

Memorandum



CITY OF DALLAS

DATE February 4, 2022

TO Honorable Mayor and Members of the City Council

SUBJECT **Kay Bailey Hutchison Convention Center Dallas (KBHCCD) Master Plan - February 2, 2022 City Council Briefing Follow-Up**

Convention and Event Services (CES) briefed the City Council on February 2, 2022, as recommended by the Transportation and Infrastructure (TRNI) Committee. Several questions were raised during the briefing which required follow-up and research. The responses are respectfully provided in this memorandum. Additionally, two documents were requested and are included as **Attachment A - 2017 HVS Dallas Market Futures Study** and **Attachment B – 2014 Planning Analysis for KBHCCD**.

1. How should we address the Cemetery? Is removal a possibility?

A goal of the Kay Bailey Hutchison Convention Center Dallas (KBHCCD) Master Plan is to create a destination unique to Dallas around the Convention Center. Pioneer Cemetery is an important piece of the history of the City of Dallas. The cemetery is a Dallas Landmark (2002) and included in the State Historic Marker Program (1994). Any relocation or removal may require coordination with local, state and federal historic agencies. Moreover, the City promotes and celebrates the cemetery as an important city asset that could be enhanced as part of the comprehensive master planning effort.

The KBHCCD Master Plan proposes to formalize the existing informal path through the cemetery to connect it to City Hall Plaza to the east, and Pioneer Park and Pioneer Plaza to the west. Integrating the historic cemetery into a larger open space network will draw more visitors to the cemetery as part of a strategy to celebrate what is unique about Dallas. Moreover, historic information, kiosks and markers could be integrated into this network, enhancing the experience by providing important historical and cultural information. Under the 3C – West of Lamar alternative the cemetery will no longer be at the ‘front door’ of the Convention Center but will still be accessible to Convention Center visitors through a connected network of parks, formalized paths and open spaces. In subsequent phases as land uses and open space components of the plan are developed, design concepts incorporating the cemetery will be refined.

2. Could the Convention Center accommodate casino activity?

Presently, Texas law does not allow for casinos. Staff and consultants are focusing on design and land use considerations that are currently allowable. The existing gambling law specifically prohibits "keeping a gambling place," except for limited options on Native American lands. There are several proposals that have been presented at different times to create special casino licenses, but the legislation would require amending the Texas Constitution, which currently bans most gaming

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in Texas. Should State law and the Texas Constitution be amended, the concept of a casino could be re-evaluated if City leadership and City Council recommend such a policy decision.

3. How could the Convention Center accommodate alternative uses, especially if closed or not in use? What should be done if, by some chance, the Convention Center is not open while 3C - West of Lamar is under construction?

Although staff and consultants do not currently foresee a scenario in which the KBHCCD would be inoperable or unavailable to clients during construction, alternative uses could include public benefit related activities (e.g., sheltering, emergency intake shelters) to continue garnering revenue.

Historically, convention centers have proven to be flexible in accommodating alternative uses and events. Exhibit halls have been used as hospitals, movie studios, auction houses, shelters, rodeo rings, sports venues, courthouses, schools, night clubs, and churches. The 3C - West of Lamar alternative can be partially constructed without disrupting current operations. The partially constructed expansion works in conjunction with the current Halls A, B, and C to accommodate any event that can presently fit in the building until the expansion is complete.

4. What is the cost estimate of the 30 percent design work?

Staff is working with the Office of Procurement and other City departments to vet the cost estimate of the 30 percent design and engineering work for the 3C - West of Lamar alternative. This cost estimate is divided into two tasks. The scope of **Task I** will include: (1) programming for the 3C – West of Lamar alternative, (2) schematic design and (3) the preparation of design documents to the detail necessary for a bridging documents package. **Task II** incorporates support for the design and construction procurement including such services as assisting the client in preparation of the RFQ/RFP, the owner’s minimum requirements, bid phase and meetings, and negotiation and award.

Staff will provide the proposed cost and the funding source in advance of the February 23, 2022 City Council meeting, should City Council approve the convention center alternative on February 9th.

5. What is the worst-case scenario if convention center growth does not meet projections?

The COVID-19 pandemic represents an example of a worst-case scenario that no one inside or outside of the hospitality industry anticipated. The societal costs in sickness, death, economic displacement, and uncertainty have been unprecedented in the Center’s history. Within that context, the hospitality industry was completely shut down for months. By the summer of 2020, the drive-in leisure market began to recover and group business related to youth sports returned to

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venues. Business travel has been slower to recover, but by early 2021, despite the Omicron variant, the number of in-person group events are occurring near the pre-pandemic level.

While any specific worst-case scenario trigger event is by its nature difficult to project, the safeguards around public funding reserves are sound and have proven capable of withstanding a once-in-a-century public health disaster without default or recourse to guarantors.

From a financial perspective, the COVID-19 pandemic has shown that even during a worst-case scenario, KBHCCD maintains a capital reserve of \$66 million. The lessons learned from the past two years demonstrate that with a strong economic foundation, industry predictions are not necessarily accurate or comprehensive. With established and sound funding mechanisms (i.e., financial planning tools and operational adjustments) bondholders and guarantors are better protected.

