up from 71.1 percent in 2010. This increase of approximately seven percentage points is higher than that experienced by any other large west coast market over the same period. With occupancy of more than 80 percent in 2012, the Market Street District in San Francisco is the only market with higher overall occupancy than downtown Seattle. The high occupancy levels in the market may make it more challenging to assemble large room blocks for nationally rotating events, increasing the importance of adding new room inventory.

Historical Washington State Convention Center Operations and Industry Trends Analysis

Over the past several years, the WSCC has hosted events comprising more than 1,000 utilization days annually. Throughout 2007 and 2008, the WSCC event calendar totaled nearly 1,500 utilization days. This was followed by a significant decrease in center use, consistent with the national economic decline. Fewer smaller meetings and local events accounted for a significant majority of the utilization day loss, with more modest decreases in other event categories. Based on conversations with WSCC and Visit Seattle officials, the booking pace for large conventions and tradeshows over the next several years indicates the potential for increases in overall utilization days.

Somewhat contrary to overall industry conditions, annual attendance at the WSCC has held relatively constant over the past six years (ranging from approximately 390,000 to 428,000). Attendance at what are considered high-impact convention and tradeshow events (national and international organizations) has generated the second largest portion of event attendance behind only consumer shows, amounting to between 31 and 36 percent of all attendance at the WSCC. The WSCC has been operating at occupancy percentages ranging from a low of 55 percent registered during the recent recession, to 69 percent registered just prior to the recession. In 2008, and again in 2012 post-recession, occupancy percentages approached 70 percent.

After significant decreases in industry demand levels during the recent recession, demand for convention, tradeshow and related public assembly space has grown industry-wide over the past 12 to 18 months. As we enter the fourth quarter of 2013, nearly all indicators suggest that the national economy is continuing to recover from a significant recession. A large collection of data suggests that the health of the convention, tradeshow and meetings industry, like nearly all industries, has historically been and is currently linked to the strength and fluctuations of the overall U.S. economy. Considering these linkages, it is important to note that projections for 2013 have the GDP growing at a 1.7 percent pace. Improvement is expected over the following two years, with estimated GDP growth of 2.7 percent and 3.9 percent for 2014 and 2015, respectively.

Analysis of Competitive and Comparable Facilities and Markets

The WSCC currently offers approximately 205,700 total square feet of exhibit space, ranking last among the 15 other comparable and competitive venues reviewed. The largest contiguous space at the WSCC is 100,000 square feet, less than one-half of the contiguous space offered at the next smallest venue (Vancouver Convention Centre). Contiguous space is often important in accommodating larger events, and the split nature of the WSCC space can be a disadvantage when attracting and retaining national conventions and tradeshows. In addition, the WSCC provides ceiling heights of 21 to 25 feet while the current industry standard is 30 to 35 feet. Convention center expansion is planned in numerous west-coast competitive venues including those in Anaheim, San Diego and San Francisco.

The WSCC currently contains approximately 94,900 square feet of meeting space, ranking ninth among 15 competitive and comparable centers reviewed. It should be noted that nearly 10,000 square feet of this space is contained in hard-walled rooms that are under 1,000 square feet each. Rooms of this size are often difficult to incorporate into a convention space program. It is not inaccurate then to consider the existing WSCC meeting space as equivalent to approximately 85,000 square feet, ranking 12th among the competitive/comparable facility set.

The WSCC currently provides 44,400 square feet of ballroom space, ranking in the bottom third of the set of competitive and comparable facilities analyzed. Halls 6A, 6B and 6C combine to provide 29,600 square feet in a single area. The adjacent Hall 6E does offer some level of un-interrupted access to the Halls 6A-C; however its configuration and connectivity is somewhat non-traditional in nature. Including only the fully contiguous, well-configured WSCC ballroom space, the ranking would drop to next to last, ahead of only Minneapolis.

When considering the planned 1,600-plus room Hedreen hotel development, the headquarter hotel package available to support the WSCC would rank second highest, with nearly 2,900 rooms (1,258 of which are at the Sheraton Seattle which expanded in 2007). Without the Hedreen project, Seattle would rank 11th among the 15 markets reviewed. These data indicate that future planning for new convention space in Seattle should consider the development of an adjacent headquarter property of at least 1,000 rooms a necessary condition for successfully competing for national rotating events. The development of the Hedreen property, with a potential for 1,600-plus rooms should be viewed as a critically important factor to future center development in downtown Seattle.

Market Demand Analysis

To help form a basis for the demand analysis within such a diverse market, detailed surveys were completed with meeting planners in various event segments that represent potential demand for additional convention center space in downtown Seattle. A total of 125 event planners in the national association and corporate event market were surveyed. Specific findings are summarized below.

- The Seattle market receives a rating of 2.8 on a one to five scale from all national convention and tradeshow respondents surveyed. This is very comparable to the ratings received for markets such as San Francisco, Phoenix, Austin, Anaheim and Philadelphia. Seattle ranks ahead of markets such as Minneapolis, Salt Lake City, Vancouver and Portland. San Diego, San Antonio, Boston and Denver secured ratings that are only several tenths of a point higher than Seattle. When considering only those event planners that are interested in hosting an event in Seattle, a shift takes place, with Seattle ranking ahead of markets such as San Francisco, Austin, and Phoenix. These data indicate that despite important challenges such as a remote geographic location and a relatively small center, Seattle is considered a viable destination for nationally rotating convention and trade events – in the same class as much larger and established west-coast markets.

- The Seattle market's overall national and convention event planner positive response rate (share of planners that would consider Seattle as an event destination) of 58 percent ranks high compared to markets recently analyzed by CSL such as Las Vegas, Detroit, Boston, Anaheim, New Orleans, San Antonio and Miami Beach. These data again support the notion that Seattle is perceived favorably by national convention and tradeshow planners compared to markets with significantly larger centers.

- The nearly 100,000 square feet of existing contiguous WSCC exhibit space can accommodate 25 percent of the total national convention and tradeshow exhibit space demand. If the contiguous exhibit space increases from 100,000 to 170,000 square feet, an additional 25 percentage points of market share can be accommodated, effectively doubling the existing capture rate to 50 percent. Note that Option 2 provides close to 170,000 square feet of contiguous space. A center with over 300,000 square feet of exhibit space generates a further square footage market capture increase of 29 percentage points (for a total capture percentage of 79 percent). These data demonstrate the important market capture value of a center with 310,000 square feet of exhibit space (Option 2) versus 200,000 square feet of space (Option 1).

- Not surprisingly, the development of a new 1,600-plus room hotel adjacent to the proposed new center is viewed as a significant positive feature by 60 percent of national convention and tradeshow planners surveyed, and as somewhat positive by an additional 29 percent of respondents.

- Forty-two percent of planners surveyed stated that a 60,000 square foot ballroom space as compared to a 50,000 square foot ballroom is either very important or somewhat important.

- Current project planning efforts incorporate various scenarios for loading and unloading of freight onto exhibit areas, including the possibility of differing elevations that require large freight elevators to move material from loading dock to exhibit hall. Eighty-nine percent of planners surveyed state that a common elevation for loading docks and exhibit area is very or somewhat important. This is likely due to the added load in/out time, added expense and added complications associated with having to use freight elevators to move extensive exhibit material.

Summary of Program Findings

Based on the historical operations analysis, comparable market and facility data, market demand research and industry trend analysis, we have prepared a set of key program findings associated with future development of convention center facilities in downtown Seattle. These are summarized below.

- The exhibit space program provided by Option 2 should be pursued. In terms of exhibit space capture, expanding the contiguous exhibit area from 100,000 square feet (reflective of both the existing WSCC and Option 1) to 170,000 square feet provided in Option 2 allows for an approximate 25 percentage point increase. In other words, the larger hall has the capacity to significantly increase the ability to accommodate national exhibit space demand. At 170,000 square feet of contiguous exhibit space, a new Seattle convention center would still rank as the smallest contiguous space among the 15 competitive and comparable venues analyzed. In addition, survey results clearly indicate that providing loading dock and exhibit space on a common level is very important. In fact, 89 percent of national event planners surveyed have stated that this condition is very important (65 percent) or somewhat important (24 percent). Only Option 2 allows for the common dock and exhibit space scenario.

- Initial planning efforts should target a 60,000 square foot ballroom versus a 50,000 square foot space. As the planning effort moves forward, project representatives can determine the value of a larger (60,000 square foot) ballroom in comparison to other building features and space levels, and in the context of budgeting issues faced by all projects of this type.
- Both Options 1 and 2 provide for a continuation of a high meeting to exhibit space ratio. Future convention center planning efforts should seek to maintain these types of ratios.

As previously noted, event planners would have an option to host a single event in two separate venues located approximately one block apart. Survey results suggest that while this is not common in the industry, 37 percent of planners surveyed would consider hosting a single event in both the WSCC and a new center. Focus group research also provided an indication that meeting planners, including planners of large corporate events, would consider the two center option. To maximize the potential marketability of this option, planning should provide for a landscaped covered walkway between the two centers; park space over existing freeway between the two venues; and orienting public/lobby space of the two venues towards each other.

Event, Financial Operating and Economic Impact

- National/international conventions & tradeshows provide a significant majority of non-local attendance at the WSCC. There were 50 of these events in 2012, 38 in 2013 and an average of 41 between 2010 and 2013. Based on the research conducted for this project, the operation of a new center, combined with the WSCC would attract 64 national/international convention & tradeshow events, a 28 percent increase over 2012 event levels, a 67 percent increase over 2013 event levels, and a 54 percent increase over the 2010 to 2013 average.
- Average attendance at these events under the combined center option is estimated at 3,500, increased from 2,757 for 2012 and an average of 3,300 for the 2010 to 2013 period. The national/international convention and tradeshow attendance levels are estimated at approximately 858,000 under the two-center scenario, representing a 39 percent increase over 2013 data, and a 58 percent increase over the 2010 to 2013 levels. Note that data for 2013 are not fully collected, particularly for banquets and receptions, and meetings and one-stop events. This has an impact on the percentage increase totals.
- The WSCC generated approximately $36.8 million in operating revenues in 2012, inclusive of approximately $8.8 million in marketing (hotel/motel) taxes. Operating expenses and marketing services totaled $34.9 million, generating a net income of $1.9 million. Under the new center scenario, operating revenues by year five (assumed mature year of full operations) are estimated at $57.1 million, inclusive of

$14.9 million in marketing taxes. Expenses including marketing services are estimated at $57.0 million, resulting in a net income of $411,000. Net income for future years (beyond this analysis period) should continue a modest pattern of growth, accounting for typical fluctuations due to booking levels and economic conditions.

- The estimated total annual direct spending associated with the existing WSCC was approximately $259.0 million over the 2010 to 2013 period. Estimated total annual direct spending associated with the WSCC plus a new center is estimated at approximately $401.7 million (in a stabilized year of operations, in 2013 dollars).
- The estimated level of annual WSCC-supported impact between 2010 and 2013 approximated $387 million in total output (total direct and secondary spending), and in excess of $160 million in total earnings. An estimated 3,800 full and part-time jobs were supported by WSCC activity in 2013. With a combined WSCC and new center, estimated annual impacts in the fifth year of operations include $600 million in total output, $249 million in earnings (i.e., salaries and wages), and nearly 5,900 full and part-time jobs.
- Over the past four years, the WSCC has generated an average of approximately $33.8 million in total annual direct and indirect tax collections. The total tax impact of the WSCC with a new center is estimated to increase to more than $52.0 million during a stabilized year of operations. Hotel and motel tax dollars generated by WSCC operations represent half of total tax collections associated with the venue, and could be expected to grow to more than $26 million annually with a new center in addition to the WSCC (in a stabilized year of operations). Other taxes and fees that are impacted by the operations of the WSCC include general sales taxes, car rental tax and the Seattle Tourism Improvement District Fee.
- Based on Visit Seattle records, the existing WSCC has generated an average of approximately 272,700 room nights each year among National/International Conventions and Tradeshows. Accounting for all other event categories and the fact that a significant number of event attendees book outside of the room block, it is estimated that WSCC event activity has generated an average of 451,300 total room nights each year (over the past four years). A new Center could is estimated to generate an additional 239,400 incremental room nights annually in a stabilized year of operations.

1.0 Introduction

Conventions, Sports & Leisure (CSL) has completed the expansion market analysis for additional convention and meeting facilities in Seattle. This report outlines the key findings associated with the analysis of local market conditions, historical Washington State Convention Center (WSCC) operations, industry trends and characteristics, competitive and comparable markets and facilities, and convention center demand characteristics specific to the Seattle market. The research presented herein was conducted in the summer of 2013 and is intended to assist WSCC leadership with respect to key building program elements supported by market demand characteristics unique to Seattle, and the financial and economic implications of such potential future development.

The study process consisted of detailed research and analysis, including market-specific research derived from the following:

- In-person local market assessments and site tours.
- In-person interviews/meetings with WSCC management, Seattle business and community leaders, downtown organizations, government officials, neighborhood organizations, project architects and related entities.
- Focus groups with WSCC user groups.
- Analysis of trends in the industry that may impact development of additional space in Seattle.
- Research and analysis of local market conditions that can impact the ability to accommodate events such as hotel inventory, transportation features, restaurant/entertainment capacity and related conditions.
- Analysis of data from a total of 15 competitive and comparable facilities and markets.
- Analysis of WSCC lost business records maintained by Visit Seattle, and interviews with 20 lost business contacts.
- Interviews with 60 current and past users of the WSCC.
- One-hundred twenty five (125) completed interviews with meeting planners of targeted national conventions, tradeshows, conferences and other events.
- Analysis of WSCC financial operations.

This report consists of the following primary analysis sections:

- *Local Market Conditions and Lost Business Analysis* – presents analysis of local attributes and hospitality infrastructure, focusing on event space, hotels, and other such factors. Our analysis of lost business records (as collected and maintained by Visit Seattle) is also presented.
- *Historical Washington State Convention Center Operations and Industry Trends Analysis* – provides a review of utilization levels, event mix and related operational characteristics of the WSCC. This chapter also offers insight into recent trends in the industry that may impact development of additional space in Seattle. This detail is important in providing a basis from which to evaluate potential unmet demand for event space in the market.
- *Analysis of Competitive and Comparable Facilities and Markets* – provides a comparison of various physical characteristics and resources of competitive and comparable facilities and their host cities relative to the convention and visitor industry.
- *Market Demand Analysis* – provides the results of a detailed survey analysis of more than 200 current and past WSCC users, lost business contacts and targeted national organization event planners that reflect market potential for additional convention space in Seattle.
- *Summary of Program Findings* – summarizes a set of key market-supportable program findings associated with future development of convention center facilities in Seattle.
- *Event and Financial Operating Analysis* – presents the analysis of event potential and financial operating impacts associated with additional convention facility development in Seattle.
- *Analysis of Economic and Fiscal Impacts* – presents an analysis of the potential economic and fiscal (tax) impacts associated with the operation of additional convention space in Seattle.

The research data, information and analysis provided through this study is intended to allow the WSCC and other community constituents to draw their own informed conclusions as to the supportable level of added convention space, desired configuration and amenities, and the associated project impacts.

2.0 Local Market Conditions and Lost Business Analysis

The number of existing event facilities in the local market, as well as the supply and location of local hotel rooms, are important considerations with respect to the ability to attract and accommodate new convention market potential and associated economic and fiscal impacts. The convention, conference and tradeshow market in any community cannot grow beyond the ability of its hotel base to accommodate out-of-state visitors. The hotel room inventory available for events held at the WSCC will continue to influence the ability of the existing WSCC and new space to attract events with significant room night generation. Within this section, we explore the inventory of existing and planned hotel and event facilities in the local market, the performance of the lodging industry, lost business records (as collected and maintained by Visit Seattle) and an overview of the proposed expansion site.

2.1 Existing and Planned Hotel and Event Facility Inventory

From a meeting planner's perspective, assembling a room block in as few properties as possible is important. As such, the location of a market's existing and planned inventory can be critical in successfully accommodating events with a non-local attendee base. Based on Visit Seattle estimates, there are currently 57 hotels in downtown Seattle that combine to offer a total of approximately 12,500 guestrooms.

We have examined downtown Seattle's hotel and event space offerings from a location perspective, as presented in Exhibit 2-1. As shown, there are currently 26 hotel properties located in downtown Seattle within approximately one half mile

Exhibit 2-1
Summary of Hotel & Event Space Inventory Within One-Half Mile of the WSCC

Hotel	Total Rooms	Committable Rooms (max)	Largest Contiguous Space	Total Space	Distance to WSCC
Sheraton Seattle Hotel	1,258	1,000	18,300	75,000	0.1 miles
The Paramount Hotel Seattle	146	100	800	1,300	0.1 miles
The Roosevelt Hotel	151	100	900	2,900	0.1 miles
Grand Hyatt Seattle	425	300	5,700	25,000	0.1 mles
Homewood Suites Convention Center/Pike Street	195	100	500	700	0.1 mles
Crowne Plaza Hotel - Seattle	415	250	4,200	10,000	0.2 miles
Hilton Seattle	237	150	3,100	6,500	0.2 miles
Hotel Max	163	100	300	300	0.2 miles
Hotel Vintage Park	124	50	700	1,000	0.2 miles
Hyatt at Olive 8	346	175	6,200	11,000	0.2 miles
Red Lion Hotel on Fifth Avenue	297	200	8,900	13,700	0.2 miles
The Inn at Virginia Mason	79	25	N/A	N/A	0.2 miles
Washington Athletic Club	113	60	3,000	12,500	0.2 miles
Sorrento Hotel	76	35	1,800	4,800	0.3 miles
The Westin Seattle	891	650	18,000	38,000	0.3 miles
Fairmont Olympic Hotel	450	300	4,100	28,000	0.4 miles
Mayflower Park Hotel	161	125	1,500	5,000	0.4 miles
Renaissance Seattle Hotel	553	400	5,300	26,800	0.4 miles
Alexis Hotel	121	60	1,400	3,400	0.5 miles
Best Western Pioneer Square Hotel	75	15	200	200	0.5 miles
Executive Hotel Pacific	153	100	600	600	0.5 miles
Four Seasons Hotel Seattle	147	80	4,900	10,600	0.5 miles
Hotel Andra	119	50	1,800	3,500	0.5 miles
Quality Inn & Suites Downtown Seattle	159	40	1,400	1,700	0.5 miles
The Belltown Inn	172	25	N/A	N/A	0.5 miles
W Seattle	424	250	4,600	10,000	0.5 miles
TOTAL	**7,450**	**4,740**		**292,500**	

Source: CSL International; Visit Seattle: 2013 of the WSCC. Together, these properties combine to provide nearly 7,500 sleeping rooms. Located adjacent to the WSCC, the Sheraton Seattle offers 1,258 total rooms and generally serves as the primary headquarter hotel for WSCC events. The Grand Hyatt Seattle (approximately one block from the Center) incorporates 425 total guestrooms and frequently accommodates overflow demand for guestrooms. As will be discussed later in this report, many planners of national association convention, tradeshow and other events require a high percentage of rooms within their respective room blocks to be located within close proximity of the event facility. Hotel inventory and access will impact the viability of any new convention center facilities in Seattle.

Generally, hotel properties only allow for 60 to 80 percent of their rooms to be available at any given time for large, city-wide events, making the committable number of rooms available to out-of-state attendees even less. Given the overall high demand for hotel rooms in downtown Seattle (as will be shown later within this section), the percentage of total hotel room inventory in downtown Seattle that is committable for WSCC events is generally closer to 64 percent. Based on estimates provided by Visit Seattle, there are approximately 4,700 committable hotel rooms within one-half mile of the WSCC. To assemble a room block of 3,000, approximately seven hotel properties are needed.

We have also collected and reviewed data with regard to planned downtown hotel properties that could impact the success of additional event space in the market. A total of six hotel developments are currently in the pre-planning or planning stages within one-half mile of the WSCC. Together, these properties could add an estimated 2,446 rooms to the inventory of rooms within walking distance of the WSCC. By far the most significant and impactful development being considered is the 43-story Hedreen hotel project with a potential 1,500 to 1,600 rooms to be located on a full city block bounded by 8th and 9th Avenues, and Howell and Stewart Streets (currently the site of the Greyhound bus station). Other planned components of this project include affordable housing, 30,000 to 40,000 square feet of retail space and 150,000 square feet of meeting and ballroom space. Current plans call for the hotel to open in early 2017.

As part of our local market research, we have also reviewed the inventory of in-house flat floor event space at area hotels. There are several existing facilities in downtown Seattle that have the ability to accommodate various levels of conventions, meetings, banquets, food/beverage functions, public/consumer shows, conferences and other assembly events. This includes a significant amount of flat floor event space among downtown hotel properties; however, these facilities generally focus on the segment of the event market that has relatively limited space needs. On average, these facilities offer 7,200 square feet of total sellable space, with the largest hotel property (the Sheraton Seattle Hotel) offering an 18,300-square foot ballroom and approximately 75,000 square feet of total sellable space. These properties are clearly focused on event segments that are largely distinct from those in which the WSCC competes. Although there can be occasional overlap, events that can be accommodated by privately operated hotels should not be a focus of a public convention center.