6. What is the general timeline for City Council updates from the project team as the project advances?

The next phase of the KBHCCD Master Plan process involves further development and refinement of the multi-modal transportation plan and the area plan. Staff and consultants will integrate and engage multiple levels of stakeholders and the public to assist in the development and review of alternatives. A two-month timeline has been established for developing and advancing the transportation and area plans. During this period, multiple touchpoints with council members can be established as necessary and weekly meetings will continue with city staff. The following table provides key dates and steps in the process:

Feb 9, 2022	City Council proposed approval of the 3C – West of Lamar alternative
Feb 23, 2022	City Council proposed approval of supplemental agreement with WSP USA, Inc. for 30 percent design and engineering of the 3C – West of Lamar alternative
Feb 24, 2022	Dallas Park Board will convene to approve venue projects related to Texas Local Government Code Chapter 334 (Brimer Bill)
Mar 9, 2022	City Council proposed approval of a resolution requesting state agency review of the 3C – West of Lamar alternative, Fair Park venue projects and funding sources for both locations
Apr 30, 2022	Transportation and area plan drafts completed by WSP USA, Inc.
May 15, 2022	State finalizes review of resolution regarding 3C – West of Lamar alternative to move forward with a resolution calling for a November 8, 2022 election
Jun 1, 2022	Staff provides a memo update to City Council regarding the project

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Jun 8, 2022	City Council proposed approval of a resolution ordering an election for November 8, 2022
Jun 9 – Nov 1, 2022	Public education and outreach
Nov 8, 2022	Election on the ballot proposition
Nov 9, 2022 – Nov 30, 2023	Staff coordinates with City Attorney’s Office, City Controller’s Office, Bond Counsel and Financial Advisors to begin processes for bond sale(s). Staff also works with the Office of Procurement on the design and construction contract
Jun 30, 2023	Procurement for design and construction completed
Jul – Jun 30, 2024	Remaining 70 percent design completed, incorporating tremendous public input and engagement, and multiple touchpoints with City Council throughout the process
2024 – 2028	Construction and project completion

7. What is the basis for doubling hotel room nights and doubling attendance? How accurate are these models? What are the exact numbers behind convention centers doubling attendance when adding a new convention Center? Nashville and Indianapolis were mentioned as examples.

Room night projections are based on the number and type of events the expanded KBHCCD will be able to host. The expanded Convention Center will be able to host significantly more events than the current center due to both the increase of sellable space and the configuration of the expanded center to accommodate simultaneous events. The mix of space and configuration will also allow the expanded Convention Center to host events with that generate more economic impact than the current facility.

Staff and consultants also have data from various cities regarding increases in hotel room nights and attendance, and these trends can be extrapolated and applied to Dallas. Indianapolis serves as a good example. Indianapolis did not double their size or hotel package but made substantial improvements to both and realized an approximate doubling of impact/room nights based on data provided from Visit Indy.

In the case of Indianapolis, prior to their expansion by 40 percent of exhibit and breakout space in 2011, bookings of about 500,000 future room nights per year occurred. After their expansion they averaged 870,000 room nights a year with a high of 905,000. It is important to note that doubling room night capacity is uncommon in this industry.

Pittsburgh offers another example, as their overall room night production languished at 160,000/year prior to the opening of their convention center in 2003 and rose to 375,000 room nights in 2019.

8. What accounts for the cost estimate of 3C - West of Lamar changing from \$4 billion to \$2.2 billion? How does this affect Fair Park funding?

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The conceptual/planning level capital cost estimate for the 3C - West of Lamar alternative is approximately \$2 billion which includes associated soft costs. There is roughly \$4 billion of potential funding generated by the identified funding mechanisms. The projected investment range and subsequent conceptual cost estimate of 3C - West of Lamar alternative has been consistently shown in the +/- \$2 billion dollar range and will be refined as the design of the alternative is advanced.

The funding potentially to be allocated to Fair Park is statutory and written into the legislation to provide no more than 20 percent of Brimer Bill revenue. This percentage will not be included in the financial calculations for the Convention Center project.

9. What are the exact figures related to existing and future economic development opportunities surrounding the Convention Center?

The project is in the conceptual phase and no exact figures have been developed for economic development opportunities related to this project. Staff and consultants both contend that the Convention Center project itself is a major economic development opportunity, which will support thousands of construction and permanent jobs. The master plan anticipates leveraging the project to support workforce development and job training, entrepreneurship, small business, and equitable contracting opportunities.

Projections and models based on industry data anticipates nearly 9 million square feet of commercial development, with a taxable value of approximately \$2.5 billion (2021) over 40 acres of potential redevelopment sites (privately and publicly owned), all of which would be enhanced by improved connectivity, open space, and creation of a new district that would promote activity beyond that generated by the Convention Center.

In addition, the 40-acre redevelopment opportunities will complement other existing and planned development activity surrounding the Convention Center including the planned Texas High Speed Rail (TxHSR), *Dallas Morning News* site, NewPark development, and the former Reunion Arena site.

10. Should we be concerned with 2 percent growth for convention centers nationwide? The 948 events that the Convention Center could not book has data that is 15 years old. Will Convention Center demand match projections?

Industry demand is growing more than supply, which bodes well for Dallas. The lost business reports are the best indicator that higher-rated groups want to come to Dallas but cannot, due to lack of space, date availability and the hotel package, all of which will be addressed by the master plan.

The number cited in the 2 percent growth modeling consists primarily of small convention centers. Realistically, Dallas competes with a limited group/cohort of

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large cities offering over 500,000 square feet of capacity, and an expanded convention center would put Dallas at the top of the list for those meeting planners who book large events. VisitDallas has identified 54 new events that are prepared to put Dallas in their rotation should the quality of convention center they find in other cities is offered and available in Dallas.

Long-term data shows that the performance and growth of the exhibition industry generally follows the national GDP curve. When GDP is expansive, then measures of attendance/net square footage/revenues are also expansive at generally the same rate. When GDP is contracting, then those measures generally fall at rates similar to GDP. In the early 2000s (about the time that Hall F was completed), the industry experienced a surge in supply that took several years to fully absorb. Since then, the overall supply of exhibition space has grown at about a 2 percent rate, which is both consistent with the overall rate of economic growth and shows a reasonable restraint by municipalities not to overbuild.

It should also be worth noting that not all destinations are the same and Dallas competes with a small number of peers offering more than 500,000 square feet of exhibition space. Since the early 2000s most competing centers have expanded meeting and ballroom space (not captured by statistics related to exhibition space growth), improved the districts around their buildings, added hotel capacity, and undertaken major interior renovations to stay competitive.

11. Could you show the trendline of Nashville convention center revenue for the 3-5 years before the new convention center was constructed?

VisitDallas has reached out to the Nashville CVB and are awaiting a response. Public records only go back to the years originally plotted on the graph (2013-2019). Staff is working to provide this data at the February 9, 2022 City Council meeting.

12. Why did we not see economic growth or development downtown when the existing Convention Center was expanded?

Successful economic development is tied to the ability to provide a walkable, connected district. The prior expansions did not create uninhibited walkability and access to amenities thereby stagnating economic growth. Interstate 30 and 35, the cemetery, Dallas City Hall and Memorial Arena also creates a barrier to neighboring communities around the Convention Center. With the current orientation of the structure, there is very little available real estate around the Convention Center to enhance economic development and provide for improved connectivity.

The Convention Center has and continues to contribute to downtown and the region's economic development by bringing hundreds of thousands of event attendees and visitors to Dallas. The money attendees spend in hotels, restaurants, and retail establishments supports local small business and thousands of jobs. Prior investments have helped keep the facility competitive in

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drawing convention business and these economic benefits. However, this must be examined from an industry perspective. Until the late 1990s growth in the industry generally meant growth in exhibition space. As the industry evolved to emphasize the quality of guest experience and meeting and ballroom space for education and assembly uses, Dallas chose to focus on adding exhibition space at the expense of the quality of the guest experience and decrease its proportion of meeting to ballroom space relative to its exhibition space.

The economic impact of the Convention Center requires consistent business. The earlier expansions increased the size of shows that could be hosted but did little to even out the peaks and valleys in attendance throughout the year. By having the ability to host multiple events at different stages (moving in and out and in-session), the Convention Center will be able to provide more consistent impact for developing businesses.

Dallas is an in-demand and attractive destination for event planners. Despite barriers to district walkability, ease of use, flexibility, lack of meeting to ballroom space and amenities, the overall economic impact, while substantial, is less than the potential of the enormous potential of Dallas as a destination. The key to unlocking this potential is to create a Convention Center aligned with the current trends and direction of the marketplace that is complemented by a vibrant, engaging and authentically Dallas urban district and transportation infrastructure.

13. Since the Convention Center needs bigger ballrooms and meeting rooms, could Patch and Repair not address this need?

The City has historically engaged in a patch and repair approach to the Convention Center that has resulted in the estimated \$500M to \$700M in deferred maintenance realized currently. The Patch and Repair concept, provided as the baseline for this project, illustrates an increase in meeting and ballroom space. However, it does not move the needle enough to quickly payback the estimated expense, as it does not meet the full market demand for meeting and ballroom space. The existing orientation and configuration of the building limits the ability to fully address these challenges.

With the current building configuration, there are two good locations for additional meeting and ballroom space: 1) within the current Arena volume, and 2) between Lamar and Griffin Streets north of the building. Both sites would limit the size of a ballroom to around 35,000 to 40,000 square feet – well short of the needs of the market which calls for 80,000 and 100,000 square foot ballrooms, respectively.

Market research points out the two major problems with the existing building; the lack of meeting to ballroom space, and the attractiveness of the area around the Convention Center. Placing additional meeting and ballroom space in the land between Lamar and Griffin Streets would effectively increase the urban barrier of

the Convention Center and make the overall campus less attractive to guests and to district development.

14. What percentage of national convention centers have either not paid their convention center bonds or defaulted?

Staff and consultants are not aware or have been unable to verify any convention center bonds in default. There were some cities with bonds under stress during the extraordinary COVID-19 pandemic timeframe in 2020 and early 2021, just as was the case for all travel-related businesses. There were numerous event facilities and travel-related assets/industries, including airlines, hotels and entertainment venues that were shut down or would have shut down but for federal disaster funding.