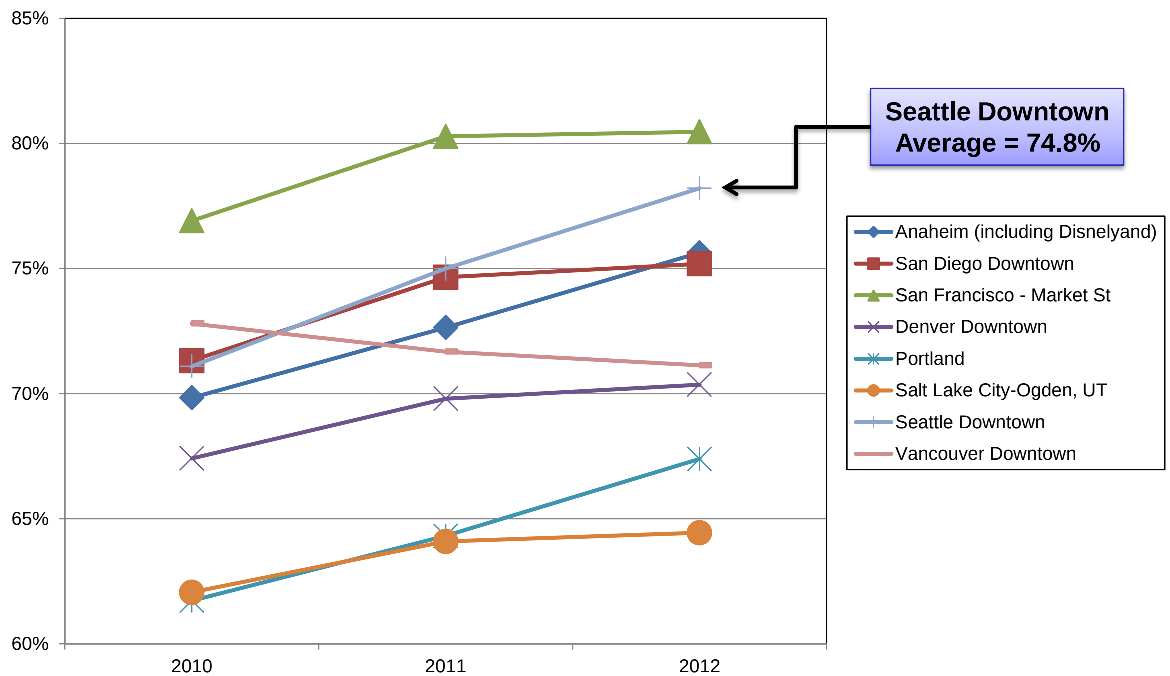
However, the planned Hedreen hotel property could include up to 150,000 square feet of sellable space, including a 50,000-square foot ballroom. Sellable space of this size could impact event levels at both the existing WSCC and the proposed new center. It is possible that event capture at the

Hedreen property could result in downward pressure on potential event and financial operating revenue for the WSCC and new center development due to added competition for small and mid-sized banquets, receptions and meetings.

As previously noted, the walkable area surrounding a convention center in terms of its hotel, restaurant and other visitor amenities and attractions has become an increasingly important factor in an event planner's site selection process. In the case of Seattle, the area surrounding the WSCC encompasses an active convention, hotel, restaurant and entertainment district. In addition, there are vibrant close-in neighborhoods/districts including the waterfront, Pioneer Square, Capitol Hill, etc. that support restaurant, retail and entertainment development and activity within and surrounding the downtown area. This represents a significant competitive advantage against convention centers in destinations that are somewhat more isolated, and any supportable future convention center development options in Seattle will in some ways be shaped by these conditions.

2.2 Hotel Market Performance

Exhibit 2-2
Summary of Competitive Market Hotel Occupancy (2010 – 2012)



Source: Smith Travel Research, 2013.

Our analysis of the local hotel market also includes a review of average hotel occupancy and room rates in downtown Seattle, as compared to seven competitive markets for the three-year period spanning 2010 through 2012. We begin with a summary of competitive market hotel occupancy rates.

Based on data provided by Smith Travel Research and Visit Seattle, both the average daily hotel room rate (ADR) and the average occupancy rate in Seattle have followed a pattern similar to that experienced in many markets nationwide, reflective of overall industry and economic conditions.

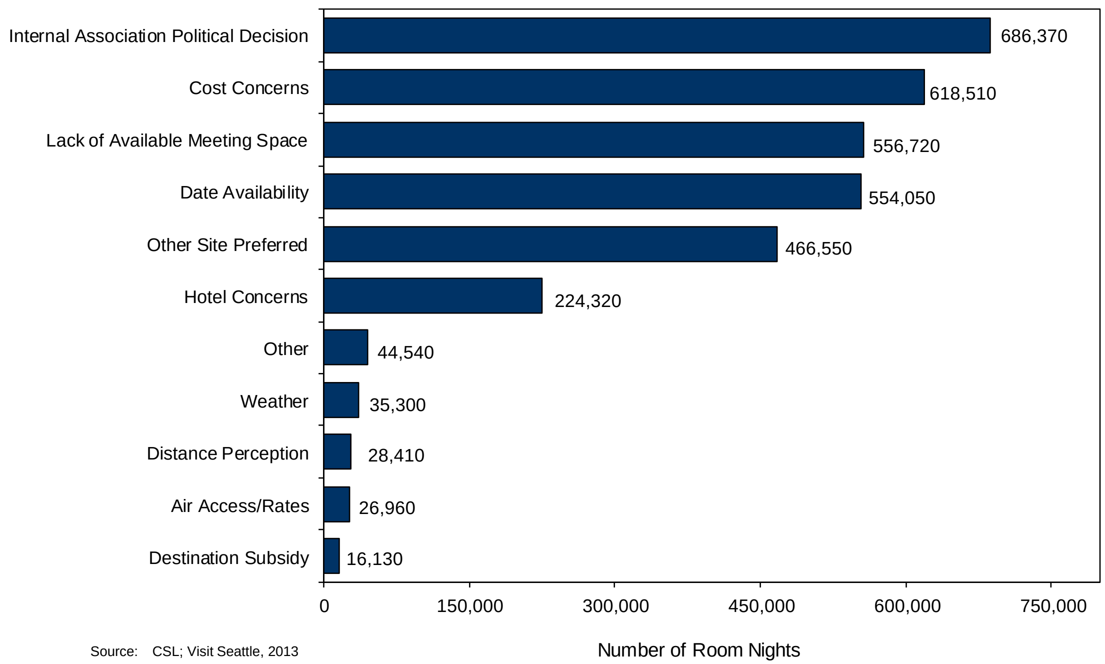
Average hotel occupancy in downtown Seattle during 2012 was 78.2 percent, up from 71.1 percent in 2010. This increase of approximately seven percentage points is higher than that experienced by any other market over the same period. With occupancy of more than 80 percent in 2012, the Market Street District in San Francisco is the only market with higher overall occupancy than downtown Seattle. As previously noted, the high occupancy levels in the market may make it more challenging to assemble large room blocks for nationally rotating city-wide conventions and tradeshows, and increase the importance of adding new room inventory.

Smith Travel Research reported an average daily rate (ADR) of $164.01 for downtown Seattle in 2012, an increase of more than eight percent when compared to 2010. Three markets (San Francisco, Vancouver and San Diego) commanded higher overall room rates than Seattle. Growth in room rates in downtown Seattle has been outpaced by five of the seven markets reviewed.

2.3 Lost Business Analysis

Another element in the evaluation of demand for convention center event space is the review of Visit Seattle data regarding events that indicated an interest in the market for a future convention or tradeshow but could not be accommodated for one or more of a variety of reasons. Representatives from organizations that indicated a potential interest in Seattle for a future show but could not be accommodated were surveyed by Visit Seattle regarding their reasons for not choosing the market for their event(s). Based on our review of these data, Exhibit 2-3 presents a summary of lost event business (in terms of total room nights), by reason between 2008 and 2012.

Exhibit 2-3
Summary of Lost Room Nights by Reason (2008 – 2012)



Source: CSL; Visit Seattle, 2013

Between 2008 and 2012 Visit Seattle has tracked events that have considered but not booked Seattle, representing a total of approximately 3.26 million room nights. This should not be interpreted as events that would have rotated to Seattle if suitable facility, hotel and other visitor amenity conditions were available. Rather, these data reflect organizations that expressed an interest in Seattle at one point during their event planning process but ultimately selected another destination.

As shown, internal political decisions are cited as the most prominent reason for not booking an event in Seattle. This is a highly broad category, does not provide actionable information, and is not considered as part of this analysis. However, lost business reasons such as the rates charged for facility and hotel room rental, lack of sufficient meeting space (often relating to amount of space available), and date availability (at both the WSCC and local hotels), are also often cited as reasons for not booking an event in Seattle. These concerns combine to represent more than 1.3 million lost room nights over the five-year period. Addressing the amount and availability of flat floor convention space, as well as increasing the inventory of proximate hotel rooms to support the convention and tradeshow industry could substantially influence Seattle's ability to penetrate new markets for rotating national events.

Other issues, such as weather, distance perceptions, and air access/rates were also mentioned, and are generally more difficult to overcome in terms of attracting new events.

2.4 Existing WSCC & Proposed Expansion Site

Based on discussions with project representatives, an opportunity exists to develop a convention and meeting facility at a site currently occupied by the King County transit system, along with certain adjacent parcels that are privately held. The augmented transit station site is one block from the existing WSCC

As currently envisioned, three or four levels of event space could be built over the transit station as well as a level underneath it. Based on estimates provided by project architects, by expanding over Convention Place Station and building under the current Honda site, a total of approximately 505,000 square feet of sellable exhibit, meeting and ballroom space could be developed. The following exhibit summarizes the square footage levels associated with two potential development options, as well as the current inventory of space at the existing WSCC.

Exhibit 2-4
Summary of Sellable Space Levels – Existing WSCC & Proposed Expansion

Existing WSCC: (sq. ft.)		**New: Option 1**		**New: Option2**	
Ballroom	44,400	Ballroom	50,000	Ballroom	50,000-60,000
Meeting	94,900	Meeting	100,000	Meeting	100,000
Prime Exhibit	205,700	Prime Exhibit	100,000	Prime Exhibit	140,000
Conference Center	34,800	Prime Exhibit	100,000	Prime Exhibit	170,000
Prime Exhibit 205,700 sq. ft.		Prime Exhibit 200,000 sq. ft.		Prime Exhibit 310,000 sq. ft.	

Note: All Conference Center space is considered to be meeting space and is included in the 94,900 square feet.
Source: WSCC

As presented, the current WSCC provides nearly 206,000 square feet of prime exhibit space, in addition to approximately 140,000 square feet of meeting and ballroom space. Development Option 1 is very similar in size to the existing WSCC and would incorporate 200,000 square feet of exhibit space on two levels, 100,000 square feet of breakout meeting rooms and a 50,000-square foot ballroom. The Option 2 building program would provide significantly more space, including 310,000 square feet of exhibit space (170,000 contiguous square feet on one level plus 140,000 contiguous square of another level), 100,000 square feet of meeting space (with the ability to incorporate an additional 30,000 to 35,000 square feet) and ballroom space of between 50,000 and 60,000 square feet. The research and analysis presented throughout the remainder of this report will evaluate the market demand for the space parameters outlined above, and will quantify the financial, economic and other important impacts that additional convention space in downtown Seattle could provide.

3.0 Historical Washington State Convention Center Operations and Industry Trends Analysis

The purpose of this chapter is to inventory and analyze key elements of the historical operations of the WSCC. Understanding utilization levels, event mix and other such characteristics of the facility is important to providing a basis from which to evaluate potential unmet demand for event space in the market. We begin with a more detailed review of WSCC space offerings.

3.1 Introduction to WSCC Space Offerings

The Washington State Convention Center originally opened in 1988. In 2001, a major expansion of the WSCC was completed that effectively doubled the available event space adding significant space in a connected facility across Pike Street. The WSCC was expanded again in 2010 with the opening of The Conference Center. Located at the northeast corner of 8th Avenue and Pike Street, this four-level, LEED-certified space provides 71,000 square feet of high-end meeting and banquet space that can either stand alone as a self-contained conference facility or be combined with the entire WSCC. Currently, the WSCC offers a total of more than 345,000 square feet of sellable space, as well as parking facilities, restaurant and retail space. These offerings are summarized as follows:

- Exhibit Space – 205,700 square feet of dedicated exhibit space, of which the largest contiguous space is 100,000 square feet.
- Meeting Space – Up to 70 breakout meeting rooms combine to provide a total of approximately 94,900 square feet of space.
- Ballroom Space – Includes 44,400 square feet of ballroom space on Level 6. Although this space is somewhat contiguous, it is of a non-traditional configuration when compared to most competitive and comparable convention centers.
- Parking – Nearly 1,700 on-site parking spaces.
- Restaurants/Retail – Restaurant and retail space on multiple levels.

A comparison of this space with primary national competitive and comparable venues is presented later in this report.

3.2 Analysis of Historical WSCC Operations

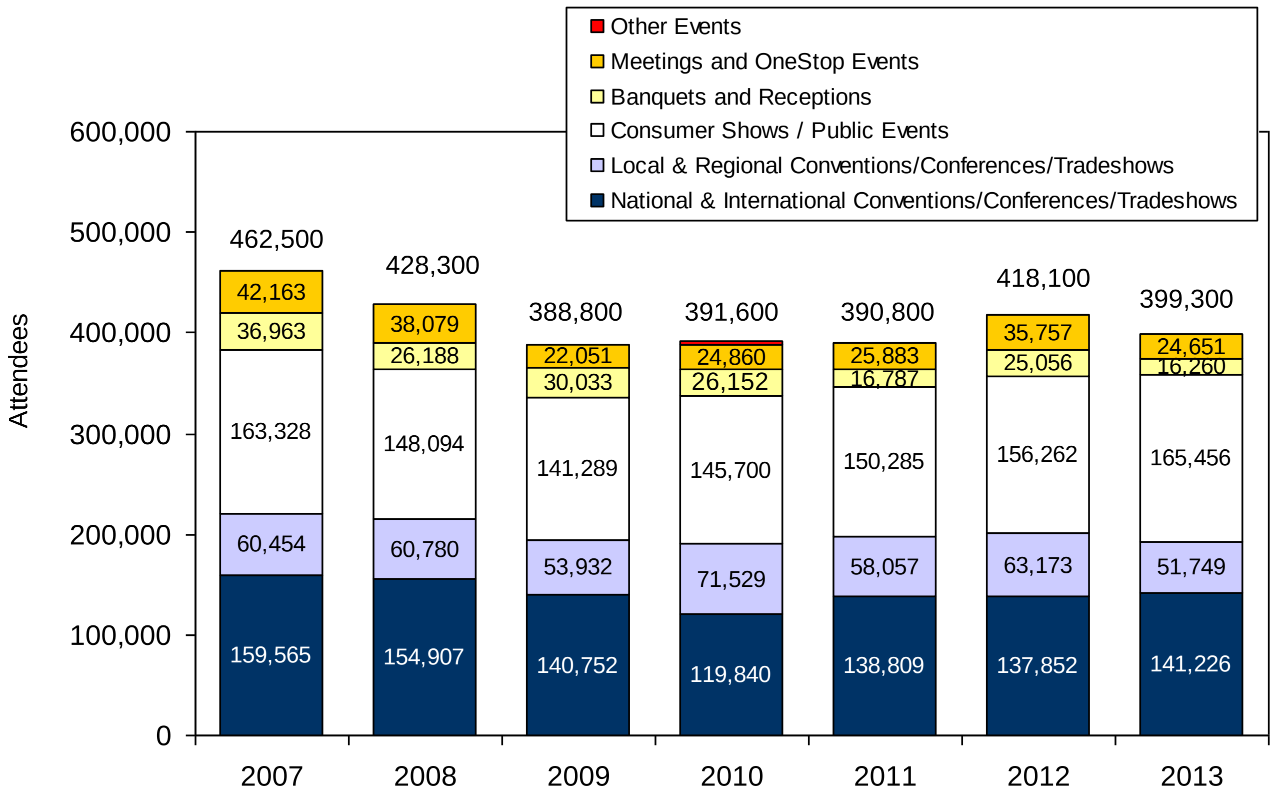
The WSCC hosts a wide variety of both non-local and local events, including conventions, tradeshows, corporate meetings, consumer shows, food and beverage functions, community, government and other events. We have evaluated various measures of usage over the past seven years, focusing on utilization days, event days, attendance, occupancy percentages, and related measures. For purposes of this analysis, WSCC usage has been segmented into the following event categories:

- National & International Conventions/Conferences/Tradeshows
- Local & Regional Conventions/Conferences/Tradeshows
- Consumer Shows / Public Events
- Banquets and Receptions
- Meetings and OneStop Events
- Other Events

Utilization days at the WSCC (which include all move-in, event and move-out days for a convention or tradeshow) have ranged from approximately 1,000 to 1,500 over the past seven years. Utilization among meetings and OneStop events (which are smaller and tend to generate limited economic impact) has dropped in recent years, likely due to national economic conditions.

Exhibit 3-1 outlines total attendance by event type for the same seven-year period among all events utilizing the WSCC.

Exhibit 3-1
WSCC Attendance by Event Type (2007 – 2013)



Notes: Event types are based on facility management classifications. Data for 2013 are based on bookings as of June 2013.
Source: CSL, facility management, 2013

The WSCC experienced its highest attendance over the past seven years in 2007 with an estimated 462,500 total event attendees. Importantly, and somewhat contrary to overall industry conditions, attendance at the WSCC has held relatively constant over the past six years (ranging from approximately 390,000 to 428,000).

Although they comprise a relatively small portion of facility utilization days, consumer shows and public events make up the largest portion of WSCC attendance each year (ranging from 141,000 to 165,000). Attendance at what are considered high-impact convention and tradeshow events (national and international organizations) has generated the second largest portion of event attendance, amounting to between 31 and 36 percent of all attendance at the WSCC.

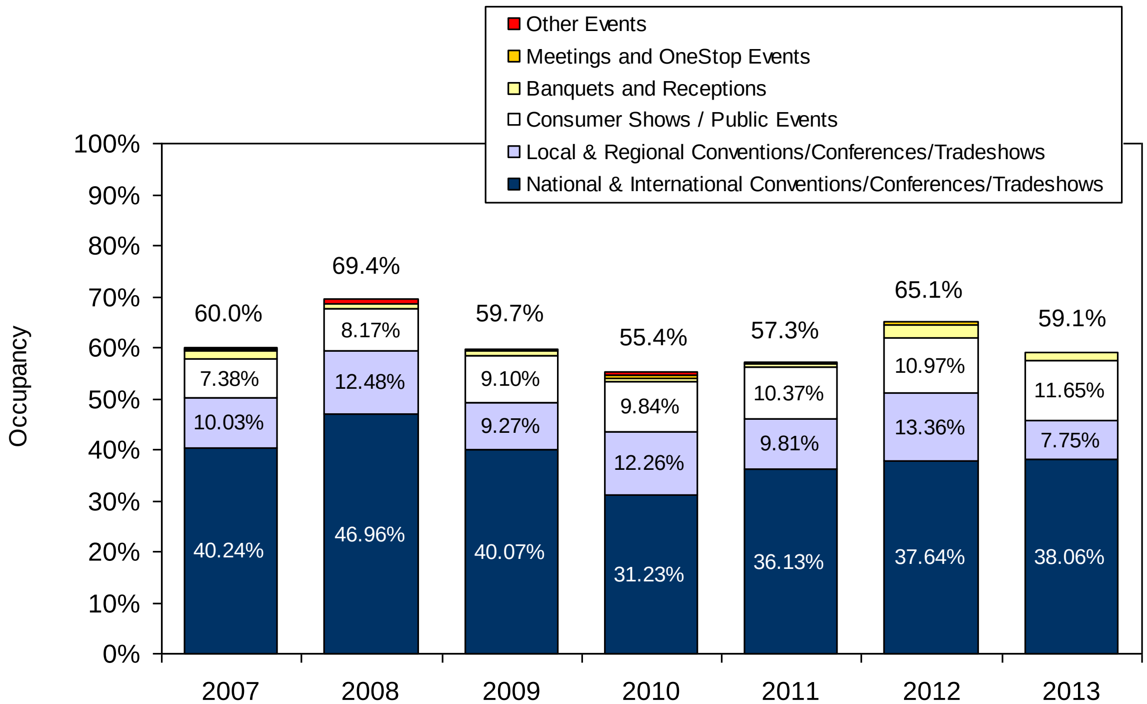
As noted previously, WSCC utilization days have dropped in recent years, with attendance stability driven by an increase in average attendance per-event. These data indicate that the WSCC has continued to perform well with larger, highly attended events. As with attendance, room night generation from WSCC events has been strong in recent years. WSCC event activity generated a total of approximately 296,000 room nights in 2012, with already more than 330,000 room nights booked for 2013. Based on current bookings, 2014 looks to continue this pattern, with an estimated 267,000 room nights booked to date.