Convention centers, arenas, and entertainment venues were not eligible for assistance until late in the federal response to the pandemic in 2021; as a result, many event venues struggled financially for approximately 12 - 18 months. This extraordinary event was not associated with the overall viability of the convention industry any more than that of the hotel, airline, and entertainment industries. These are large, vibrant, and growing businesses that were devastated by the pandemic, and all have been bouncing back steadily now that the pandemic is subsiding.

A reference was made to a *New York Times* article wherein the City of Irving's Convention Center was reported to have defaulted on debt service. Staff from Visit Irving and the City of Irving have confirmed that Irving has never missed a debt payment on the convention center, its share of the headquarter hotel, or the Toyota Music Factory. In fact, the Irving Convention Center debt was refinanced a few years ago with much more favorable terms and Irving carries the highest possible credit ratings from Standard and Poor's and Moody's Investor Services.

15. How many convention center expansions have been rejected throughout the nation?

Staff and consultants are not aware of any convention center expansions within our peer cities voted down by the public, particularly in cases where the proposed funding for the convention center expansion is non-ad valorem tax based.

16. How much HOT revenue is generated from Convention Center activity?

The estimated HOT revenue generated solely by the Convention Center is approximately \$8 million annually. This amount includes HOT generated from an approximate 330,000 room nights plus higher compressed hotel rates at other hotels due to big events pushing occupancy and rates up throughout the city.

Out of the \$64 million in 7 percent HOT generated in 2019, the Convention Center generated 12.5 percent of the total HOT in the city of Dallas. For one building to generate this large portion of one type of tax is extraordinary. Consultants and staff

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have not found another single demand generator that comes close to creating this much hotel room night demand for Dallas.

17. How will current expenses and operations of the center change with the new convention center?

Staff are preparing a response to the question for the February 9, 2022 City Council agenda meeting.

If you have additional questions, or require further information, please contact me, Assistant City Manager Majed Al-Ghafry or Rosa Fleming, Director of CES.



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Assistant City Manager

c: T.C. Broadnax, City Manager
Chris Caso, City Attorney
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Robert Perez, Interim Assistant City Manager
Carl Simpson, Interim Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
Genesis D. Gavino, Chief of Staff to the City Manager
Directors and Assistant Directors

Attachment A - 2017 HVS Dallas Market Futures Study



MARKET & FUTURE STRATEGIES STUDY

Kay Bailey Hutchison Convention Center

DALLAS, TEXAS



SUBMITTED TO:

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Re: Kay Bailey Hutchison Convention Center
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Dear Mr. Euler:

Attached you will find our Market & Future Strategies Study of the Kay Bailey Hutchison Convention Center in Dallas, Texas.

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

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

Sincerely,
HVS Convention, Sports & Entertainment
Facilities Consulting

Thomas A Hazinski, MPP
Managing Director

Catherine Sarrett, MBA
Senior Director



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1. Introduction and Executive Summary

Nature of the Assignment

The Tourism Public Improvement District (“TPID”) engaged HVS Convention, Sports & Entertainment Facilities Consulting (“HVS”) to conduct an analysis of potential expansion for the Kay Bailey Hutchison Convention Center (“KBHCC”) in Dallas, Texas. TPID asked HVS to prepare a visionary and data-driven plan to revitalize the attractiveness of the KBHCC. This analysis includes recommendations for improvements within the KBHCC and an assessment of the surrounding convention center district.

Methodology

In accordance with the Scope of Services, HVS performed the following tasks:

1. Thomas A Hazinski Catherine Sarrett and Brian Harris traveled to Dallas, Texas February 22-23, 2017 for a site visit and client meetings. During this visit, we toured the KBHCC, performed a site inspection, met with representatives of KBHCC management, VisitDallas, and other key industry participants, and gathered relevant data.
2. Prepared a local market and tourism assessment of Dallas and the convention center district.
3. Surveyed current and potential users of the KBHCC to understand their event needs, their overall impressions of Dallas and the KBHCC, and the likelihood of booking events in the expanded facility.
4. Conducted two focus groups with event planners.
5. Reviewed and analyzed historical demand and attendance data provided by the KBHCC.
6. Compiled data on 25 competitive and comparable convention centers and hotels to inform and test the reasonableness of the building program recommendations.
7. Prepared a convention center district benchmarking analysis using five successful national convention markets.
8. Recommended convention center district improvements and a facility program for expansion and renovation of the KBHCC.
9. Prepared event demand and attendance forecasts assuming the implementation of the program recommendations.

10. Prepared a hotel supply and demand analysis for the Dallas market and assessed the impact of the development of adjacent hotel properties.

HVS collected and analyzed all information contained in this report. HVS sought out reliable sources and deemed information obtained from third parties to be accurate.

Ownership and Management

The primary convention and exhibit venue in Dallas, Texas, the KBHCC offers nearly 900,000 square feet of function space. Originally opened in the 1970s as an expansion of the Dallas Memorial Auditorium, the Dallas Convention Center has undergone three major expansions in 1984, 1994, and 2002. In 2013, the facility was renamed in honor of former U.S. Senator, Kay Bailey Hutchison. The city of Dallas owns and operates the KBHCC through an in-house staff who are responsible for all aspects of its operations.

Description of Existing Facility

Located in downtown Dallas, the KBHCC serves the city as the primary public venue for conventions and trade shows. It also hosts meetings, sporting events, consumer shows, banquets, assemblies, entertainment, and other civic events.

The following image provides an aerial view of the KBHCC and surrounding infrastructure. An overview of the existing function spaces at the KBHCC follows.

AERIAL VIEW OF THE KAY BAILEY HUTCHISON CONVENTION CENTER



**FIGURE 1-1
CURRENT FACILITY PROGRAM AND CAPACITIES**

Event Space	Total Area (SF)	Capacities			Exhibit Booths (10'x10')
		Theatre	Banquet	Classroom	
Exhibit Halls	724,526				
Hall A	100,155	8,012	5,723	6,907	568
Hall B	100,155	8,012	5,723	6,907	553
Hall C	103,940	8,315	5,939	7,168	541
Hall D	113,238	9,059	6,471	7,810	610
Hall E	104,038	8,323	5,945	7,175	562
Hall F	203,000	16,240	11,600	14,000	1,130
Ballrooms	65,129				
Ballroom A	26,992	2,700	1,920	1,560	
Ballroom C	19,134	1,900	1,360	1,080	
Ballroom D	19,003	1,720	960	924	
Meeting Rooms					
Area A Meeting Rooms					
Level 1 (36 rooms)	16,799				
Level 2 (2 rooms)	3,528				
Level 3 (10 rooms)	12,102				
Area C Meeting Rooms					
Level 1 (16 rooms)	26,816				
Area D Meeting Rooms					
Level 1 (16 rooms)	27,012				
Level 2 (8 rooms)	12,521				
Total Meeting Space	98,778				
TOTAL FUNCTION SPACE	888,433				
OTHER FUNCTION SPACES					
Arena	21,290	9,816			
Theater		1,750			

Source: KHBCC

**Market and Visitor
Attraction Assessment**

The Dallas Metroplex benefits from a strong corporate presence and a well-diversified employment base. Several sectors, including transportation, finance, healthcare, retail, and technology services represent sources of potential group meeting demand. The economic outlook for the area is generally positive with employment growth anticipated in most sectors. As a convention and meeting option, Dallas and the KBHCC are easily accessed via automobile and served by two major airports. Several future developments in downtown Dallas, including

the new DART light rail alignment (“D2”), downtown residential development, and other urban planning initiatives found in the City comprehensive downtown plan (the “360 Plan”), could have a significant positive effect on the potential of the KBHCC in the group meetings market.

Visitors come to the City of Dallas for a variety of personal and business-related reasons. Of the 26 million annual visitors to the City of Dallas, over 80% are leisure visitors, while approximately 6% are meeting and group attendees. Tourism remains a strong and growing industry as overall visitation and spending have grown annually over the past several years. Tourism attractions are plentiful in downtown Dallas, including museums and cultural attractions, entertainment venues, outdoor parks, and other points of interest.

Downtown Dallas can be divided into an array of distinct districts, each with its individual character and amenities. Many districts are within blocks of the KBHCC and provide both tourism opportunities and after-hours entertainment options to event attendees. While several cultural and entertainment districts fill the City of Dallas, the area immediately surrounding the KBHCC offers limited retail and dining options for event attendees. In addition, barriers to the walkability from the KBHCC to these entertainment districts diminish the attractiveness of the venue to event planners and attendees.

Comparable Venue Assessment and Benchmarking

HVS analyzed six locally competitive convention centers and hotels and 19 competitive convention centers across the United States. This analysis provides a basis for our recommendations by comparing the function spaces and other amenities in each of the facilities along with other characteristics of the markets relevant to the success of the venue. HVS considered the following competitive and comparable venues.

**FIGURE 1-2
COMPARABLE VENUES**

Name of Venue	Location	Total Function Space
Local Area Competitors		
Kay Bailey Hutchison Convention Center	Dallas, TX	888,433
Gaylord Texan	Grapevine, TX	298,781
Hilton Anatole	Dallas, TX	277,196
Sheraton Dallas Hotel	Dallas, TX	211,807
Hyatt Regency Dallas	Dallas, TX	121,395
Arlington Convention Center	Arlington, TX	87,112
Irving Convention Center	Irving, TX	85,279
National Competitors		
Georgia World Congress Center	Atlanta, GA	1,707,785
Ernest N. Morial Convention Center	New Orleans, LA	1,376,119
Anaheim Convention Center	Anaheim, CA	1,133,088
George R. Brown Convention Center	Houston, TX	1,019,000
Cobo Center	Detroit, MI	905,446
Kay Bailey Hutchison Convention Center	Dallas, TX	888,433
Walter E. Washington Convention Center	Washington, DC	872,770
Phoenix Convention Center	Phoenix, AZ	870,690
Pennsylvania Convention Center	Philadelphia, PA	853,679
Colorado Convention Center	Denver, CO	832,698
San Diego Convention Center	San Diego, CA	816,091
Indiana Convention Center	Indianapolis, IN	742,075
Boston Convention & Exhibition Center	Boston, MA	707,423
Salt Palace Convention Center	Salt Lake City, UT	679,477
Americas Center	St. Louis, MO	644,582
Henry B. Gonzalez Convention Center	San Antonio, TX	631,121
Kansas City Convention Facilities	Kansas City, KS	535,910
Music City Center	Nashville, TN	500,593
Austin Convention Center	Austin, TX	364,439
Cox Convention Center	Oklahoma City, OK	153,566

Source: Respective Venues

In addition to this competitive venue and market analysis, we prepared a detailed benchmarking analysis which compares Dallas' convention center district with those surrounding convention centers in Anaheim, Denver, Philadelphia, San Antonio, and San Diego.