It is also important to measure convention center use from the perspective of square footage occupancy. Occupancy levels (measured by dividing the total amount of sold event space by the total amount of sellable space within the facility times 365) can indicate the degree to which usage of the facility has reached a maximum capacity. In order to assess space utilization as well as to identify the types of activities that are generating significant facility use, Exhibit 3-2 presents a summary of exhibit space occupancy by event type for the WSCC's 205,700 square feet of exhibit space, between 2007 and 2013.

The occupancy of a facility is determined to be within a practical maximum capacity range when the actual occupied space in a facility reaches a level of approximately 70 percent of total sellable capacity. Above 70 percent occupancy, a facility has exceeded "practical maximum capacity" and may be turning away a significant amount of business. These assumptions account for the reality that a portion of the facility's total capacity is unsellable due to holidays, maintenance days and inherent booking inefficiencies that result when events cannot be scheduled immediately back-to-back. Occupancy levels below 50 percent may indicate that a center has not attracted sufficient market share necessary to support existing space levels.

As presented, exhibit space at the WSCC has been operating at a stable rate of occupancy for the past seven years, ranging from a low of 55 percent registered during the recent recession, to 69 percent

Exhibit 3-2
WSCC Exhibit Space Occupancy by Event Type (2007 – 2013)



Notes: Event types are based on facility management classifications. Data for 2013 are based on bookings as of June 2013.
Source: CSL, facility management, 2013

registered just prior to the recession. National and international convention, conference and tradeshow event activity has generated by far the largest portion of exhibit space occupancy over the reviewed period, increasing in each of the past four years. Smaller local and regional conventions, conferences and tradeshows have generated between eight and 13 percentage points of occupancy, while consumer shows and other public events have accounted for between seven and 12 percentage points of occupancy. Meetings, banquets, receptions, OneStop and other events are not typically large users of exhibit space and have collectively represented one to three percentage points of hall occupancy in recent years.

Overall, the occupancy percentages for the WSCC are within the desired target occupancy range of between 50 and 70 percent. In 2008, and again in 2012 post-recession, occupancy percentages approached 70 percent. Data for 2013 and beyond should continue to be monitored to assess future market pressure for additional space. Consideration should also be given to inherent competitive weaknesses in the WSCC exhibit space and the resulting impact on occupancy levels. These weaknesses include non-contiguous space and low and/or inconsistent ceiling heights, and are evaluated more thoroughly in a later chapter of this report.

In an effort to further analyze the distribution of exhibit space demand among WSCC events, we have evaluated the daily exhibit space usage by WSCC events in 2011 and 2012. Approximately 50 percent of WSCC exhibit space users in 2011 and 2012 required less than 68,000 square feet of exhibit space per day, while nearly three-fourths occupied less than 100,000 square feet. Approximately 12 percent of events require no more than 150,000 square feet of exhibit space. While not necessarily indicative of a full building, these data clearly indicate that WSCC event and occupancy performance is dependent both on multiple overlapping mid-sized events, in addition to several large multi-hall users. Other factors, including the non-contiguous, non-traditional nature of WSCC exhibit space, may be limiting interest among some larger national groups that could be full building users. Future physical planning will need to address this important characteristic.

There are a number of events that have or will occupy all available space at the WSCC, and planners of these events have indicated a need for additional space to be able to host their event(s) at the Center. Based on conversations with facility management, such groups include, but are not limited to the following:

- AAM 2014 Annual Meeting & Museum Expo
- AAN 2022 Annual Meeting
- ACEP 2013 Scientific Assembly
- ALA 2019 Mid-Winter Meeting
- American Transplant Congress 2013
- AMS - 2017 Annual Meeting
- AOA 2014 OMED
- APhA 2019 Annual Meeting & Exposition
- ARVO 2013 Annual Meeting
- Cardinal Health - RBC
- International Microwave Symposium
- PASS 2014 Community Summit
- PAX Prime 2013
- SCAA 2014 Annual Exposition
- SME 2012 Annual Meeting & Exhibits
- Tableau Software - 2014 Customer Conference
- TechReady15

Demand for added space from existing events represents an important source of exhibit space use, helping to support occupancy levels for any future addition of convention space.

We have also analyzed occupancy percentages for the 6th floor ballroom for years 2012 and beyond. Overall ballroom occupancy approximated 62 percent in 2012 and is at 57 percent based on current bookings for 2013 (as of June). Convention and tradeshow events have accounted for approximately two-thirds of overall ballroom occupancy at the WSCC.

3.3 Industry Demand Patterns

The market success of a convention center can be partially attributed to the characteristics of the industry as a whole. In order to assess the current and future strength of the market with regard to Seattle, it is important to evaluate the industry nationwide. Broad industry changes, characterized by retraction and expansion in convention and tradeshow demand have taken place within the industry during the past decade. After significant decreases in industry demand levels during the recent recession, demand for convention, tradeshow and related public assembly space has grown industry-wide over the past 12 to 18 months. In this section, various industry demand trends are evaluated, particularly those that may impact future development decisions regarding the Seattle convention product.

As we enter the second half of 2013, nearly all indicators suggest that the national economy is continuing to recover from a significant recession. A large collection of data suggests that the health of the convention, tradeshow and meetings industry, like nearly all industries, has historically been and is currently linked to the strength and fluctuations of the overall U.S. economy. This "linkage" is a fundamental premise of any analysis of future convention and tradeshow industry performance. To address the question of future industry trends, we need to consider how the future performance of the convention industry will respond in these post recessionary times.

The Center for Exhibition Industry Research (CEIR) is a nonprofit organization whose mission is to advance the growth, awareness and value of exhibitions in the United States. The annual CEIR Index Report is developed to provide an objective measure of the annual performance of the exhibition industry. The CEIR Index Report measures year-over-year changes in four key metrics of industry performance:

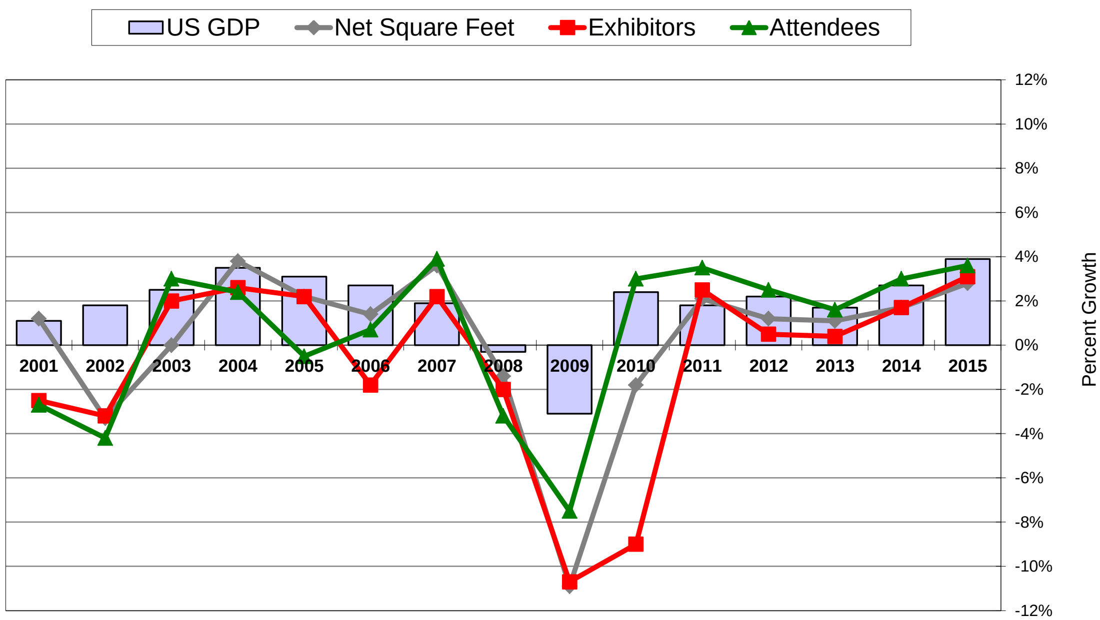
- Net Square Feet of Exhibit Space Sold
- Number of Exhibiting Companies
- Professional Attendance
- Total Event Gross Revenue

The industry's performance within these four metrics was calculated from data provided from over 400 events. The 2013 CEIR Index Report displays and analyzes actual event-specific data from 2001 through 2012 and provides a forecast for 2013 to 2015.

We have prepared a summary of CEIR produced historical and projected performance among three of the four variables listed above, as compared to growth in the U.S. Gross Domestic Product (GDP), for the 15-year period spanning 2001 through 2015.

As shown, the overall exhibition industry as measured by the CEIR Index experienced a substantial decline in overall performance post 2007. The indices appear

Exhibit 3-3
Trends in Convention & Exhibition Industry Demand



Source: Center for Exhibition Industry Research (CEIR), 2013 to have bottomed out in 2009, during which time the space use showed a 10.9 percent decline and the number of exhibitors fell by an estimated 10.7 percent when compared to 2008. A significant industry rebound took place starting in 2010.

Looking at 2012, the moderate gain in the overall exhibition industry was reflected in all of the metrics of measurement presented. This marks the second year of growth following three consecutive years of decline. CEIR expects the exhibition industry to gain momentum in 2014 and 2015. By 2015, the overall exhibition industry could be expected to grow at a rate of 3.2 percent.

The U.S. economy has continued a trend of moderate growth since 2010, with GDP growing at a rate of 2.2 percent in 2012. Projections for 2013 have the GDP growing at a slower 1.7 percent pace. Improvement is expected over the following two years, with estimated GDP growth of 2.7 percent and 3.9 percent for 2014 and 2015, respectively.

4.0. Analysis of Competitive and Comparable Facilities and Markets

This chapter provides an analysis of various physical characteristics and resources of both competitive and comparable facilities and communities. The data help place the Washington State Convention Center product within a competitive and comparable market context with respect to facility space, hotel inventory and other related destination features. These data are used to understand how other similar markets are performing within current industry conditions, the level of space and hotel room inventory offered by competitors and other such characteristics. A number of characteristics are considered by association and corporate event planners in determining the ability of a community to attract convention, conference and tradeshow business. Some of the factors analyzed in this section include:

- Exhibit space
- Meeting/ballroom space
- Total sellable space
- Facility space ratios
- Hotel room inventory

Working with Visit Seattle and WSCC management and sales staff, a total of 15 competitive and comparable markets and facilities were identified and reviewed in terms of event space, hotel room inventory and related metrics. These data were analyzed in comparison to the WSCC and downtown Seattle to gauge its competitive position in the broader national facilities market. Importantly, seven facilities are considering, planning, or undergoing expansion projects. Also of note, a total of seven markets are planning or developing additional headquarter hotel properties to support their convention center.

Exhibit 4-1
Competitive & Comparable Facilities & Markets

Facility	City, State
Anaheim Convention Center (1)	Anaheim, CA
Austin Convention Center (3)	Austin, TX
Baltimore Convention Center (1)	Baltimore, MD
Boston Convention & Exhibition Center (1,4)	Boston, MA
Colorado Convention Center (1)	Denver, CO
Minneapolis Convention Center (4)	Minneapolis, MN
Music City Center (4)	Nashville, TN
Pennsylvania Convention Center	Philadelphia, PA
Phoenix Convention Center	Phoenix, AZ
Portland Convention Center (4)	Portland, OR
Salt Palace Convention Center (4)	Salt Lake City, UT
Henry B. Gonzalez Convention Center (2)	San Antonio, TX
San Diego Convention Center (2,4)	San Diego, CA
Moscone Center (1)	San Francisco, CA
Vancouver Convention Centre	Vancouver, BC

(1) Planning or considering the addition of event space at the Center
(2) Includes space that is either planned or currently under construction.
(3) Ongoing or recent headquarter hotel development
(4) Planning or considering headquarter hotel development

4.1 Event Space Comparisons

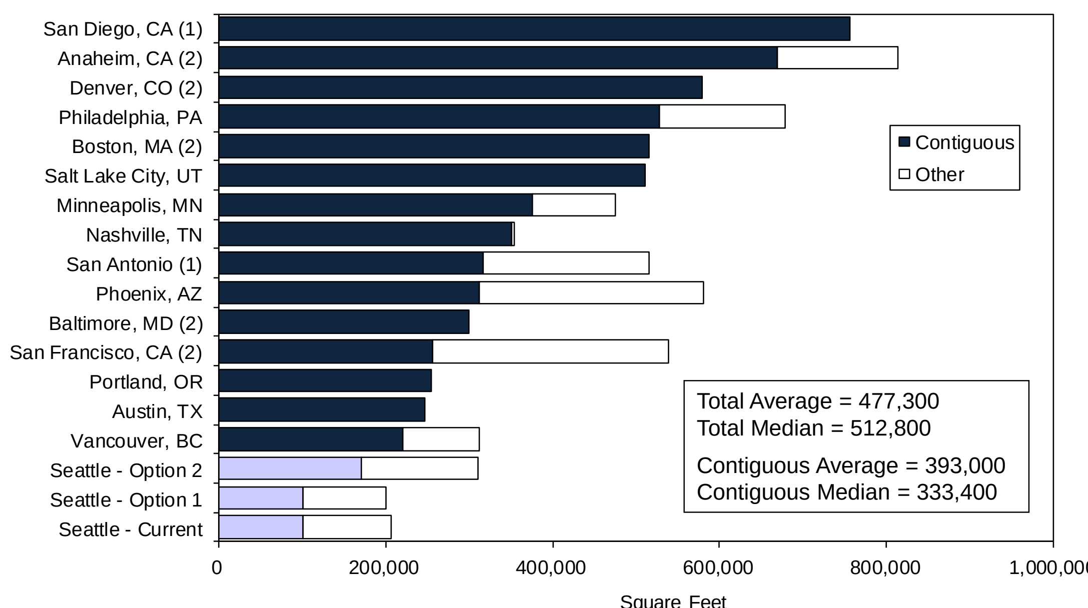
Exhibit Space

Exhibit space refers to the dedicated exhibition area that is typically column-free or with minimal columns, has high ceilings (typically approximately 35 feet in height), utility floor grids (supplying electricity, telecommunications, water, etc.), convenient accessibility to each hall for load-in/load-out and other such amenities. Exhibit 4-2 presents a comparison of exhibit space among the competitive and comparable facility set, highlighting the square footage of both contiguous and total exhibit space offerings within the competitive and comparable facilities presented on the previous page. Figures for Seattle reflect the existing WSCC, as well as the building programs associated with both Option 1 and Option 2 (presented earlier in this report).

The Anaheim Convention Center currently provides a total of nearly 814,000 square feet of dedicated exhibit space, the most of any reviewed facilities. In terms of contiguous space offerings, the soon-to-be-expanded San Diego Convention Center will offer the largest single space among the facilities reviewed, with 755,700 square feet. On average, the largest contiguous exhibit space available among the competitive and comparable facilities reviewed is approximately 393,000 square feet, while the total available exhibit space averages approximately 477,000 square feet.

The WSCC currently offers approximately 205,700 total square feet of exhibit space, ranking last among the reviewed venues. This space provides ceiling heights of 21 to 25 feet, (current industry standard is 30 to 35 feet). Halls 4 ABC combine to provide 100,000 square feet of contiguous space, representing the largest single space available. Contiguous space is often important in

Exhibit 4-2
Summary of Exhibit Space Offerings
Competitive & Comparable Facilities



(1) Includes space that is either planned or currently under construction.
(2) Planning or considering the addition of event space at the Center.
Source: Facility floor plans and management, 2013

accommodating larger events and the split nature of the WSCC space can be a significant disadvantage when attracting and retaining national conventions and tradeshows.

New convention center development Option 1 would provide total of 200,000 square feet of exhibit space, split evenly on two levels. Under Option 2, a total of 310,000 square feet of exhibit space would be developed on two levels. The lower level would consist of a 170,000-square foot hall. When combined with the existing WSCC (which would be located approximately one block away from a proposed new venue), Seattle has the potential to provide more than 515,000 square feet of total exhibit space (under Option 2), ranking in line with convention centers in Boston and San Antonio. While these levels of additional space are significant, they would not change the competitive position of Seattle in terms of contiguous exhibit space. The impact of accommodating a single event in a center with multi-level exhibit space or in two separate centers must be carefully considered, and is discussed in the Market Demand Analysis section of the report.

Within this facility set, several important expansion and improvement projects are being planned or have recently been developed. These include the following:

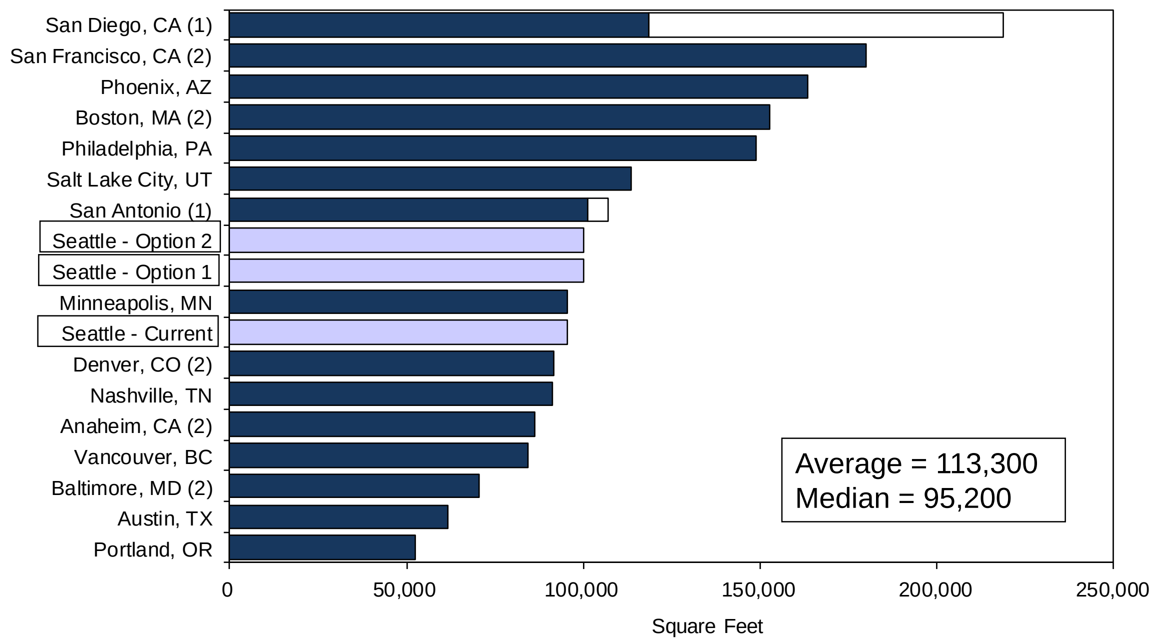
- Anaheim, CA – Recently added a new 100,000-square foot outdoor events plaza and considering expansion options for the Anaheim Convention Center.
- Baltimore – In 2012, a feasibility study was completed for a proposed $400 million expansion of the Baltimore Convention Center.
- Boston – Considering options for a potential expansion of the Boston Convention & Exhibition Center.
- Denver – Currently conducting a feasibility study for a proposed expansion of the Colorado Convention Center.
- Nashville – The recently opened Music City Center provides approximately 520,000 square feet of sellable convention space.
- San Antonio – Underway with a $300 million expansion and improvement of the Henry B. Gonzalez Convention Center with completion expected in 2016.
- San Diego – A major expansion of the San Diego Convention Center has been approved that will add 230,000 square feet of exhibit space (contiguous to the existing 525,000 square feet), 100,000 square feet of meeting space and a new 82,000-square foot ballroom.
- San Francisco – Funding has been approved for a planned $500 million expansion of the Moscone Center. The expansion will add approximately 350,000 to 400,000 square feet, including 80,000 or more square feet of contiguous exhibit space.

Meeting/Ballroom Space

An adequate supply of quality meeting space has consistently ranked as one of the top criteria in facility/site selection among event planners interviewed by CSL for studies around the United States, and has become an increasingly critical element to attracting large conventions and tradeshows. Exhibit 4-3 compares the total square footage of dedicated meeting space offered at the competitive and comparable facilities.

The amount of meeting space at the competitive and comparable venues reviewed ranges from a high of approximately 219,000 square feet at the San Diego Convention Center (post expansion), to a low of 52,500 square feet in Portland. On average, the facilities analyzed provide for approximately 113,000 square feet of meeting space. The WSCC currently contains approximately 94,900 square feet of meeting space, ranking ninth among competitive and comparable centers—ahead of centers in Denver, Nashville and even Anaheim. It should be noted that nearly 10,000 square feet of this space is contained in hard-walled rooms that are under 1,000 square feet each. Rooms of this size are often difficult to incorporate into a convention space program. It is not inaccurate then to consider the existing WSCC meeting space as equivalent to approximately 85,000 square feet, ranking 12th among the competitive/comparable facility set.

Exhibit 4-3
Summary of Meeting Space Offerings
Competitive & Comparable Facilities



(1) Includes space that is either planned or currently under construction.
(2) Planning or considering the addition of event space at the Center.
Source: Facility floor plans and management, 2013

Option 2 would add 100,000 square feet of meeting space, resulting in the second highest total market-wide meeting space offering in the competitive and comparable facility set. Given the event profile of the WSCC (which often attracts highly meeting intensive medical and technology events), the provision of relatively high levels of meeting space is an important competitive advantage.

The total number of breakout meeting rooms is another important characteristic of a facility's meeting space package. If a facility has too few breakout rooms, its ability to market to a wide variety of events and host multiple events at the same time is severely handicapped. A review of the total number of breakout rooms within the competitive and comparable facilities indicates that the WSCC, with a maximum 70 breakout meeting rooms, ranks above both the average (66 breakout rooms) and the median (63 breakout rooms) of the facilities analyzed.

In an effort to better understand the magnitude of a facility's supply of meeting space, we have calculated the ratio of meeting to exhibit space at the WSCC and at the competitive/comparable peer facilities reviewed. A high level of meeting space intensity may be indicative of either a high supply of available meeting space within the facility or an undersupply of prime exhibit space. Conversely, a low level of meeting space intensity may point toward either a low level of meeting space supply or a relatively high level of exhibit space. The need for meeting space as part of most conventions and conferences has grown in past years. In particular, medical, pharmaceutical and technology-oriented events typically require large amounts of meeting space.

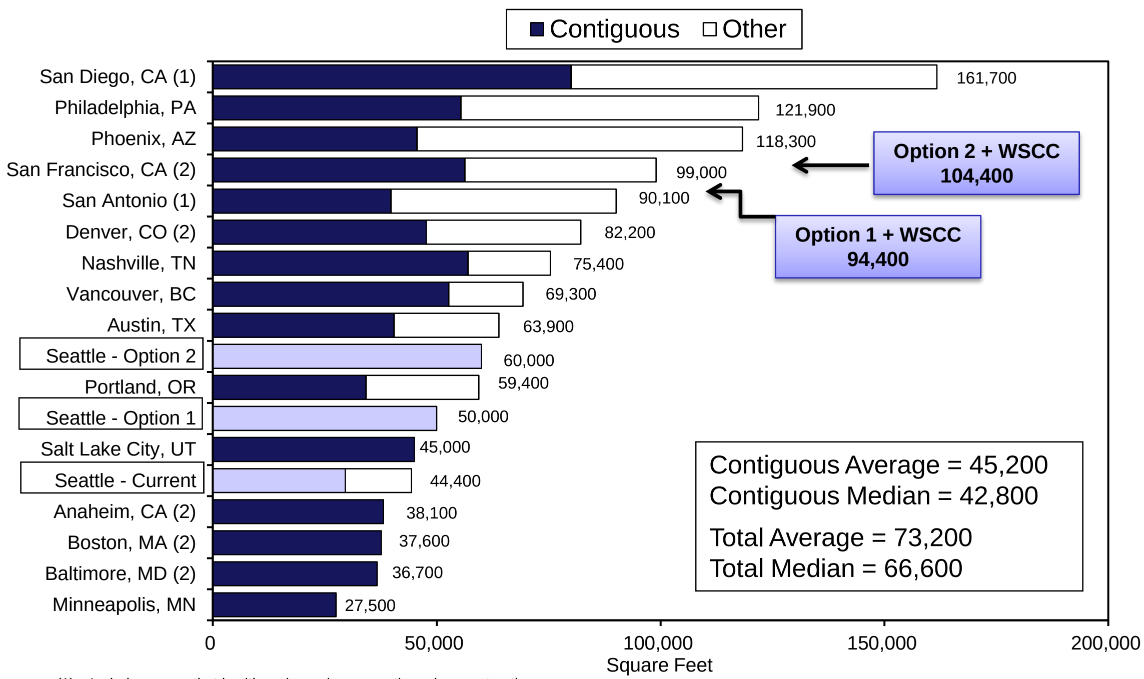
On average, approximately 0.25 square feet of meeting space is provided for every square foot of exhibit space among the set of competitive and comparable facilities. The existing WSCC has the highest level of meeting space intensity, with approximately 0.46 square feet of meeting space for every square foot of prime exhibit space, while the Anaheim Convention Center has the lowest level or meeting space intensity, offering just 0.11 square feet of meeting space for every square foot of exhibit space. We note that architect selection is underway for adding 200,000 square feet of flexible meeting/ballroom space at the Anaheim Convention Center.

Both of the program options identified for a new stand-alone convention center in downtown Seattle would maintain the market's relatively high meeting space offerings. As noted earlier, Option 2 would add 100,000 square feet of meeting space, resulting in a ratio of 0.32 square feet of meeting space for every square foot of exhibit space. Option 1 provides an even higher ratio of meeting to exhibit space, with 0.50 square feet of meeting space for every square foot of exhibit space. The market capture value of these high ratios are supported by industry trends, past experience at the WSCC, and event planner survey results.

Ballroom/multi-use space is also important for accommodating food and beverage functions, lectures, general assemblies, product demonstrations, light exhibits and a variety of other uses. Ballroom space is also desirable in that it tends to keep delegates in the convention center during the event as a variety of different functions, such as meals and general sessions, can be conducted under one roof. Future convention center ballroom space should provide high ceilings (25 to 28 feet), a ceiling structure that is architecturally interesting and allows for significant rigging points, ballroom-quality floor covering and wall treatment, and lighting that allows for accommodating a wide variety of presentations.

Exhibit 4-4 compares both the total ballroom space and the largest amount of contiguous ballroom space offered among the competitive and comparable facilities reviewed.

Exhibit 4-4
Summary of Ballroom Space Offerings
Competitive & Comparable Facilities



(1) Includes space that is either planned or currently under construction.
(2) Planning or considering the addition of event space at the Center.
Source: Facility floor plans and management, 2013

Following a planned expansion, the San Diego Convention Center will provide most total ballroom space (with nearly 162,000 square feet). Of this total, more than 80,000 square feet is contiguous. Planning efforts for new facilities and those being considered for expansion have recognized the increased demand for ballroom space. For example, the new Music City Center in Nashville provides a 57,500-square foot ballroom, and a 100,000-square foot ballroom is being considered as part of a proposed expansion of the Boston Convention & Exhibition Center. On average, the largest contiguous ballroom space available among the competitive and comparable facilities reviewed is more than 45,000 square feet, while the total available ballroom space averages more than 73,000 square feet.

The WSCC currently provides 44,400 square feet of ballroom space, ranking in the bottom third of the set of competitive and comparable facilities analyzed. Halls 6A, 6B and 6C combine to provide 29,600 square feet in a single area. The adjacent Hall 6E does offer some level of un-interrupted access to the Halls 6A-C; however its configuration and connectivity is somewhat non-traditional in nature. Including only the fully contiguous, well-configured WSCC ballroom space, the ranking would drop to next to last, ahead of only Minneapolis.

As envisioned, a new stand-alone convention and tradeshow facility in downtown Seattle could incorporate between 50,000 and 60,000 square feet of contiguous (and fully divisible) ballroom space. The addition of such space could result in a total offering of more than 104,000 square feet of ballroom space between the two venues, and would rank fourth among the facilities reviewed in terms of total space.

It is also useful to examine the relationship between a facility's ballroom space and exhibit space to ensure a proper proportion of available event space. The average ratio of ballroom space to exhibit space for the set of competitive and comparable facilities is approximately 0.16. The WSCC currently offers approximately 0.22 square feet of ballroom space for every square foot of exhibit space, which ranks high among the facilities reviewed, although as previously noted, this space is deficient with respect to industry-standard ballroom configuration. In addition, the relatively high ratio is supported by a comparatively low level of exhibit space at the WSCC. Potential program options associated with additional convention space in downtown Seattle are expected to maintain similar ratios of ballroom to exhibit space. The Austin Convention Center currently offers the highest level of ballroom space intensity, with a ratio of approximately 0.26. Centers in Anaheim and Minneapolis offer the lowest ballroom space intensity, with ratios of approximately 0.05 and 0.06, respectively.

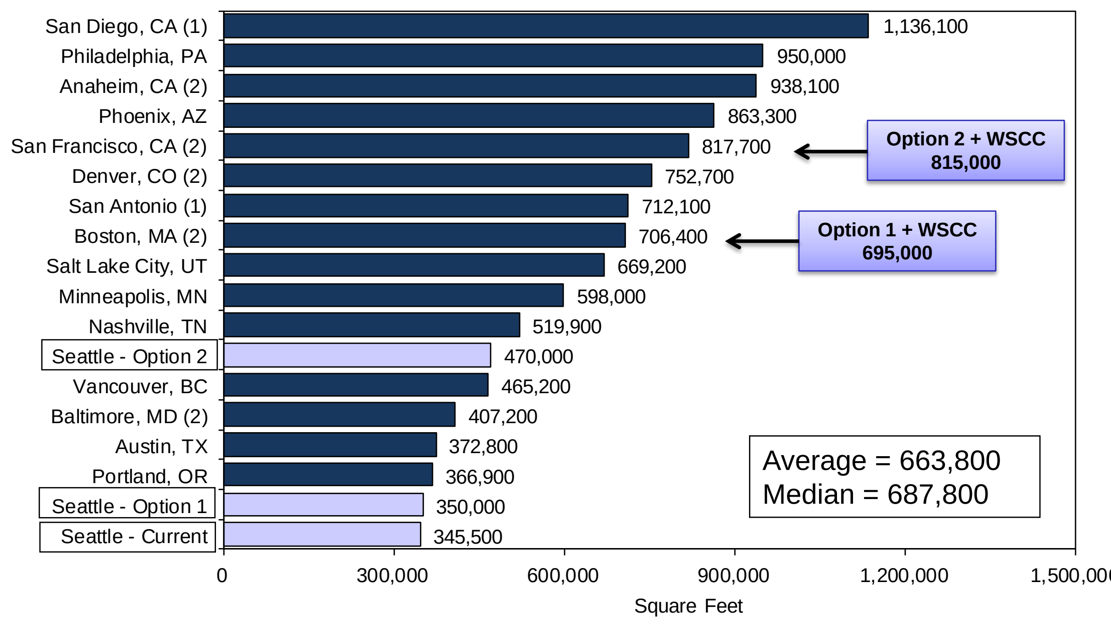
Total Sellable Space

Exhibit 4-5 presents the rankings of all the competitive and comparable facilities analyzed in terms of total sellable space, including all available exhibition, meeting and ballroom space.

The amount of total sellable space offered at the competitive and comparable facilities reviewed varies widely, averaging nearly 664,000 square feet. Post expansion, the San Diego Convention Center will offer more than 1.1 million square feet--the most total sellable space among reviewed facilities.

The 345,000 square feet of total sellable space available at the WSCC ranks last among the set of facilities reviewed. Under Option 1, 350,000 square feet of additional space would be developed, representing a footprint very similar to the existing WSCC. Option 2 would add an estimated 470,000 square feet of sellable space, providing an added venue that is similar in size to centers in Vancouver and Nashville. Market-wide, if

Exhibit 4-5
Summary of Total Sellable Space
Competitive & Comparable Facilities



(1) Includes space that is either planned or currently under construction.
(2) Planning or considering the addition of event space at the Center.
Source: Facility floor plans and management, 2013

Option 2 were to be pursued, approximately 815,000 square feet of total sellable event space would be provided in downtown Seattle. This would rank in the top quarter of the reviewed markets.

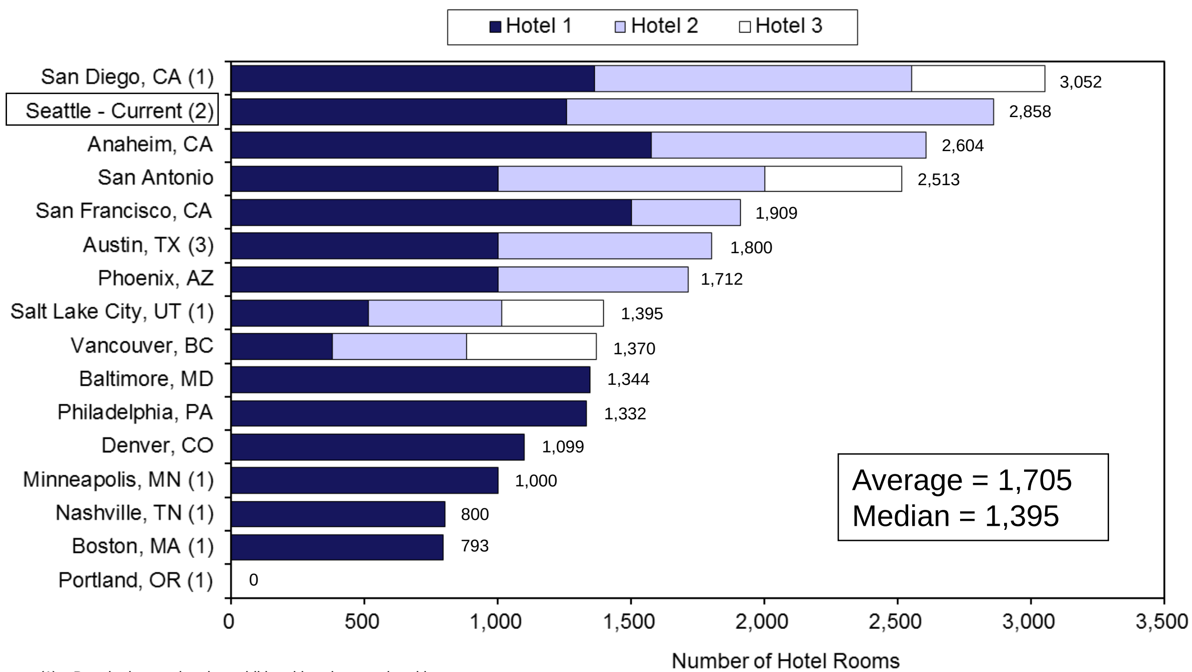
4.2 Hotel Room Inventory Comparisons

The availability of guest rooms to serve the requirements of the convention industry is a critical factor in the success of a convention center. The inventory of guest rooms in a community is measured in many different ways, including the number of headquarters hotel rooms and the total rooms within one-half mile of the convention center. Exhibit 4-6 details the inventory of guestrooms at headquarter hotel properties serving each market's convention center. In some markets, more than one headquarter property is offered.

In addition to providing the most event space among the reviewed facilities, the San Diego Convention Center is served by the most headquarter hotel rooms, with more than 3,000 total guestrooms in the three hotel properties that are either attached or adjacent to the facility. Additional hotel inventory is also being pursued as part of the ongoing expansion initiative. When considering the planned 1,600-plus room Hedreen hotel development, the headquarter hotel package available to support the WSCC would rank second highest, with nearly 2,900 rooms (1,258 of which are at the Sheraton Seattle which expanded in 2007).

Without the Hedreen project, Seattle would rank 11th among the 15 markets reviewed. These data indicate that it would be very difficult to support significant added convention space in Seattle without the addition of significant hotel inventory, as envisioned in the Hedreen project.

Exhibit 4-6
Summary of Headquarter Hotel Offerings
Competitive & Comparable Markets



(1) Developing or planning additional headquarter hotel inventory.
(2) Represents Sheraton plus planned 1,600-room Hedreen hotel development.
(3) Includes planned headquarter hotel inventory.
Source: CSL International, 2013

In recent years, a number of markets have invested in their convention hotel product and many more are currently planning or pursuing major headquarter hotel additions. A summary of recent, current, planned and potential headquarter hotel projects throughout the country is presented below.

Current/Recent Projects

- Austin, TX – Two 1,000-room convention hotels (JW Marriott & Fairmont) will open in 2015 & 2016, respectively.
- Chicago, IL – New 1,200-room hotel is being developed adjacent to McCormick Place. The Hyatt Regency is adding 461 rooms.
- Dallas, TX – The 1001-room Omni Dallas Hotel opened in November 2011.
- Houston, TX – An agreement has been finalized for a 1,000-room Marriott Marquis to open in 2016. This is in addition to the 1,200-room Hilton that opened adjacent to the Center in 2003.
- Indianapolis, IN – New 1,005 room JW Marriott opened adjacent to the Convention Center in 2011.
- Los Angeles, CA – The JW Marriott Hotel and the Ritz-Carlton Hotel both opened in early 2010 providing a combined 1,001 rooms.
- Nashville, TX – The 800-room Omni Nashville will open in the fall of 2013.
- Orlando, FL – The Peabody Hotel added 750 rooms in 2010. The Hilton Orlando opened in late 2009 with 1,400 rooms.
- San Diego, CA – The Hilton San Diego Convention Center opened in 2008 with 1,190 rooms.
- Washington, DC – The 1,167-room Marriott Marquis Hotel expected to open in the first quarter of 2014.

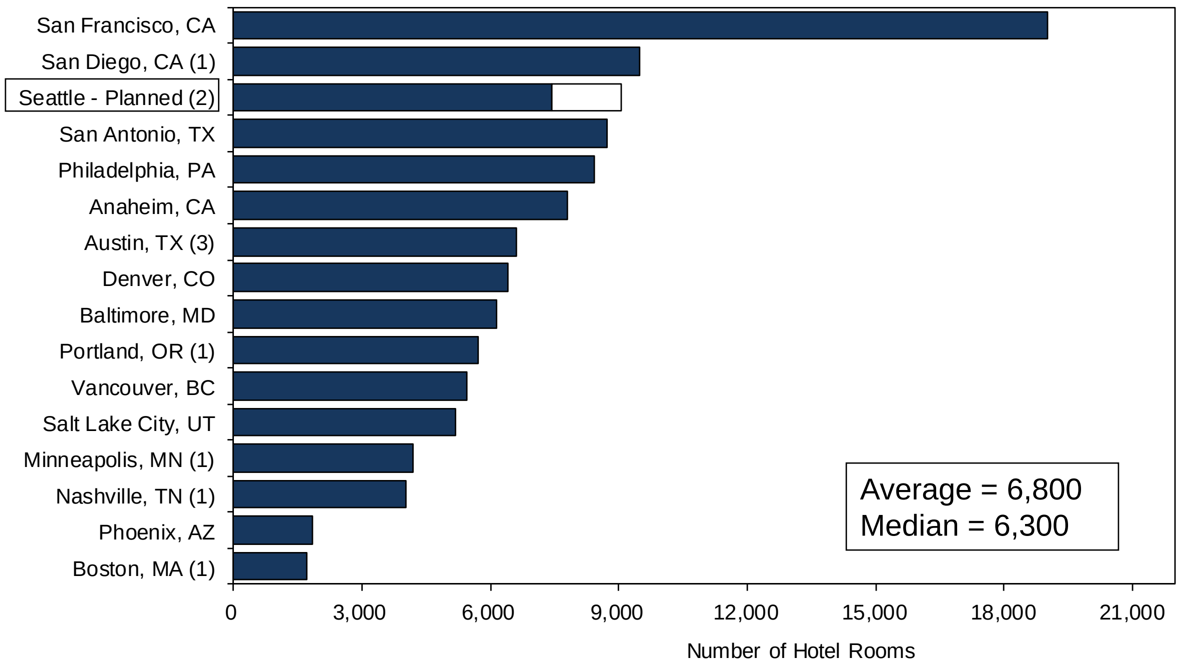
Planned/Potential Projects

- Portland, OR – Preliminary approvals have been given to developing a new 600 room headquarter hotel.
- Boston, MA – Recently issued RFP for hotel development near the Center that could include 550 to 600 rooms. A second headquarter hotel (larger than the existing 800-room Westin) is in the planning stages. The Westin may also be expanded by 320 rooms.
- Kansas City, MO – City and local leaders have sought private sector participation in a new 1,000-room hotel.
- Minneapolis, MN – Currently studying concept of a new 1,000-room hotel.
- Oklahoma City, OK – A 600-room headquarter hotel is to be developed with a new downtown convention center.
- Pittsburgh, PA – A proposed headquarter hotel has been discussed for the Center.
- Salt Lake City, UT – A 1,000-room hotel has been pursued for several years.