While Dallas' metro population, strong corporate presence, and convenient airlift suggest increased opportunity to attract group meeting business, other competing markets have been able to secure more high impact conventions and trade shows and generate significantly higher room nights. With around 725,000 square feet of exhibition space, the KBHCC houses one of the largest exhibit spaces in the

country. However, compared to its competitors, the KBHCC suffers from a low ratio of ballroom and meeting space to exhibition space. In addition, the largest ballroom space at the KBHCC is among the smallest when compared to both local and national competitors. This lack of suitable ballroom and meetings space limits the facility's ability to support events that have large exhibition requirements and require significant ballroom and breakout meeting space. Recent and ongoing expansions of convention venues in competing cities indicate a trend toward more breakout and flexible, multipurpose spaces. Event planners seek venues that can offer flexible spaces and configurations.

The attached Omni hotel is well-regarded, but with relatively few suitable hotels near the KBHCC, Dallas has a below average number of hotel rooms within walking distance among its national competitors and fewer than all the high-quality districts that HVS has benchmarked in this report. Additional hotel development on sites adjacent to the KBHCC would reduce the travel distance for attendees and potentially decrease the number of properties required to achieve the desired room block.

In terms of its convention center district, Dallas is average or below average in residential presence, retail, and restaurants and bars compared to national competitors. This indicates that Dallas has a less vibrant and active area for event attendees to spend their off hours. While having fewer amenities than the benchmark districts, Dallas has a significant restaurant, retail and entertainment amenities in districts adjacent to the convention center district.

Focus Groups and User Survey

HVS personnel moderated two focus group sessions hosted by VisitDallas and the Professional Convention Management Association ("PCMA") which covered multiple topics regarding event planner preferences, needs, challenges, and specific impressions of Dallas and the KBHCC as an event destination. Key items of discussion included the following.

- Convention centers struggle to provide adequate bandwidth for event Wi-Fi needs which are continuously expanding. Planners and attendees are also requesting technology to improve registration, climate control, and other services. Generational changes in the industry are real, and adjusting technology to meet the needs of the younger generation is an issue.
- On a scale of one to ten, event planners rated the importance of an attractive convention center district as an eight. Nearby restaurants, retail shops, and other activities make a destination more attractive. Attendees seek an authentic experience that reflects the local destination. Perceived safety is an issue in some cities with large homeless populations.

- Strong destination appeal can offset negative aspects of a destination, such as high cost and lack of airlift.
- When asked to rank Dallas' attractiveness (from one to ten) as a destination, planners gave an average rank of five. According to planners, Dallas does not have a brand or perception that resonates with event attendees. Dallas has a lack of impression rather than a negative impression. Dallas is a cost-effective destination but lacks uniqueness.
- Planners feel that the KBHCC's interior is dated and the building floor plan is inadequate for many types of event activities. Planners would like to see more flexible room layouts, new food and beverage options, improved interiors, and the addition of flexible lounge spaces.
- Planners noted that the homeless population surrounding the Greyhound bus station is a problem for attendees because it blocks pedestrian access to other areas of the City. They would also like more transportation options from the center and throughout downtown. Light rail and skywalks would help address connectivity issues.
- More amenities within walking distance of the KBHCC are needed, including restaurants, "grab and go" food vendors, pop-up concessions and food trucks, unique retail, pharmacies, and green spaces. Planners recommend relocating the cemetery and Pioneer Park to make way for these developments.

HVS conducted a web-based survey of event planners to provide a basis for assessing the potential demand for the KBHCC. HVS obtained a list of event planners from VisitDallas. Respondents included professionals from organizations representing national, regional, and state, sports organizers, and corporate and other organizations conducting or planning events. Key results include the following:

- For the most part, planners who used the KBHCC were satisfied with their experiences. They gave their highest ratings to the adequacy of event space and the hotel package.
- Based on historical bookings and event planner statements, the KBHCC's competitors include convention centers in major cities throughout the U.S. The strongest in-state competition comes from San Antonio and Austin, while the strongest out-of-state competitors include Orlando, Nashville, Denver, and San Diego.
- Dallas has several strengths as a group event destination, including its headquarters hotel, nearby amenities, and airport.

- The greatest deterrents to event planners considering Dallas for an event include the lack of nearby destination amenities. Planners that have used the KBHCC are satisfied with the hotel package but those who have not, consider it inadequate.
- Planners rank the quality restaurants and neighborhood safety as the most important aspects of a convention center district. Planners note that specific improvements in Dallas should include restaurant and nightlife developments, an improved nearby hotel package, and improved walkability in the immediate area around the KBHCC.
- In its current configuration, The KBHCC can accommodate the exhibition and general session needs of the events described by event planners. But, current ballrooms cannot accommodate 25% of the events.
- For planners who have not been able to book an event at the KBHCC, over 70% indicate that the venue was not available when they wanted to schedule it. Over one-third indicate insufficiency of the hotel room block because it did not offer enough guest rooms or included multiple properties.