Based on conversations with CVB management in each market, we have also measured the inventory of guest rooms within one-half mile of the respective convention centers in competitive and comparable markets. This is an important analysis because event planners typically prefer to assemble their room block in hotel properties located within a relatively short distance of the event facility. Results are summarized in Exhibit 4-7.

On average, there are approximately 6,800 total guest rooms within one-half mile of each market's primary convention facility. The hotel package surrounding San Francisco's Moscone Center consists of an estimated 19,000 total guest rooms. Including the planned 1,600-plus room Hedreen property, the hotel package available within downtown Seattle to support the WSCC would rank third among markets reviewed with more than 9,000 rooms. Without the Hedreen property, this ranking drops to sixth. Based on estimates provided by Visit Seattle, there are approximately 4,700 committable hotel rooms within one-half mile of the WSCC, which can vary widely, based on seasonality. To assemble a room block of 3,000, approximately seven hotel properties are needed.

Exhibit 4-7
Summary of Hotel Rooms Within ½ Mile of Convention Center
Competitive & Comparable Markets



(1) Developing or planning additional headquarter hotel inventory.
(2) Represents current WSCC hotel rooms plus planned 1,600-room Hedreen hotel development.
(3) Includes planned headquarter hotel inventory.
Source: CSL International, 2013

As noted earlier, six hotel developments (including the Hedreen project) are currently in the pre-planning or planning stages within one-half mile of the WSCC. Together, these properties could add nearly 2,500 rooms and could positively impact the success of additional event space in the market.

It is also instructive to consider hotel inventory relative to sellable convention center space. Therefore, we have calculated the ratio of available hotel rooms within one-half mile of each convention center reviewed to the facility's available total sellable space.

With an estimated 7,450 rooms within one-half mile of the WSCC and 345,000 square feet of total sellable space, Seattle's ratio of 46 total sellable square feet for every hotel room within one-half mile of the WSCC currently ranks second among the competitive and comparable market set (behind only San Francisco). If the building program associated with Option 2 were pursued, the total sellable space between the two buildings would approximate 815,000 square feet, resulting in a ratio of approximately 90 total sellable square feet for every hotel room (including the Hedreen project) within one-half mile of the WSCC. This would rank at the midpoint of the competitive and comparable markets reviewed, and provide a ratio similar to that found in Philadelphia and Vancouver. If the building program associated with Option 2 were pursued without the addition of a large headquarter hotel, the resulting ratio of sellable square feet per hotel room within one-half mile of the WSCC would approximate 109.

Future planning for new convention space in Seattle should consider the development of an adjacent headquarter property of at least 1,000 rooms a necessary condition for successfully competing for national rotating events. The development of the Hedreen property, with a potential for 1,600-plus rooms should be viewed as a critically important factor to future center development in downtown Seattle.

5.0 Market Demand Analysis

Convention centers typically host events that vary widely in terms of space needs, attendance levels and hotel room requirements. The size, type and flexibility of the space within many centers, including the WSCC, allows for the accommodation of events ranging from small meetings and banquets to large conventions and tradeshows. To help form a basis for the demand analysis within such a diverse market, detailed surveys were completed with meeting planners in various event segments that represent potential demand for additional convention center space in downtown Seattle. More than 200 such interviews were completed (a complete listing of those contacted is presented as Appendix I of this document). Data collected are used to estimate potential future event activity for new convention center development, as well as the facility and amenity characteristics necessary to accommodate this potential demand. The research conducted was also used to evaluate community amenity requirements, hotel requirements, current perceptions of Seattle as an event destination and opinions as to the future of the industry overall.

Telephone and Internet-based surveys were completed with representatives of the following types of organizations:

- <u>Targeted national convention and tradeshow event planners</u> – National associations are membership-based organizations that typically have annual conventions that rotate among various cities throughout the United States. These events frequently generate significant levels of non-local attendees and often have sizable requirements in terms of both event space and hotel needs.
- <u>Current and past users of WSCC event space</u> – We have reached out to event planners with a history of hosting events in Seattle. Given their familiarity with the market, such feedback provides valuable insight with regard to a wide variety of event types.
- <u>Lost Business Contacts</u> – Surveys of event planners that have considered Seattle as a destination, but have chosen an alternate location have also been conducted. Planners were asked to indicate the primary reason they chose an alternate location.

We begin with our analysis of market demand among targeted national conventions and tradeshows.

5.1 Targeted National Convention and Tradeshow Event Planner Surveys

We have conducted individual telephone surveys with 125 planners of nationally rotating convention and tradeshow events. Both association and corporate events were included in this research effort. The surveys explored a wide variety of event planner opinions, focusing on industry-wide trends as well as convention center planning issues specific to Seattle and the WSCC.

Specific areas of focus for this analysis include the following:

- Event planner rating of Seattle and competitive destinations for hosting events.
- Likelihood of using Seattle convention facilities in the future.
- Reasons for lack of interest in Seattle as an event destination.
- Center and destination features that are increasing in importance.
- Exhibit, meeting and ballroom space needs.
- Hotel space needs.
- Event attendance and peak room night levels.
- Likelihood of using two separate centers linked by landscaped, potentially covered walkways.
- Acceptance of using separate exhibit halls (i.e. on separate levels).
- Impact of offering a new 1,600 room headquarter hotel as part of new Center development.
- Desirability of various ballroom/multi-use hall sizes.
- Importance of providing loading docks and exhibit halls at a common elevation.

Responses to these types of issues provide first-hand, forward looking data as to how the industry is changing in terms of delivering convention and tradeshow content, and how the Seattle market in particular is perceived as an event destination. This research is combined with later presentations of past/current customer survey data and careful analysis of customers identified by Visit Seattle as "lost business". Together, this in-depth primary market research forms a very helpful basis for assessing both the level of event planner acceptance for various convention center square footage totals, and for potential event levels associated with convention center development options.

Rating Seattle as an Event Destination

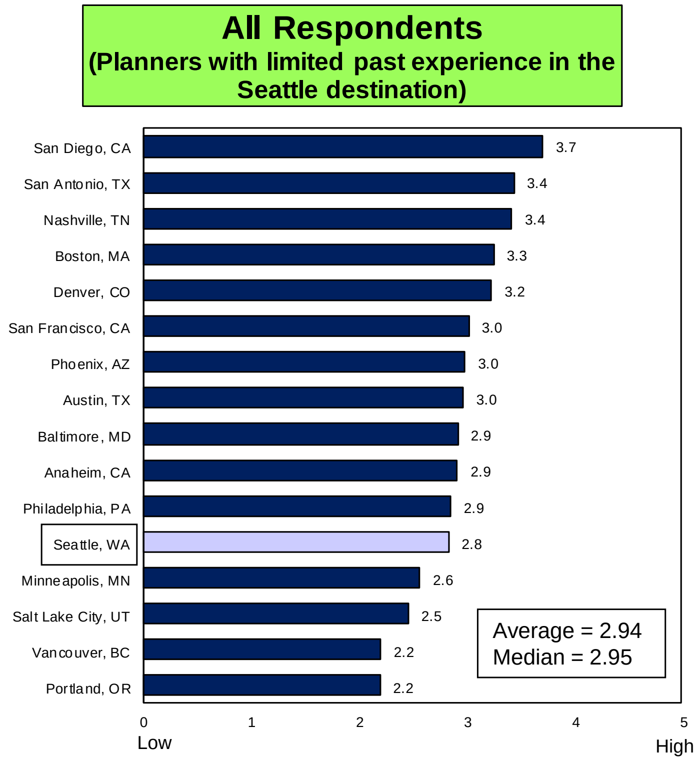
Event planners were asked to rate Seattle along with a sample of competitive and comparable destinations in terms of desirability as a convention destination. A scale of one to five was used, with five representing a very highly desirable destination. The results of this research have been analyzed in several ways:

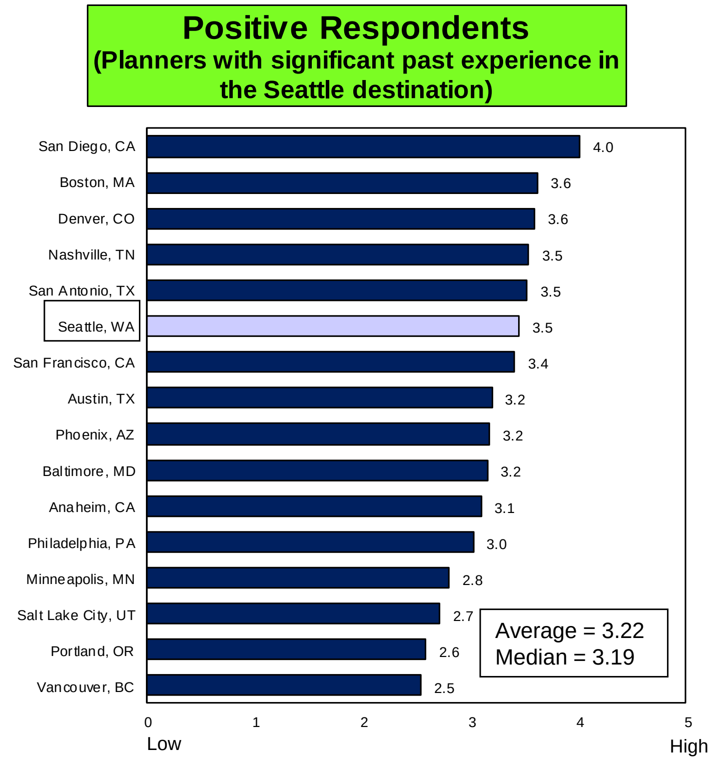
1. All respondents
2. Respondents with an interest in Seattle
3. All respondents requiring 200,000 or less square feet of exhibit space
4. Respondents using less than 200,000 square feet of exhibit space with an interest in Seattle

The separate consideration of events using less than 200,000 square feet of exhibit space is important in that no significant marketing efforts have been undertaken with respect to attracting larger events given the current size constraints of the existing WSCC.

Exhibit 5-1

Summary of Event Planner Destination Ratings





Source: CSL Interviews, 2013

As noted above, the Seattle market receives a rating of 2.8 on a one to five scale from all respondents surveyed. This is very comparable to markets such as San Francisco, Phoenix, Austin, Anaheim and Philadelphia. Seattle ranks ahead of markets such as Minneapolis, Salt Lake City, Vancouver and Portland. San Diego, San Antonio, Boston and Denver secured ratings that are several tenths of a point higher than Seattle. Nashville, with a new center and headquarter hotel just opening also received a relatively high rating.

When considering only those event planners that are interested in hosting an event in Seattle, a shift takes place, with Seattle ranking ahead of markets such as San Francisco, Austin, and Phoenix. These data indicate that despite important challenges such as a remote geographic location and a relatively small center, Seattle is considered a viable destination for nationally rotating convention and trade events – in the same class as much larger and established west-coast markets.

Our analysis of data focusing on planners of events that use 200,000 or less square feet of exhibit space provide further indication of the viability of the Seattle market as a national event destination. In fact, the Seattle ranking among all event planners in this size category increases two positions as compared to the full set of planners surveyed.

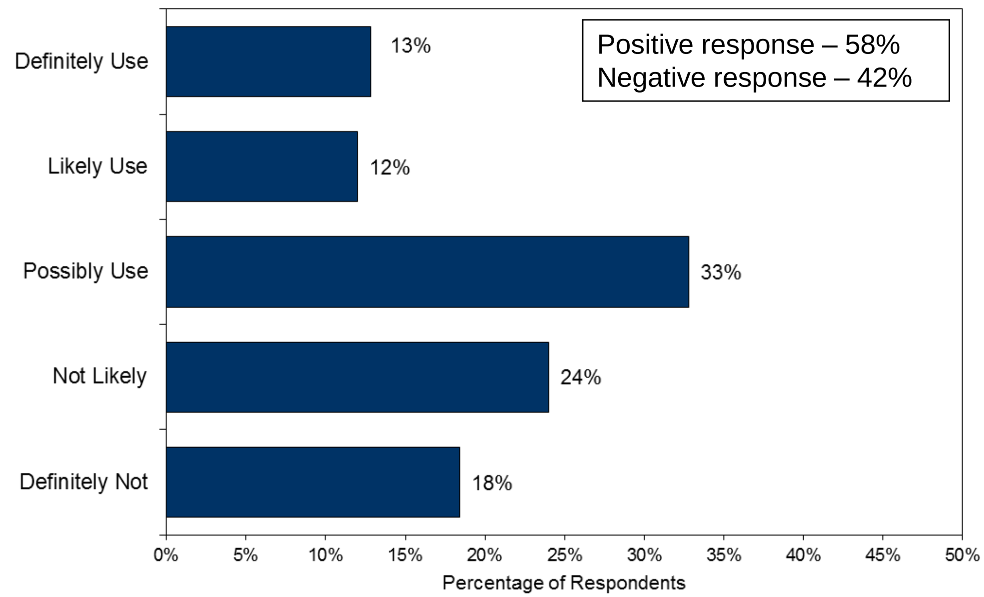
Event planners were asked to specify their level of interest in hosting an event in Seattle, assuming all of their facility and hotel needs were met. It is important to note that 74 percent of all respondents, and 58 percent of respondents interested in Seattle as an event destination, have never held an event in Seattle in the past. This represents an important market share opportunity for new center development.

As noted below, 13 percent responded that they would definitely hold an event in Seattle, 12 percent would likely hold an event in Seattle, and 33 percent registered a "possible" response.

These data combine for what we consider to be a 58 percent overall positive response rate. This compares favorably with surveys conducted by CSL for other destinations, as summarized in the following exhibit.

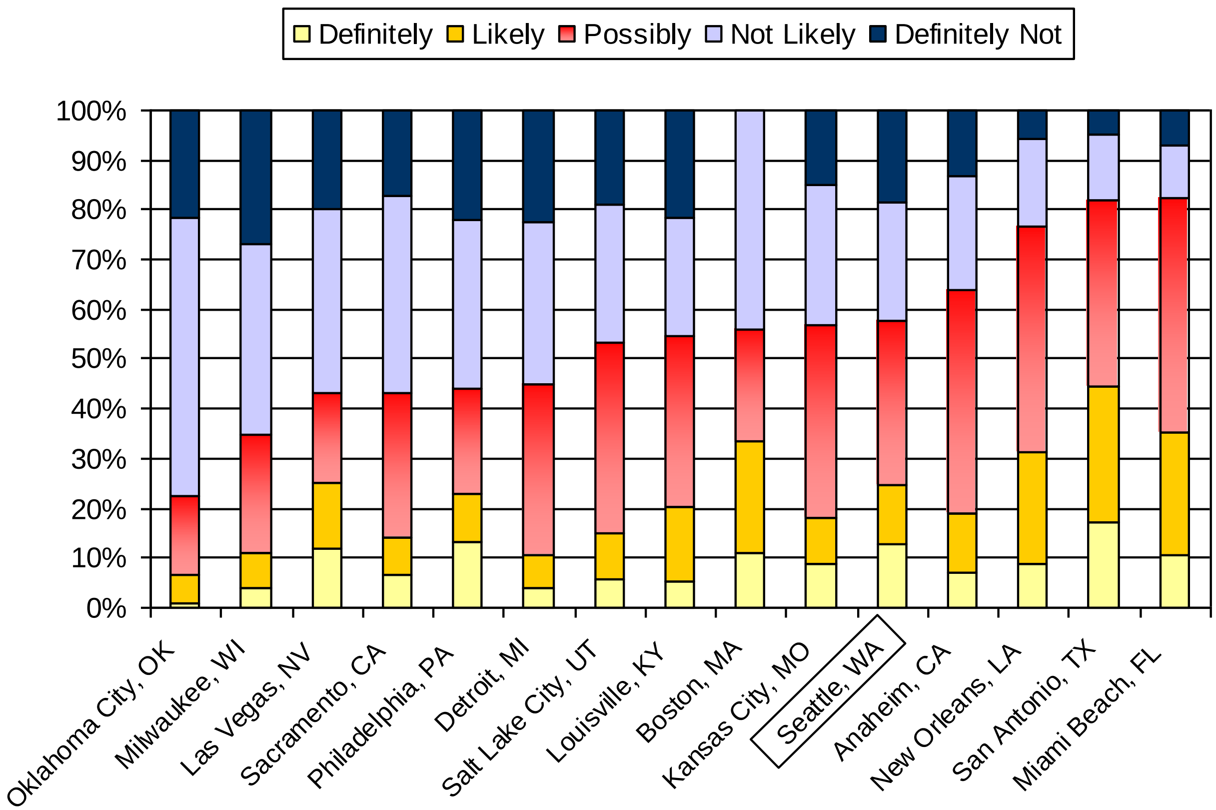
Exhibit 5-2
Summary of Event Planner Destination Ratings

74% of all respondents have not held an event in Seattle in the past, while 58% of positive respondents have never brought an event to Seattle.



Note: Data include all organizations interviewed.
Source: CSL Interviews, 2013

Exhibit 5-3
Comparison of Positive Response Rates in Other Similar Studies
National Organizations



Source: CSL Interviews

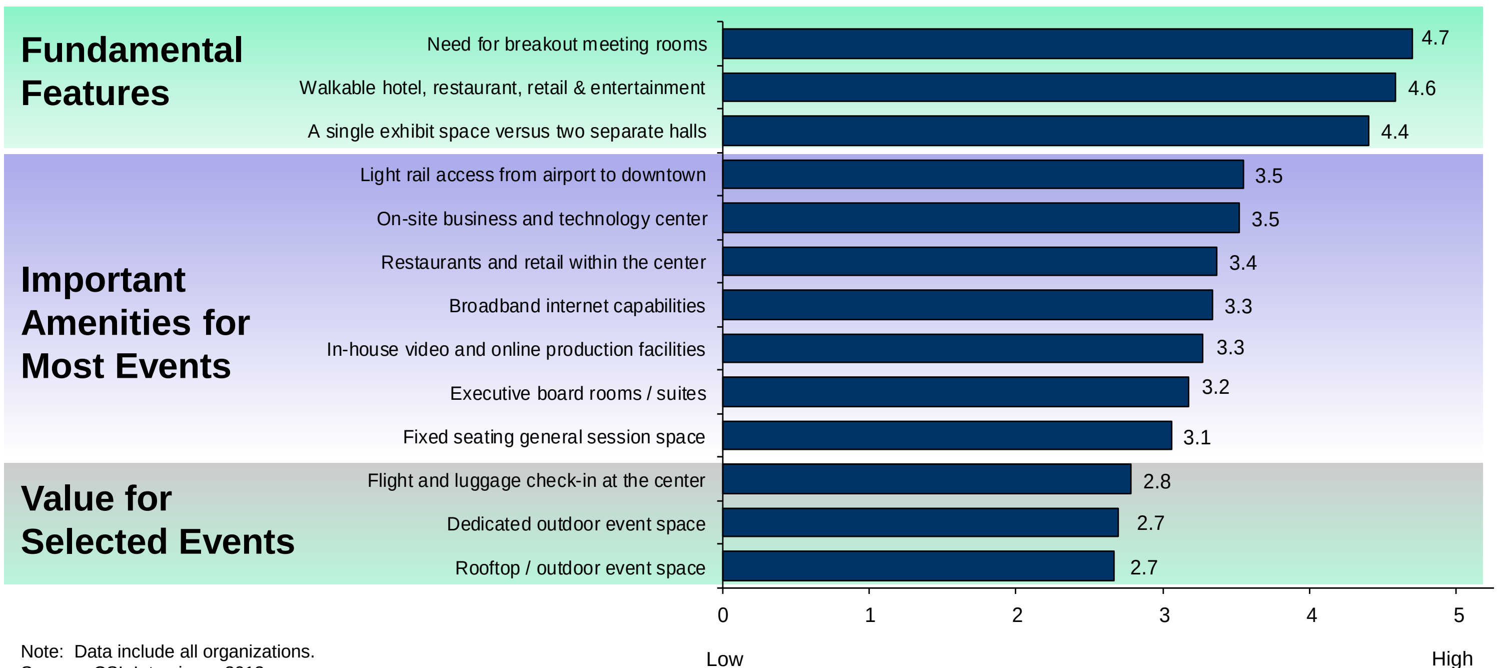
The Seattle market's overall positive response rate of 58 percent ranks high among markets recently analyzed by CSL such as Las Vegas, Detroit, Boston, Anaheim, New Orleans, San Antonio and Miami Beach. These data again support the notion that Seattle is perceived favorably by national convention and tradeshow planners compared to markets with significantly larger centers. It should be noted that the comparison of survey data may reflect slightly different data sources and sample characteristics; however, it does provide an indication as to the comparative strength of the Seattle market in terms of nationally-rotating events.

We also note that 42 percent of respondents indicated that they would not likely or would definitely not book an event in Seattle. Reasons for this varied, with the top three consisting of geographic location issues (Seattle is distant from membership/industry base), weather issues and a geographic rotational pattern that excludes Seattle. It would be difficult to mitigate these types of reasons for choosing not to host an event in Seattle. Other issues mentioned included a preference for hotel facilities and perceptions of high costs associated with the market.

Center and Destination Features That Are Increasing in Importance

Beyond providing a necessary amount of event space and hotel capacity, CSL continually evaluates other center and destination features that are important as part of the destination selection process. As part of this effort, survey respondents were asked to rate a variety of convention center and destination features that they expect to increase in importance in future years.

Exhibit 5-4
Rating of Convention Center and Destination Amenities – National Organizations



Note: Data include all organizations.
Source: CSL Interviews, 2013

As noted above, there are several aspects of a center or destination that we consider Fundamental Features; or those that will have a dramatic impact on the ability to attract events. These include need for breakout meeting space, a walkable hotel/restaurant/retail/entertainment destination and contiguous exhibit space. The WSCC provides ample breakout meeting space, and the Seattle destination is viewed as highly walkable. The need for single exhibit halls is understandable given the number of venues that can provide such space. Later in this report, we analyze the potential to attract some portion of the national event market using multiple, nearby centers. This question could be considered in terms of a balance between the desirability of Seattle as a destination versus the less-than-desirable concept of separate halls.

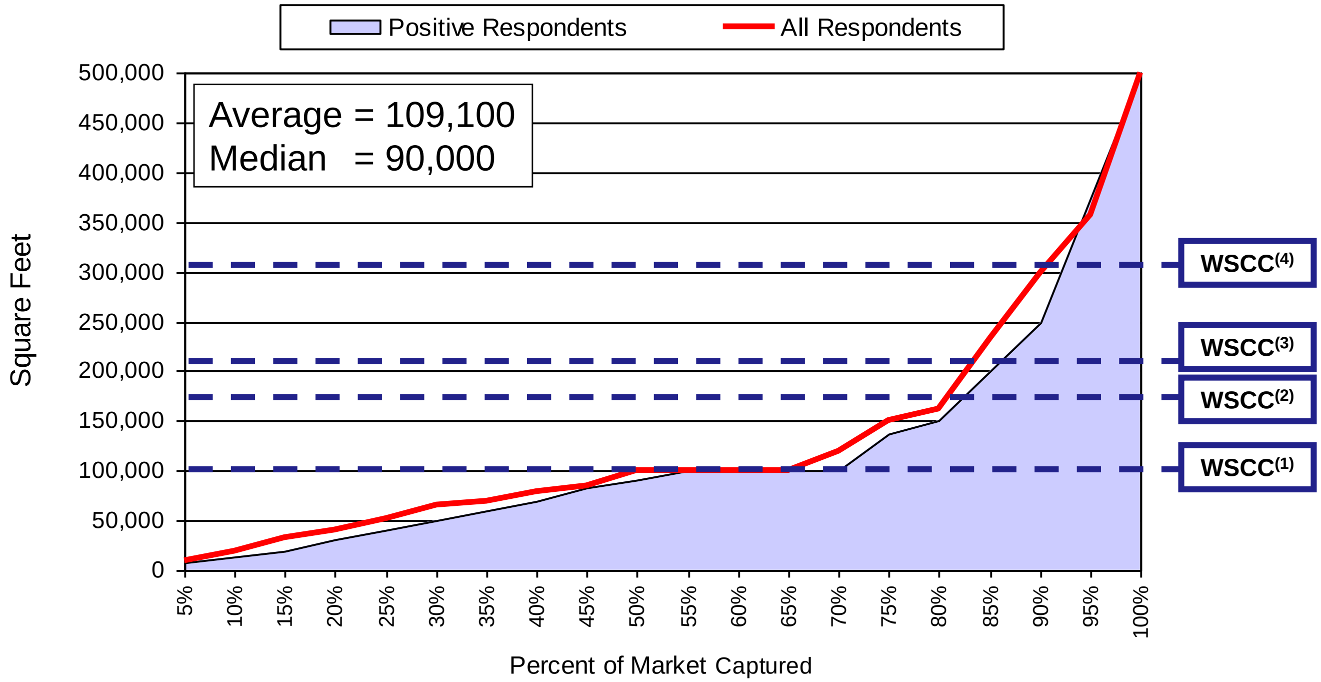
There are also a series of amenities that we consider as Important Amenities for Most Events. Light rail access tops this list, suggesting that improvements to the visibility and urban integration of the existing downtown light rail stop be implemented. Business service centers, restaurants within the center and broadband internet access are generally addressed within the existing WSCC. The executive board rooms within the new conference space effectively address a requested building feature. In-house video and online production facilities could be addressed in the new facility development. Fixed seating general session space, while referenced as a desired feature, tends to be very costly and lacks flexibility in accommodating multiple functions.

Finally, there are amenities that we consider of Value for Selected Events. These include flight and luggage check capabilities and outdoor function space. We note that while outdoor space did not register high on the list of emerging features, results of focus groups we have conducted for this and other studies show a strong interest on the part of selected meeting planners to consider using outdoor space (covered if possible) for some types of event functions.

Exhibit Space Requirements for the Target Event Market

The exhibit space requirements of event planners can largely dictate the share of market captured by a center. The current WSCC offers a relatively low amount of exhibit space (compared to other west coast and regional competitive destinations), resulting in a low market capture percentage. We have analyzed various exhibit space levels and their corresponding ability to accommodate event market share. Market capture scenarios are evaluated under which exhibit space is fully contiguous, connected by a connector hall (current WSCC), or on separate levels connected through vertical circulation (as envisioned in a new center). The following exhibit presents an analysis of exhibit space data for events with an interest in Seattle, and the associated market capture potential.

Exhibit 5-5
Exhibit Space Distribution Analysis –
National Organizations



(1) Represents the largest fully contiguous exhibit space available at both the existing WSCC and Option 1 (100,000 ft²).
(2) Represents the largest contiguous exhibit space available under Option 2 (170,000 ft²).
(3) Represents the full amount of WSCC exhibit space, and the full amount of exhibit space under Option 1.
(4) Represents the full amount of exhibit space under Option 2.

Notes: Average and median calculations include only events requiring exhibit space. Data include all organizations with a potential interest in the WSCC.
Source: CSL Interviews, 2013

The exhibit defines the share of the potential event market that could be captured at varying levels of exhibit space in Seattle. For example, 50 percent of the national convention and tradeshow market specific to Seattle can be accommodated in 90,000 square feet of space.

Other market capture findings include the following.

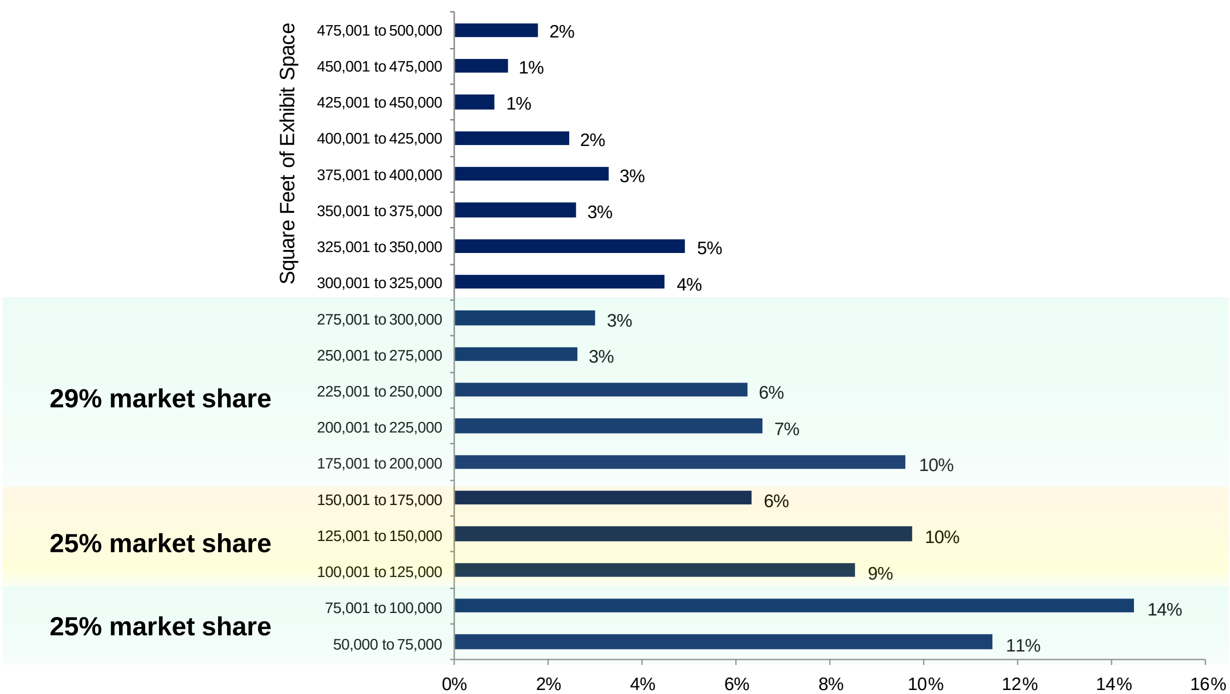
- The existing WSCC offers 100,000 square feet of fully contiguous exhibit space (and 205,700 square feet of total exhibit space). The contiguous space component can accommodate approximately 70 percent of the national event market, and the full exhibit space can accommodate approximately 85 percent of this market. We note that WSCC exhibit space configuration issues have a negative impact on this capture percentage.
- The event market capture percentage for contiguous space would not change under Option 1 which would encompass two stacked halls of approximately 100,000 square feet each.
- Under Option 2, the largest contiguous space increases to 170,000 square feet, with a resulting event market capture percentage of approximately 82 percent, or a 12 percentage point increase over current contiguous space event market capture. Option 2 also provides for 310,000 square feet of total exhibit space, resulting in a market capture of 92 percent, or a seven percentage point increase over current WSCC full building market capture levels.
- In some cases, both the existing WSCC and a new center will be used to host single event. In fact, survey results indicate that this configuration of facilities may be acceptable to a fairly sizable share of the market (as discussed later in this section). Under this scenario, over 500,000 square feet of exhibit space could be provided, accommodating the vast majority of national convention and tradeshow exhibit space demand that would consider Seattle as a destination.

The market capture information presented above will be used later in the assessment of incremental event, economic impact and financial operating levels.

Additional Market Capture Analysis

It is not sufficient to simply measure market capture on an event basis. Events with larger exhibit space needs tend to generate larger attendance levels, and as a result, a modest increase or decrease in event market capture can lead to a significant change in square footage and attendance capture. We have therefore prepared various market capture analyses, such as the following assessment of the share of total national convention and tradeshow exhibit space demand accommodated at various hall sizes.

Exhibit 5-6
Exhibit Space Market Capture Analysis
National Organizations



Note: Data include rotating national organizations requiring between 50,000 and 500,000 GSF of exhibit space.
Source: CSL; DMAI EmpowerMINT database, 2013

As noted in the exhibit, the 100,000 square feet of existing contiguous WSCC exhibit space can accommodate 25 percent of the total national convention and tradeshow exhibit space inventory. This is a significantly lower capture percentage than that measured simply with respect to number of events captured (70 percent capture, as noted in the previous exhibit).

If the contiguous exhibit space increases from 100,000 to 170,000, an additional 25 percentage points of market share can be accommodated, effectively doubling the existing capture rate to 50 percent. Note that Option 2 provides approximately 170,000 square feet of contiguous space.

A center with over 300,000 square feet of exhibit space generates a further square footage market capture increase of 29 percentage points (for a total capture percentage of 79 percent). These data demonstrate the important capture value of a center with 310,000 square feet of exhibit space (Option 2) versus 200,000 square feet of space (Option 1). The magnitude of this increase provides a strong indication that the existing WSCC is undersized relative to the breadth of the national convention and tradeshow market, and when considering the positive event planner responses to Seattle as a destination, a demonstrable opportunity exists to increase market capture as part of a new convention center.

Convention Center Scenarios - Positive Response Rate Comparisons

As previously noted and summarized, planners of national conventions and tradeshows were asked to define their interest in holding an event in Seattle. We have taken this analysis further by evaluating positive response percentages under several development scenarios, including the use of the existing WSCC simultaneously with a new center for a single event. The results are presented in the following exhibit.

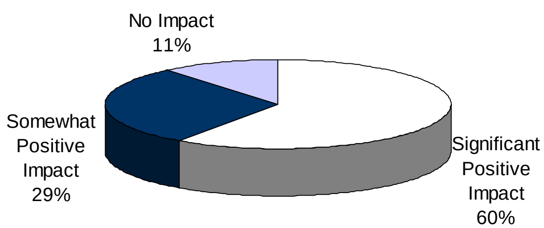
Exhibit 5-7
Positive Response Rate Comparisons –
National Organizations

	Event Planer Survey Responses Convention Center Scenarios		
	Existing WSCC	Option 2	WSCC Plus Option 2
Definitely Use	13%	11%	1%
Likely Use	12%	19%	4%
Possibly Use	33%	40%	32%
Cumulative positive response	58%	70%	37%
Not Likely Use	24%	18%	32%
Definitely Not Use	18%	11%	31%

As noted in the exhibit and previously summarized in Exhibit 5-2, 58 percent of planners have an interest (definitely, likely or possibly) in hosting an event at the WSCC. When describing new facility development under Option 2 (with an ability to accommodate larger events), the positive response rate increases to 70 percent. Interestingly, a scenario under which both the existing WSCC and a new "sister" center are developed, the positive response rate still reaches 37 percent. Although the large majority of this response can be considered "possible" as to use of the facilities, it still demonstrates a potential for joint selling of the two properties. Anecdotal feedback provided during an event planner focus group also supports this possibility.

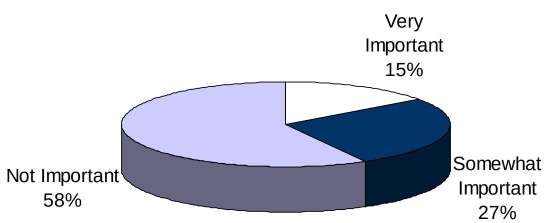
Other Research Findings

National event planners were also asked a variety of questions specific to potential convention center and hotel development in Seattle. These findings are summarized below.



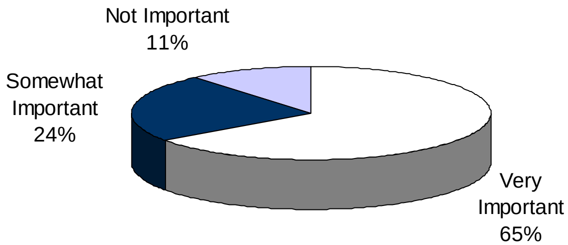
<u>*Impact of a New 1,600 Room Hotel*</u>

Not surprisingly, the development of a new 1,600 room hotel adjacent to the proposed new center is viewed as a significant positive feature by 60 percent of planners surveyed, and as somewhat positive by an additional 29 percent of respondents. Given the importance of adjacent headquarter hotel inventory within the convention industry, the development of such a property should be viewed as a necessary condition of success for the proposed project under any scenario.



<u>*Difference Between a 50,000 and 60,000 Square Foot Ballroom*</u>

As part of the on-going convention center planning process, consideration is being given to varying sizes for a new ballroom/general session space. Industry-wide, the size of this type of space has increased significantly over the past ten years. Forty-two percent of planners surveyed stated that a 60,000 square foot space as compared to a 50,000 square foot hall is very or somewhat important. Given industry trends and these survey results, planning efforts should move forward focusing on the larger ballroom/general session space.



<u>*Importance of Exhibit Halls and Loading Docks on Same Elevation*</u>

Current project planning efforts incorporate various scenarios for loading and unloading of freight onto exhibit areas, including the possibility of differing elevations that require large freight elevators to move material from loading dock to exhibit hall. Eighty-nine percent of planners surveyed state that a common elevation for loading docks and exhibit area is very or somewhat important. This is likely due to the added load in/out time, added expense and added complications associated with having to use freight elevators to move extensive exhibit material.

5.2 Surveys of Current and Past WSCC Customers

We have conducted Internet-based surveys with 60 planners of convention, conference and tradeshow events previously held at the WSCC. The results of this research provide important insight into convention center capacity and program elements considered important to the current convention industry customer with respect to the Seattle market. Planners of convention and tradeshow events that have been held at the WSCC in the past were asked a set of questions focusing on important building features, areas of desired improvements, likelihood to re-book the destination, and willingness to book a new center and/or both the WSCC and a new center. Results of this research are summarized below.

Desired Features

As with surveys of national event planners, past WSCC customers rated a walkable hotel/restaurant/retail and entertainment area; need for breakout meeting space; and a single exhibit space versus two separate halls as very important elements to a successful event. Features such as in-house video production facilities and outdoor roof-top space increased in importance relative to national planner surveys, while light rail access and in-house restaurant/retail outlets decreased somewhat in importance. This decrease is possibly due to a greater familiarity with local transportation and restaurant options within the destination and a corresponding lesser need to find these amenities within the center.

Interest in Continuing to Host Events in Seattle

Between 68 percent and 72 percent of planners surveyed would definitely, likely or possibly use a new center; dropping to between 25 percent and 33 percent for scenarios in which both a new center and the existing WSCC need to be used for a single event. When the linkage between the two centers was described as containing a landscaped, covered walkway, the acceptance of a two-building scenario for hosting an event increased to 37 percent.

Ballroom Sizing

Ten percent of planners surveyed indicate that a 60,000 square foot ballroom versus 50,000 square foot space is important. An additional 33 percent surveyed responded that this distinction was somewhat important. These data further support the inclusion of a larger space in the next stage of center planning.

Loading Docks

Forty percent of surveyed planners of events previously held at the WSCC state that a common elevation for loading docks and exhibit space is very important, and an additional 27 percent say that a common elevation is somewhat important. These results argue very strongly for providing a common elevation for dock and exhibit space, allowing for efficient, cost effective move in/out.

Headquarter Hotel Importance

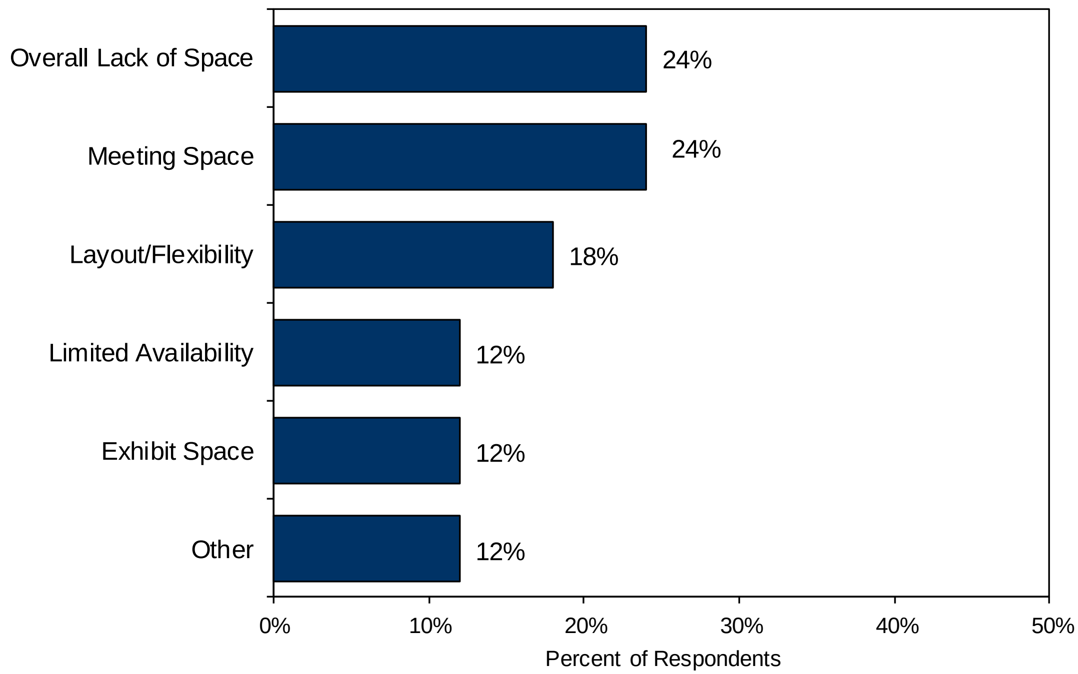
Fifty-four percent of planners surveyed responded that a large headquarter hotel adjacent to the new center site has a significant positive impact on their likelihood of booking in Seattle, and an additional 22 percent noted that such a hotel would have a somewhat positive impact. As previously stated, the development of a large, adjacent headquarter hotel should be considered as a necessary element in attracting additional large non-local events to the community.

5.3 Surveys of Lost Business

A total of 20 surveys of event planners that have considered Seattle as a destination, but have chosen an alternate location have also been conducted. Planners were asked to indicate the primary reason they chose an alternate location. In addition, the reasons that event planners may decide not to host an event in Seattle can be informative. Future planning efforts should incorporate these findings. Responses are summarized in the following exhibit.