District Improvement Recommendations

While necessary, KBHCC building improvements alone will not advance Dallas's standing in the convention industry. In survey responses and focus groups, event planners are clear and emphatic about in their preferences for cities with destination appeal—places where convention delegates can enjoy a positive experience of a unique destination.

The benchmarking analysis presented in Section 5 of this study, clearly indicates that other convention destinations have higher concentrations of dining, retail, and entertainment outlets surrounding the convention center. In addition, Dallas suffers from a relatively small residential population in its convention center district. Dining and retail businesses need a strong residential population to support them when the convention center is not active. The lack of residential, retail and entertainment development in the area surrounding the KBHCC contributes to a less active and vibrant convention center district as compared to competing venues across the U.S.

But, our research demonstrates that downtown Dallas has a significant number of restaurant, retail, and entertainment outlets and these amenities are within a reasonable walking distance of the KBHCC. Compared to other convention center districts, crime rates are relatively low. None-the-less, public perception is inconsistent with these facts. This is primarily due to the lack of connectivity of the KBHCC to the rest of downtown.

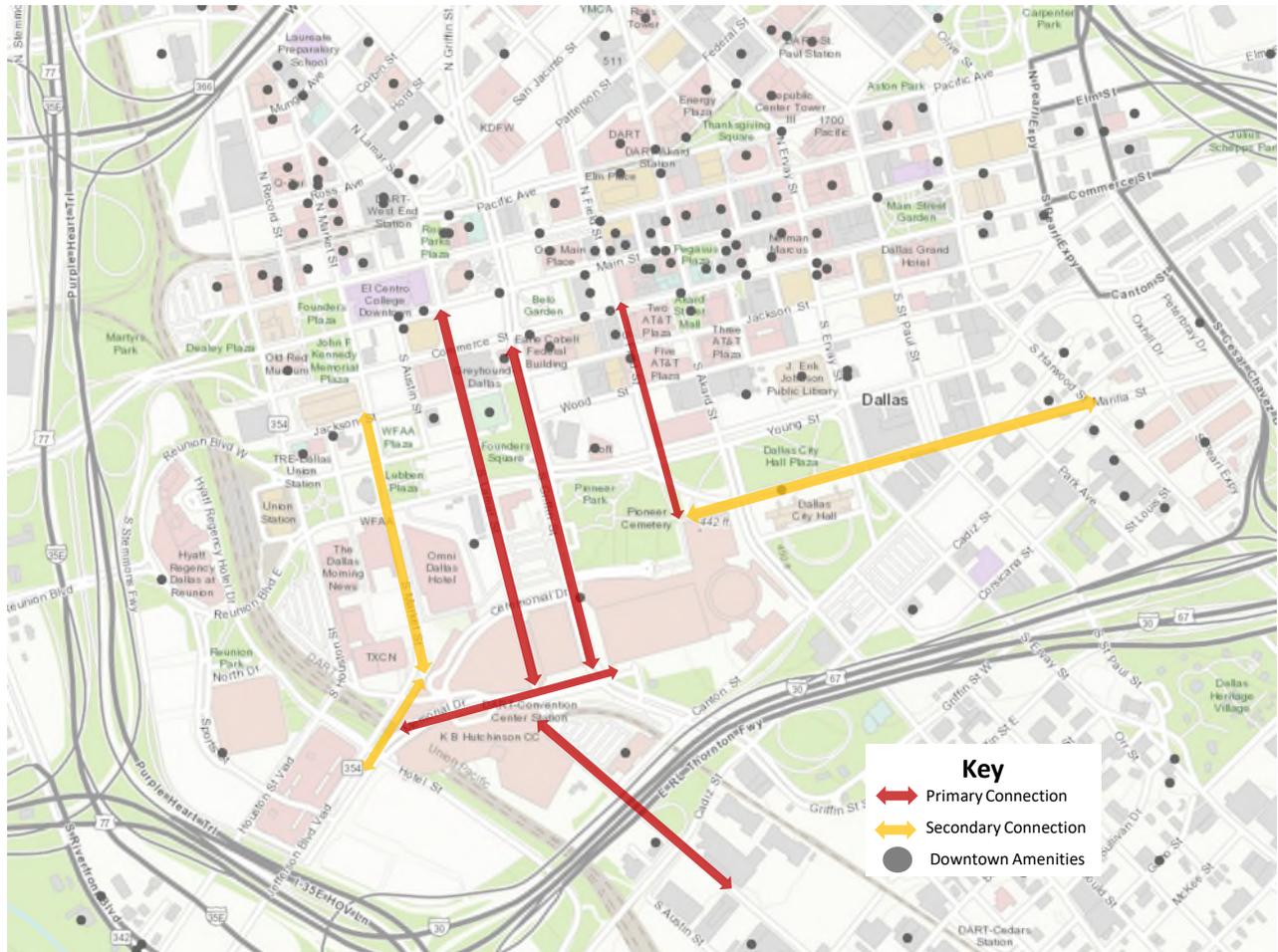
The implementation of the 360 Plan has encouraged new development, but most of the recent downtown development has occurred outside of the Civic Center District. Many new restaurants and entertainment venues have opened in the Main Street District. New residential development has occurred in the east side of the Farmers Market District. The West End, Arts and the Thanksgiving Commercial Center Districts have all seen significant commercial and residential growth. If economic conditions remain healthy, additional commercial and residential development will likely occur in downtown but these developments will not be concentrated in the Civic Center District.