The lack of overall facility space and a specific reference to a lack of meeting space were the most common responses. Concerns with the layout or flexibility of the space were also noted. Lesser issues registered by planners included limited date availability and exhibit space limitations.

Exhibit 5-8
Summary of Reasons for not Choosing Seattle
Lost Business Contacts



Source: CSL Interviews, 2013

Various comments made by planners of events that have considered the WSCC but have booked elsewhere are summarized below.

- Sixty-one percent of respondents cited a lack of space (exhibit, meeting or overall space) as a reason for not booking the WSCC. Specific comments included:
    - Lack of ability to book mid-sized meeting rooms when another event is in the building.
    - Need for more concurrent meeting rooms.
    - Preference for contiguous exhibit space.

- Several other comments were made including the following:
    - Offer ample natural light.
    - Need for registration area secure storage space.
    - Provide sufficient registration area for multiple overlapping events.
    - Maximize room flexibility with movable walls.
    - Provide numerous rigging points throughout the facility for banner hanging.
    - Provide building-wide Internet access.
    - Added hotel room inventory is needed for large city-wide events.
    - Need for competitive rental rates.

6.0 Summary of Program Findings

Based on the historical operations analysis, comparable market and facility data, market demand research and industry trend analysis, we have prepared a set of key program findings associated with future development of convention center facilities in downtown Seattle. As noted at the outset of this study, there are two basic options for future center development under consideration (both at the Convention Place Station site), as summarized below.

Option 1

- Two levels of exhibit space, 100,000 square feet each
- 100,000 square feet of meeting space
- 50,000 square foot ballroom

Option 2

- Two levels of exhibit space, one with 170,000 square feet and another with 140,000 square feet
- 100,000 square feet of meeting space
- 50,000 to 60,000 square foot ballroom

We have prepared the following findings associated with these options, addressing various building amenities, configuration issues, hotel inventory and other factors that will influence the ultimate success of the project.

Exhibit Space Sizing

We have evaluated the various exhibit space options from a variety of perspectives as described below.

- The proposed new center will provide multi-level exhibit space. As a result, Seattle will offer event planners scenarios under which multi-level space within a single venue, and potentially space within two separate venues roughly one block apart, can be used. There are no conditions highly similar to this within the domestic U.S. market. As a result, we place a premium on being able to offer the largest possible single-floor contiguous amount of exhibit space, as is included in Option 2. Further, the Option 1 plan provides two separate exhibit halls which in large part mimic the exhibit space offering in the existing WSCC.

- Survey results clearly indicate that providing loading dock and exhibit space on a common level is very important. In fact, 89 percent of national event planners surveyed have stated that this condition is very important (65 percent) or somewhat important (24 percent). Surveys of decorators with experience working in Seattle also clearly demonstrate the benefits of efficient load in. A summary of decorator comments is included as Appendix II.
- At 170,000 square feet of contiguous exhibit space, a new Seattle convention center would still rank as the smallest space among the 15 competitive and comparable venues analyzed.
- In terms of exhibit space capture, expanding the exhibit area from 100,000 to 170,000 square feet allows for an approximate 25 percentage point increase. In other words, the larger hall has the capacity to significantly increase the ability to accommodate national exhibit space demand.

Based on the analysis summary described above, we suggest that future exhibit space planning focus on the Option 2 development.

Ballroom Space

Event planners were surveyed as to their preference for ballroom sizing. Fifteen percent of national event planners stated that a 60,000 square foot ballroom versus a 50,000 square foot space was very important. Twenty-seven percent cited the larger space as somewhat important. For any building feature or size level to register as very or somewhat important to over 40 percent of the potential market is very informative. We suggest that future building planning efforts focus on the larger ballroom space.

We also note that a 60,000 square foot ballroom would exceed the sizing for nearly all of the competitive and comparable venues reviewed (with the exception of the planned ballroom at the San Diego Convention Center). Similarly, a 50,000 square foot ballroom would be larger than all but four of the 15 venues reviewed. As a result, even the smaller space would allow the new center to compete effectively for national events. As the planning effort moves forward, project representatives will be able to make a determination as to the value of the larger (60,000 square foot) ballroom in comparison to other building features and space levels, and in the context of budgeting issues faced by all projects of this type.

Meeting Space

The existing WSCC provides a comparatively high ratio of meeting to exhibit space at 0.46. This is competitively useful in that events in the medical and technology sector tend to require significant meeting space square footage. The WSCC has historically been very effective in attracting events in these sectors. Further, our national event planner survey data indicate that the need for breakout meeting space ranked as the number-one feature considered when selecting a center, slightly more important than a walkable hotel, restaurant, retail and entertainment environment.

Both Options 1 and 2 provide for a continuation of a high meeting to exhibit space ratio. Future convention center planning efforts should seek to maintain these types of ratios.

Connectivity

As previously noted, event planners would have an option to host a single event in two separate venues located approximately one block apart. This is a scenario that is not at all common in the industry, and there will certainly be challenges in convincing event planners to choose this scenario over markets that can offer significant exhibit space under a single roof. However, the national planner survey results suggest that this dual building scenario may have a market in which it can complete. As noted in the Market Demand chapter, 58 percent of national event planners surveyed would consider hosting an event at the WSCC. This percentage increases to 70 percent with the larger space included in the Option 2 scenario. Importantly, 37 percent of planners surveyed would consider hosting a single event in both the WSCC and a new center. Focus group research also provided an indication that meeting planners, including planners of large corporate events, would consider the two center option.

Based on the survey research, we would define this interest as tentative, with planners willing to consider the option rather than expressing a desire to book a two center complex. However, there are several amenities that should be planned for to maximize the potential of a two center option for large events. These include the following:

- Landscaped, covered walkway between the two centers – this feature was referenced by many event planners as very important to the success of a two center scenario. Covering the space between the two venues can involve the use of a series of fabric or other light material, as opposed to a large permanent/fixed structure.
- Park space over existing freeway – the covering of freeway airspace with a park would improve linkages between the new center and the existing WSCC, and would provide desirable event and leisure space. While this is an expensive feature, it should be included in preliminary planning efforts while funding options are explored. This space would also provide for a desirable feature for local residents.
- Orientation of public spaces – the lobby and pre-function spaces at the new center should be oriented in a manner that enhances the linkages with the WSCC. Minimizing walking distance from lobby to lobby should be a priority in future planning efforts.

Hotel Rooms

Event planners clearly indicated the need for adequate headquarter hotel inventory as part of any new center project. The current headquarter hotel inventory in Seattle ranks somewhat low among the 15 competitive and comparable markets reviewed. The ratio of hotel rooms within one-half mile of the WSCC to the existing exhibit space ranks favorably, largely due to the low level of available WSCC exhibit space. If a new center is developed, this ratio would drop significantly, to the point that the new center would be negatively impacted by a lack of nearby hotel room inventory. If a new center is developed, a large headquarter hotel (as has been proposed in the Hedreen project) would be necessary in order to compete for non-local events.

Event planner survey results also support this notion. Sixty percent of national event planners surveyed viewed the development of a new headquarter hotel as a having a significant positive impact on their likelihood to book in Seattle, and an additional 29 percent viewed a new hotel as somewhat positive.

Other Amenities

Survey research also focused on a variety of other amenities that have the potential to enhance the ability of Seattle convention facilities to attract national and international events. These include the following.

- Walkable hotel, restaurant, retail and entertainment area – The desirability of the area surrounding the center from the perspective of event attendees is very important to event planners. The WSCC is located within a vibrant visitor-oriented area, and efforts should be pursued to encourage similar development in areas surrounding the new center.
- Enhanced light rail presence - While light rail is present in the downtown area, the stop is not well signed, and may not have the presence that effectively motivates event attendees to use it. Efforts should be undertaken to enhance the presence, image and signage for the existing downtown light rail stop.
- On-site business/technology center & video production capabilities – These amenities can provide a valuable service for event exhibitors and attendees. These spaces don't typically require significant square footage and can represent a revenue source to the center.
- On-site restaurants – a fairly large segment of the potential event market cite the available of an on-site restaurant as an important facility feature.

- Outdoor space – this feature ranks fairly low in terms of the broad universe of potential national events. However, focus groups conducted for this and other convention center studies indicate that numerous event planners will use outdoor space as part of their event programming (receptions or even meeting events), provided covered or even climate controlled space can be offered.

As planning for a new Seattle convention center moves forward, the space components, amenities and destination features described above should be incorporated.

7.0 Event and Financial Operating Analysis

The purpose of this chapter is to present the analysis of event potential and financial operating impacts associated with new center development in downtown Seattle. The estimates of event and financial performance are based on analysis of historical WSCC financial operations, market demand results, comparable facility data, industry trends, and a variety of other industry information.

7.1 Event Analysis

The WSCC continues to host a wide variety of events including national and international conventions and tradeshows, state and regional events, consumer shows, banquets and receptions, and meetings. We have evaluated the potential for increased event activity associated with new center development by event type.

National/International Conventions and Tradeshows

There are various sources of potential increases in national/international conventions and tradeshows associated with a new center in Seattle. These potential event increases, assumed to materialize during the fifth year of new center operations (assumed first mature operational year) are described as follows:

- Industry growth – Emerging from the recent recession, the convention and tradeshow industry has experienced a pattern of modest growth. Long-term data suggest that any increase in overall event activity will be relatively modest. For purposes of this analysis, we have assumed a 2.0 percent annual growth rate in national event activity. Applied to historical WSCC event activity and assuming a potential opening sometime during 2020 for a new center, 5.3 new national/international events could be added to the market.
- Recaptured national/international events - Visit Seattle tracks lost business due to lack of facility space, dates or hotel inventory. CSL has surveyed a sample of these events in order to assess potential recapture assuming new center and hotel development takes place. Based on capture rates and regional competitive influences, the analysis indicates that approximately 8.8 events considered lost due to space and hotel constraints could be added to the market.
- Acquired demand – The proposed project will have the opportunity to compete more effectively for national and international conventions and tradeshows, and opportunities exist to acquire a greater share of the market. This is tempered by the substantial investments being made in convention and hotel product in many of these markets. Given the relatively strong positive response rates associated with Seattle as an event destination (as discussed in the Market Demand Analysis chapter), the analysis indicates that 8.3 new events could be attracted to the market given the significant enhancement to the convention and hotel product in Seattle.

The total incremental event potential in this category is estimated at 22.4 events in a mature year of new center operations.

Local and Regional Conventions and Tradeshows

CSL has surveyed planners of a variety of events that have been held at the WSCC in the past. These results suggest that several events have the potential to increase space use, should new center development take place. Similarly, several planners indicated that they would host added events in Seattle should space be available. We have focused this analysis on the corporate and state association event base that makes up a large share of the local and regional convention and tradeshow market.

Survey research has identified 12 events currently using existing space at the WSCC that would increase space use. In addition, significant corporate base exists within the market, and very significant corporate development is taking place within the vicinity of the proposed new center site. The focus group research with local and regional event planners suggests a potential for incremental event activity; and with the new corporate development taking place, a total of 8 new events in this category are assumed.

Other Events

The WSCC hosts consumer, banquet/reception and meetings (inclusive of small functions identified by the WSCC as OneStop events). It can be difficult to assess in detail the potential for increases to these types of local events, however, for purposes of this analysis, we assume five added consumer shows, 25 added banquets/receptions and 100 added meeting/OneStop functions. Given the limited size of most of these functions, changes to these assumptions have a relatively small influence on the estimates of future financial operating performance.

A summary of existing WSCC event activity (2010 to 2013), along with estimates of event activity associated with a combined WSCC and new center scenario is presented in the following exhibit.

Exhibit 7-1
Summary of Past and Potential Event Activity
WSCC and Potential New Center

					Percentage Increases	
	2012	2013	2010-2013 Average	WSCC + Option 2 Scenario	From 2013	From 4-Year Avg.
Events:						
National/International Conventions & Tradeshows	50	38	41	63	65%	52%
Local and Regional Conventions & Tradeshows	46	32	38	55	71%	45%
Consumer Shows and Other Public Events	11	10	12	17	70%	48%
Banquets and Receptions	40	32	38	69	117%	85%
Meetings and OneStop Events	301	181	268	422	133%	57%

As shown, the analysis results suggest varying percentage increases in event activity. We have shown these increases from a base of 2013 event levels, and from a base of the four year average. We note that the available convention center space would more than double should the proposed project move forward. However, given competitive influences and challenges to space configuration, estimates of added event activity are somewhat more modest. This reflects a prudent and realistic approach to project planning, helping to prevent over-aggressive assumptions that create financial challenges in the future.

7.2 Financial Operating Analysis

Working with WSCC staff, we have prepared a financial operating model designed to estimate potential future financial operating performance associated with new center development. The analysis incorporated a variety of techniques, including the following:

- Measuring past revenue and expenses on a per-square-foot utilized and a per-attendee basis. This allows for application of per-unit data to estimates of potential increases in space and attendance associated with the new center option.
- Development of specific metrics for particular line items. For example, parking revenues have been assessed on a per-stall basis, adjusting downward for the new center given its somewhat more remote location. Incremental food and beverage expenses have been assessed based on various allocation percentage assumptions.
- Added salary and benefit data has been assessed using WSCC estimates of incremental staff positions and annual compensation levels.
- An analysis of the start-up period impacts has been developed based on incremental annual event, attendee and square footage use in the first several years of new center operations.

The resulting financial operating results under a new center development scenario are presented in the following exhibit.

Exhibit 7-2
Summary of Financial Operating Performance

	2012	Estimates for WSCC and New Center Year 1	Year 2	Year 3	Year 4	Year 5
Operating Revenues:						
Rental Revenue	$5,420,737	$6,958,904	$7,076,638	$7,639,300	$8,043,645	$8,349,625
Food Service	15,919,130	20,007,847	20,320,803	21,816,457	22,891,278	23,704,626
Service Contractor Revenue	2,059,014	2,634,498	2,678,547	2,889,059	3,040,339	3,154,817
Advertising Revenue	2,000	133,293	143,342	191,369	225,883	252,000
Parking Revenue	3,901,212	4,865,645	4,939,464	5,292,255	5,545,780	5,737,630
Other	678,705	871,291	886,032	956,480	1,007,107	1,045,417
Marketing Tax	8,788,172	12,283,637	12,885,535	13,516,926	14,179,256	14,874,039
Total Revenue	36,768,969	47,755,116	48,930,361	52,301,847	54,933,288	57,118,155
Operating Expenses:						
Salaries & Benefits	12,148,803	15,922,531	16,182,788	17,223,816	18,004,587	18,655,230
Services & Supplies	4,035,693	5,556,304	5,661,174	6,080,653	6,395,263	6,657,437
Utilities	2,242,163	3,485,969	3,571,749	3,914,868	4,172,207	4,386,656
Food Service	9,388,942	12,188,606	12,381,687	13,154,008	13,733,249	14,215,950
Marketing Services	7,038,118	10,563,928	11,081,560	11,624,557	12,194,160	12,791,674
Total Expense	34,853,718	47,717,338	48,878,957	51,997,902	54,499,466	56,706,947
Net Income	$1,915,251	$37,778	$51,403	$303,945	$433,822	$411,208

As noted above, the WSCC generated approximately $36.8 million in operating revenues in 2012, inclusive of approximately $8.8 million in marketing (hotel/motel) taxes. Operating expenses and marketing services totaled $34.9 million, generating a net income of $1.9 million. Under the new center scenario, operating revenues by year five (assumed mature year of full operations) are estimated at $57.1 million, inclusive of $14.9 million in marketing taxes. Expenses including marketing services are estimated at $57.0 million, resulting in a net income of $411,000. Net income for future years (beyond this analysis period) should continue a modest pattern of growth, accounting for typical fluctuations due to booking levels and economic conditions.

8.0 Analysis of Economic and Fiscal Impacts

The purpose of this section is to provide an analysis of the potential economic, fiscal and other impacts that could be generated by attracting events to a new convention center project to be developed and operated jointly with the existing WSCC. The following key issues have been addressed herein:

- Economic and Fiscal Impact Concepts;
- Historical and Future Economic Impacts of Seattle Convention Facility Operations;
- Historical and Future Fiscal (tax) Impacts of Seattle Convention Facility Operations
- Non-Quantifiable Impacts.

The annual operations of the WSCC currently provide significant benefits to the state in terms of net new spending and associated employment, earnings and tax benefits. The economic and fiscal impact analyses contained in this section assume the new center development program presented previously in this report, and a continued emphasis on attracting and booking events at the WSCC and new center that will serve to maximize economic and fiscal impacts to the state.

8.1 Economic and Fiscal Impact Concepts

The impact of the WSCC is maximized when out-of-state event attendees make purchases in a community while attending an event at the facility. In addition, new spending is generated by the exhibitor base and by the entity producing or hosting the event. It is common in economic impact analysis to aggregate three basic components of spending, as defined below.

Direct effects consist principally of initial purchases made by delegates or attendees at an event who have arrived from out-of-state. This spending typically takes place in local hotels, restaurants, retail establishments and other such businesses.

Indirect effects consist of the re-spending of the initial or direct expenditures. For example, indirect spending is generated when a hotel uses the direct spending dollars received from out-of-state event attendees to pay the hotel's housekeeping staff. The hotel's housekeeping staff then spends their personal income in local grocery stores, retail establishments and other local businesses for various products and services.

Induced effects consist of the positive changes in employment, earnings and tax collections generated by changes in population associated with the direct and indirect expenditures.

Calculation of direct effects or direct spending is based on estimates of event levels, attendees, spending metrics and related variables. This direct spending is applied to economic impact multipliers in order to measure the indirect and induced spending. Combined, the direct, indirect and induced spending is referred to as total output. Stated another way, the initial direct spending of new dollars into an economy begins a series of transactions in which the dollars are cycled through the economy. The re-spending of the dollars is estimated by utilizing the economic multipliers and applying them to the amount of direct, or initial, spending. The multiplier illustrates that spending in a defined economy will lead to additional spending until that dollar has completed its cycle through leakage. Leakage represents the portion of a dollar spent in areas outside the designated economy, such as the taxes paid on purchases of goods and services.

Multipliers are also used to calculate the amount of earnings associated with direct spending, as well as the resulting full and part-time employment impacts. The multiplier effect is estimated in this analysis using a regional economic forecasting model provided by the Minnesota IMPLAN Group, Inc., a private economic modeling company. The IMPLAN system utilizes an input-output matrix with specific data for multipliers based on regional business patterns from across the country. Financial information for the matrix of multipliers is collected from various sources that include, but are not limited to, the U.S. Department of Labor, as well as state sales and tax reports. The system utilizes this data to determine the economic independence of specific geographic regions, as well as the interdependence which exists between industries in those regions. The systems provide total industry output, personal earnings and employment data for approximately 440 industry segments.

8.2 Historical and Future Economic Impacts of Seattle Convention Facility Operations

One of the primary sources of direct spending involves attracting event attendees from outside the state to make purchases in area hotels, restaurants and retail establishments. Events attracting attendance largely from within the state, including most public/consumer shows, corporate functions and state events, generally represent a displacement of spending. Specifically, most of these local attendees would likely have made expenditures within the state in some other manner had the event not been held.

The analysis of direct spending related to Seattle convention center activity begins with estimating the number of event attendees (both local and non-local) that have been hosted at the WSCC, and that could be attracted to an additional center, as previously described in Chapter 6 of this report. These estimates are based on the event, attendance, origin, event day information developed through the market analysis (and in collaboration with WSCC management).

A sample of this event and attendance data is presented in the following exhibit.

Exhibit 8-1
Summary of Historical and Estimated Future Event and Attendee Characteristics

	2012	2013	2010-2013 Average	WSCC + Option 2 Scenario	Percentage Increases From 2013	Percentage Increases From 4-Year Avg.
Events:						
National/International Conventions & Tradeshows	50	38	41	63	65%	52%
Local and Regional Conventions & Tradeshows	46	32	38	55	71%	45%
Consumer Shows and Other Public Events	11	10	12	17	70%	48%
Banquets and Receptions	40	32	38	69	117%	85%
Meetings and OneStop Events	301	181	268	422	133%	57%
Average Attendance Per Event:						
National/International Conventions & Tradeshows	2,757	3,716	3,300	3,600	-3%	9%
Local and Regional Conventions & Tradeshows	1,373	1,617	1,646	1,724	7%	5%
Consumer Shows and Other Public Events	14,206	16,546	13,621	14,000	-15%	3%
Banquets and Receptions	626	508	561	575	13%	3%
Meetings and OneStop Events	119	136	107	120	-12%	12%
Total Annual Non-State Attendee Days:						
National/International Conventions & Tradeshows	507,433	618,793	542,275	835,298	35%	54%
Local and Regional Conventions & Tradeshows	44,702	38,488	44,269	63,036	64%	42%
Consumer Shows and Other Public Events	41,196	49,637	38,987	58,715	18%	51%
Banquets and Receptions	1,284	788	1,055	1,914	143%	82%
Meetings and OneStop Events	2,144	1,439	1,644	2,532	76%	54%

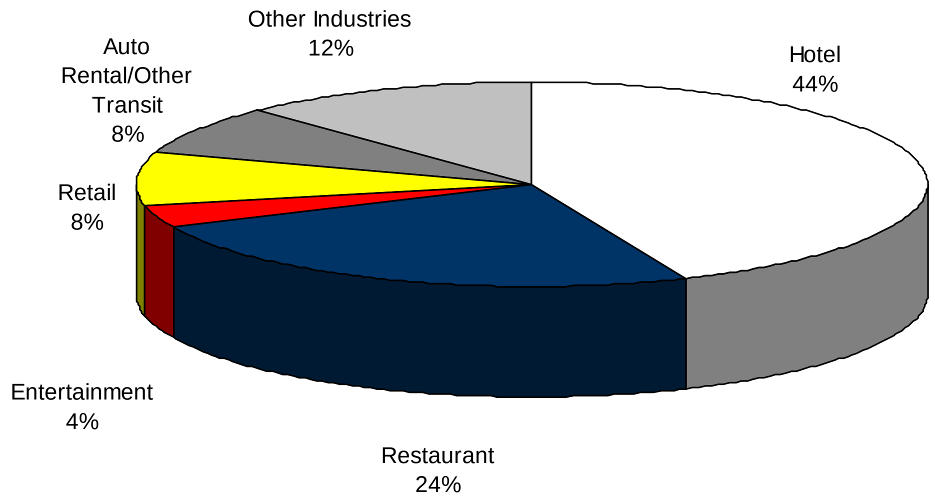
The exhibit presents WSCC data for 2012, 2013 and for the 2010 to 2013 period. Detailed data for previous years is difficult to assemble due to a change in event management software effective at the start of 2012. The exhibit also presents the event and attendance assessment for a combined WSCC and a new center (assuming an Option 2 development). In addition, the percentage increases in event and attendance data from 2013 and the four-year period spanning 2010 to 2013 period are presented.

Note that national/international conventions & tradeshows provide a significant majority of non-local attendance. There were 50 of these events in 2012, 38 in 2013 and an average of 41 between 2010 and 2013. Based on the research conducted for this project, the operation of a new center (under Option 2), combined with the WSCC would attract 63 national/international convention & tradeshow events, a 65 percent increase over 2013 event levels, and a 52 percent increase over the 2010 to 2013 average.

Average attendance at these events under the combined center scenario is estimated at 3,600, increased from 2,757 for 2012 and an average of 3,300 for the 2010 to 2013 period. The non-state national/international convention and tradeshow attendance levels are estimated at approximately 835,000 under the two-center scenario, representing a 35 percent increase over 2013 data, and a 54 percent increase over the 2010 to 2013 levels. Note that data for 2013 are not fully collected, particularly for banquets and receptions, and meetings and OneStop events. This has an impact on the percentage increase totals.

Estimates of per-day spending by out-of-state delegates and exhibitors are based on the results of previous Destination Marketing Association International (DMAI) survey data concerning event related expenditures by delegates, exhibitors, associations and convention service contractors. The results of this research have been adjusted to 2013 dollars and for cost of living levels in the Seattle area. The estimates of average daily spending on a per delegate basis were applied to estimates of potential out-of-state attendee days. Exhibit 8-2 presents the direct spending associated with the WSCC over the 2010 to 2013 period, and for the combined operations of the WSCC and new center in year five of operations.

Exhibit 8-2
Estimated Annual Direct Spending - WSCC and Combined WSCC/New Center



Estimated Direct Spending:

	Spending	% Increase
Existing WSCC (4-year Average)	$258,961,000	--
Expanded WSCC (Year 5)	$401,700,000	55.0%
Incremental Impact	$142,739,000	

As presented in the exhibit, the estimated total annual direct spending associated with the existing WSCC was approximately $259.0 million over the 2010 to 2013 period. Estimated total annual direct spending associated with the WSCC plus a new center is estimated at approximately $401.7 million (in a stabilized year of operations, in 2013 dollars).

These initial or direct dollars take place primarily in the hotel, restaurant, retail, entertainment and other hospitality-related sectors. As the direct spending flows throughout the state economy, additional rounds of spending, employment and earnings are generated. These impacts can be quantified using impact multipliers as discussed above. The multipliers used in this economic impact analysis as generated by the IMPLAN economic analysis system specifically for King County, Washington are presented below in Exhibit 8-3.

Exhibit 8-3
Economic Impact Multipliers for King County, Washington

Industry	Output	Employment	Earnings
Hotel	1.533	12.297	0.587
Restaurant	1.494	18.877	0.624
Entertainment	1.489	22.715	0.641
Retail	1.393	16.025	0.677
Auto Rental	1.527	8.889	0.501
Other Local Transit	1.431	18.409	0.819
Other Industries	1.434	10.834	0.629

Note: Employment multiplier is applied to direct spending divided by 1,000,000.

Source: Minnesota IMPLAN Group, 2013

Exhibit 8-4 summarizes the overall economic effects associated with the existing WSCC, as well as the combined WSCC and new center.

Exhibit 8-4
Estimated Annual Economic Impacts
WSCC and Combined WSCC/New Center

Total Direct Spending

Existing WSCC (1)	$258,961,000
Expanded WSCC (2)	$401,700,000
Incremental Impact	$142,739,000

Total Output

Existing WSCC (1)	$386,573,000
Expanded WSCC (2)	$599,700,000
Incremental Impact	$213,127,000

Earnings

Existing WSCC (1)	$160,460,000
Expanded WSCC (2)	$248,900,000
Incremental Impact	$88,440,000

Employment

Existing WSCC (1)	3,780
Expanded WSCC (2)	5,900
Incremental Impact	2,120

Room Nights

Existing WSCC (1)	451,300
Expanded WSCC (2)	690,700
Incremental Impact	239,400

(1) Data represent a 4-year average of WSCC operations spanning 2010 - 2013.
(2) Future estimates reflect a stabilized year of operations (assumed to occur in Year 5) in 2013 dollars.

As outlined in the exhibit, the estimated level of annual WSCC-supported spending between 2010 and 2013 approximated $387 million in total output (total direct and secondary spending), and in excess of $160 million in total earnings. An estimated 3,800 full and part-time jobs were supported by WSCC activity in 2013. With a combined WSCC and new center, estimated annual impacts in the fifth year of operations include $600 million in total output, $249 million in earnings, and nearly 5,900 full and part-time jobs. Based on Visit Seattle records, the existing WSCC has generated an average of approximately 272,700 room nights each year among National/International Conventions and Tradeshows. Accounting for all other event categories and the fact that a significant number of event attendees book outside of the room block, it is estimated that WSCC event activity has generated an average of 451,300 total room nights each year (over the past four years). A new Center is estimated to generate an additional 239,400 incremental room nights annually in a stabilized year of operations.

8.3 Fiscal (Tax) Impact Analysis

Beyond spending, output, earnings and employment data, the addition of additional convention space in downtown Seattle will generate incremental tax revenues for the state, county and city. The following assumptions were made in preparing such estimations:

- It is estimated that 95 percent of restaurant and hotel sales are taxable, reflecting the fact there is occasional event activity from tax exempt organizations.
- Approximately 95 percent of entertainment expenditures are subject to tax, reflecting the tax base specific to various entertainment activities.
- Approximately 95 percent of auto rental and retail industry transactions are taxed.
- 80 percent of local transit, including gasoline sales which are not included in the State tax base, are assumed to be taxed.
- Twenty seven percent of indirect spending (total output less direct spending) is assumed to be taxed as general sales.
- Tax rates used for the analysis reflect a 9.5 percent sales tax, 15.6 percent hotel/motel tax, $2 per room per day assessment to support the Seattle Tourism Improvement District, and a 17.2 percent car rental tax.

Based on the assumptions above and the application of state and local tax rates to the spending associated with the WSCC event activity under the previously identified development scenario, the following tax estimates have been calculated.

Exhibit 8-5
Summary of Annual Tax Collections Generated by WSCC Operations

	Current Tax Rate	Existing WSCC (1)	Expanded WSCC (2)
Sales Tax	9.50%	$11,707,534	$17,918,178
Hotel/Motel Tax	15.60%	$16,758,658	$25,648,836
Seattle Tourism Improvement District Fee	$2.00	$774,678	$1,193,282
Car Rental Tax	17.20%	$1,231,833	$1,885,299
Sales Tax - Indirect Spending	9.50%	$3,317,454	$5,077,306
TOTALS		**$33,790,157**	**$51,722,902**

(1) Data represent a 4-year average of WSCC operations spanning 2010 - 2013.
(2) Future estimates reflect a stabilized year of operations (assumed to occur in Year 5) in 2013 dollars.

As noted above, over the past four years, the WSCC has generated an average of approximately $33.8 million in total annual direct and indirect tax collections. The total tax impact of an expanded WSCC is estimated to increase to more than $52.0 million during a stabilized year of operations. Hotel and motel tax dollars generated by WSCC operations represent half of total tax collections associated with the venue, and could be expected to grow to more than $26 million annually with an expanded WSCC (in a stabilized year of operations).

Appendix I
Summary of Oganizations Interviewed

Academy of Nutrition and Dietetics
Advanstar Communications Inc.
AFCEA International
Amazon
AMC Network
American Academy of Child and Adolescent Psychiatry
American academy of Neurology
American Academy of Optometry
American Association. of Endodontists
American Association for Clinical Chemistry
American Association of Community Colleges
American Association of Endodontists
American Association of Nurse Anesthetists
American Baseball Coaches Association
American Chamber of Commerce Executives
American College of Medical Genetics & Genomics
American College of Surgeons
American Contract Bridge League
American Correctional Food Service Association
American Dental Association
American Diabetes Association
American Electroplaters and Surface Finishers Society
American Football Coaches Association
American Health Care Association.
American Historical Association
American Industrial Hygiene Association
American Oil Chemists' Society
American Petroleum Institute
American Pharmacists Association
American Quilter's Society
American Society for Aesthetic Plastic Surgery
American Society for Healthcare Human Resources Administrators
American Society of Military Comptrollers
American Society of Nephrology
American Society of Plastic Surgeons
American Speech-Language-Hearing Association
Anheuser-Busch Companies
ASM International
Associated Locksmiths of America, Inc.
Association for Asian Studies
Association for Financial Professionals
Association for Supervision and Curriculum Development
Association Management Center
Association of Clinical Research Professionals
Association of Fish and Wildlife Agencies
Association of Military Surgeons
Association of Old Crows
Association of Public Safety Communications officials
Association of the Wall and Ceiling Industry
Association of Women's Health
Attorney & notary Supply of Washington
Audio Engineering Society
Aviation Week
Banquet & Event Resource Inc
BCD M&I
BES Events
Biomedical Engineering Society
Case Management Society of America
Cellular Telecommunications and Internet Association
Childhaven
Church of God Ministries Inc
Club Managers Association of America
Conference on College Composition and Communication
Corenet Global
Ecological Society of America
Electric Utilities Environmental Association
Electrical Apparatus Service Association
Emerald City Comicon
ENAP Incorporated
Executive Administration, Inc.
Experient
FIRST (for Inspiration and Recognition of Science
Fisher Scientific
GeekGirlCon
Gideon's International
Global Experience Specialists, Inc. (GES)
Gold Wing Road Riders Association
Guy Carpenter
Gymnastics East
Haase & Associates, Inc.
Hanley Wood Exhibitions
Heartland Travel Showcase
HomeStreet Bank
Hopper Expositions Incorporated
IADR
IEEE MTT-S International Microwave Symposium
Independent Community Bankers of America
Informatica Corporation
International Atherosclerosis Society
International Church of the Foursquare Gospel
International Conference Services Ltd.
International Franchise Association
Investment Consultants Management Association
John Deere
Johnstone Supply, Inc.
Journalism Education Association
Key Communications
Kibble and Prentice
Kubota Tractor Corporation
Lancaster Company
Leadership Team Development
Lorman Education Services
Marine Aquarium Societies of North America
Materials Research Society
McKinstry
MD Publications
Mercer Island High School
Microsoft Corporation
Mid-Atlantic Nursery Trade Show Inc
Million Dollar Round Table
Music Teachers National Association
National Academic Advising Association
National Agricultural Aviation Association
National Alliance for Public Charter Schools
National Art Education Association
National Association for College Admission Counsel
National Association of College and University Bus
National Association of County Engineers
National Association of Elementary School Principals
National Association of Free Will Baptists
National Association of Independent Schools
National Association of Letter Carriers
National Association of Pastoral Musicians
National Association of School Resource officers
National Association of Secondary School Prinicpals
National Association of Trailer Manufacturers
National Cable and Telecommunications Association
National Catholic Educational Association
National Companies
National Corn Growers Association
National Council for History Education
National Council for the Social Studies
National Council for the Social Studies
National Council of Teachers of English
National Education Association
National Federation for Catholic Youth Ministry
National Minority Supplier Development Council
National Organization of Black Law Enforcement Executives
National Pest Management Association
National Precast Concrete Association
National Scholastic Press Association
National School Supply & Equipment Association
National Soccer Coaches Association/America
Network of Vertafore Users
NIGP - the Institute for Public Procurement
North American Association of State and Provincial Lotteries
Northwest Development officers Association
O'Dea High School
Optical Society of America
Painting and Decorating Contractors of America
Paralyzed Veterans of America
Pharmasave Drugs Limited
Phoenix Entertainment
Powder Coating Institute
Professional Housing Management Association.
Property Loss Research Bureau
PSMJ Resources, Inc.
RadioShack Corporation
Regulatory Affairs Professionals Society
Sam's Club
SAP America
Seattle City Light
Seattle Public Schools
Seattle Wedding Show
Servicemaster Clean
Servpro Industries Inc.
Society for Investigative Dermatology
Society for Mining Metallurgy Exploration
Society for Photographic Education
Society of Petroleum Engineers
Spokane Public Facilities District
Sports Incorporated
Starbucks Coffee Company
Stellato Meeting Solutions, LLC
Structural Building Components Association
Students In Free Enterprise
Teamsters Local 117
TESOL International Association
The Electrochemical Society
The Gottman Institute
The International Dyslexia Association
The Movement Disorder Society
T-Mobile USA
Trends
Triumph Expo & Events Inc.
UBM, LLC.
UniPro Foodservice, Inc.
Unitarian Universalist Association
United Church of Christ
United National Supreme Council
United Pentecostal Church International
United States and Canadian Academy of Pathology
United States Military Academy
University of Washington Continuing Nursing Education
UW Medicine
Washington Association of Criminal Defense Lawyers
Washington Biotechnology & Biomedical Association
Washington Federal
Washington State Budget & Policy Center
Washington State Chapter Community Associations Institute
Washington State University Energy Program
Webmasterworld, Inc.
World Waterpark Association
Worldwide ERC
Wound, Ostomy and Continence Nurses Society
YWCA of Seattle-King-Snohomish

Appendix II
Summary of CSL Interviews with Primary WSCC Decorators

1) Has your company worked at any convention facility that has time restrictions for loading dock activity anytime between the hours of 6 a.m. – 12 midnight?
   a) If yes, what hours were restricted?
   b) What is the gross square footage of the exhibit space at that facility?
   c) Location of facility?

None of the three decorators have worked at any convention facility that has time restrictions for loading dock activity between the hours of 6am and 12 midnight. The only somewhat similar situation that was mentioned pertained to a hotel in New York City (Marriott Marquis) that limits access during matinee performances at nearby Broadway theaters.

2) If you have not dealt with a facility with peak hour restrictions, are you aware of any facility with peak hour freight restrictions?
   a) Location of facility?
   b) Has the restriction precluded your company from doing business with this facility because of restriction?

None of the three decorators have worked at any convention facility with peak hour restrictions, nor are they aware of any facility with peak hour freight restrictions. It was noted that some cities have noise ordinances in place; however, it does not typically affect the convention centers.

3) If a convention center of approximately 250,000 – 300,000 square feet were to impose a peak hour freight restriction (6 a.m.- 9 a.m. & 4 p.m.- 7 p.m.), how would you rate the following impacts:
   a) Cost Impact (per show):
      - Severe ($25,000 & greater)
      - Moderate ($5,000 - $25,000)
      - Minimal (Less than $5,000)

The cost impacts associated with peak hour freight restrictions at a proposed new convention facility in downtown Seattle were characterized as being severe ($25,000 & greater) per show by all of the decorators interviewed. These costs could be expected to vary widely depending on a number of factors (i.e., overtime, storage costs, lodging, meals, etc.).

   b) Operational Impact:
      - Severe (need full extra day of move-in or move-out)
      - Moderate (need additional half-day or less)
      - Minimal (need to work late, but not extra day)

The operational impacts associated with peak hour freight restrictions are also expected to be severe and could oftentimes result in additional move-in and move-out days. This could have material impacts on not only the show organizers but the ability of the Center to book and layer events.

c) Exhibitor Impact:
- Severe (exhibit companies would not participate in next event)
- Moderate (exhibitor would only participate in high demand, sold-out shows)
- Minimal (would not change participation levels)

Exhibitors at events held at the new facility would likely also face moderate to severe impacts as a result of such time restrictions. Two of the three decorators foresee situations where exhibit companies would not participate in future events held at the Center after experiencing this restrictive process.

4) For items listed as "moderate" or "severe" in question #3, how would these effect your participation at the restricted facility?
   a) Severe: (My company would most likely not bid on events at the facility)
   b) Moderate: (My company would only bid on existing client events that travel to rotating sites)
   c) Minimal: (I would bid on events but include added costs in bid price)

Such restrictions would not necessarily limit all interest in using the restricted facility. Two of the three organizations interviewed indicated that they would continue to bid on events held at the Center, but would include any and all added costs in their bid price. Although it is possible to pass on costs, it is likely that show organizers and exhibitors would likely avoid a facility with such restrictions. Most events require morning move-ins even if they have multiple days to set up, and the added exhibitor costs would be prohibitive.

Such "unrealistic" time restrictions could make the facility a "white elephant" in the minds of the event planning community.

5) For items listed as moderate or severe in question #4, how would financial reimbursement effect your participation:
   a) Greatly improve my participation
   b) Moderately improve my participation
   c) Minimally improve my participation

Financial reimbursement to offset added costs could be expected to have a minimal to moderate effect on participation at a new Center. Each case would likely need to be dealt with individually.

6) How do you think show organizers would respond to a facility with restrictions if added costs were covered by facility:
   a) Show organizers would select the site as if there were no restrictions.
   b) Show management would select the site only for events with high market demand for that location.
   c) Show management would be unlikely to select the site.

Current WSCC decorators believe that even if added costs resulting from additional time required to load in and out were covered by the facility, show management would still be unlikely to select the site. It is universally believed that this could be a deal breaker for most tradeshows and events.

7) If there is a sufficiently-sized marshaling yard (100 trucks) within 25 miles of a time-restricted convention center, would it :
   a) Greatly improve impacts of time restrictions
   b) Moderately improve impacts of time restrictions
   c) Minimally improve impacts of time restrictions

A sufficiently-sized marshaling yard (100 trucks) within 25 miles of a time-restricted convention center would only minimally improve impacts of time restrictions, according to two large decorators. Moderate improvements would be expected by one organization. It was noted that a new marshaling yard is necessary regardless of potential new facility development and associated potential time restrictions.

8) You have been briefed by the WSCC management on two possible street routes and a Hubbell Place/Terry Street bridge as providing freight access to the potential WSCC expansion site. Please talk about how you would see one or more of those routes being used in actual practice, given what you know of the typical move-in/move-out circumstances at the WSCC.

- "The Terry Street extension is the only feasible option."
- "After reviewing the routes with our drivers and operational staff, we feel that the ONLY option is the Terry Street Bridge plan. The street options would be an impossible nightmare. Trucks would not be able to maneuver."
- "I see the Terry Avenue extension as being the most viable in terms of letting the CC operate with the least amount of impact on local traffic."

Appendix II
Summary of CSL Interviews with Primary WSCC Decorators

9) Do you have any other suggestions or thoughts that you would like to share?

- "I have a great deal to gain and am very interested in the expansion IF it will bring new business to the region. I believe that the only way for this project to move forward and be successful is to get the approval for the Terry Street bridge and not have time restrictions or add to the already congested surface streets."

- "These types of restrictions will prevent show management from renting the space."

- "If there are 30 dock spaces properly built, that would mitigate some of the issues with restrictions."

- "I would be curious to see what space, if any, becomes available to build a new facility closer to the water as the tunnel project progresses. A new facility with more contiguous space and meeting rooms would allow for more flexibility and still be downtown Seattle."