The KHBCC could benefit from increased development closer to the KHBCC and improved access to the high amenity areas. This could be accomplished by improved pedestrian and public transportation corridors and the Main Street and other adjoining downtown areas. While transportation currently exists via DART, providing shuttle service would improve the attendee experience. Improvements to the perception and aesthetics of the surrounding area could mitigate planner concerns about safety and walkability.

Pedestrian Connections

Improving connectivity to the adjacent downtown districts offers the most effective way of improving the appeal of the convention center district. This improved connectivity should consider all forms of transportation including vehicular, public transit, and bicycle. But, pedestrian friendly connectivity is of the highest importance. The figure below shows where improvements to pedestrian corridors are of primary and secondary importance.

FIGURE 1-3
IMPORTANT PEDESTRIAN CONNECTIONS TO THE KBHCC THAT NEED IMPROVEMENT



The Lamar and Griffin corridors lead to the front door of the KBHCC and connect most directly to the Main Street and West End Districts. Improvement of these two connections is of the highest priority. Field Street and the intersection of Lamar Street with Memorial Drive under the KBHCC are also of high importance. Connections of secondary importance include Market Street and Jefferson Boulevard, which link the KBHCC and the Omni Hotel to parking across Hotel Street. Marilla Street offers connection to the Farmers Market through the Dallas City Hall Plaza. Signage on all pedestrian corridors should provide wayfinding to and from the KBHCC and encourage pedestrian use.

Public Transportation

Public transportation routes to adjacent entertainment districts could be enhanced. Options include implementation of plans for streetcar lines along Lamar Street to the north and south of the KBHCC with a stop within the venue. Improvements to the DART transit system in downtown Dallas are currently under consideration.

Residential Development

Continued efforts to encourage residential development in the Farmers Market, Main Street, West End, and Cedars/South Side Districts would also reap benefits for the convention center district. Increased residential density would support the development of restaurant, retail, and night life establishments.

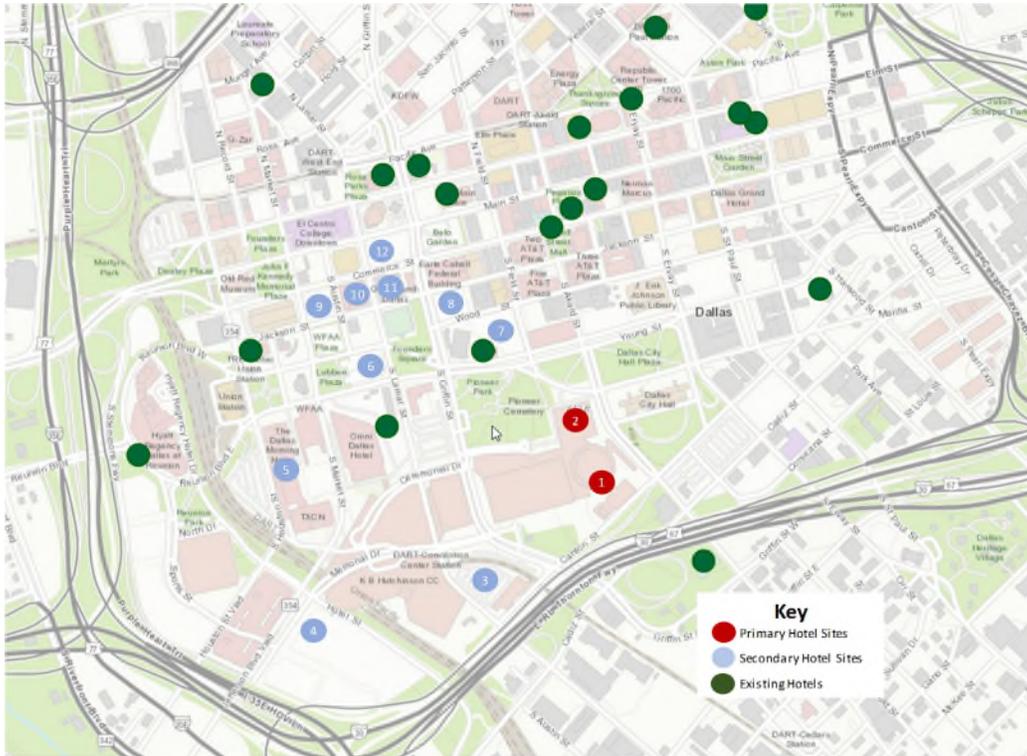
Hotel Development Recommendations

Several hotel properties that participate in KBHCC room blocks are one to two miles from the venue. Dallas ranks 11th among 20 cities with respect to the number of hotel rooms within walking distance. Despite the development of the Omni Hotel, Dallas ranks 13th among 20 cities in the number of rooms adjacent or connected to its convention center.

In survey responses, event planners cited improvement of the overall hotel packages as a critical improvement to the convention center district that would encourage them to bring events to Dallas. Hotels within walking distance of the KBHCC would reduce the need for shuttle transportation and thereby, reduce event costs. Hotel development within the convention center district would also improve walkability, another key improvement cited by event planners.

The City should seek to direct new hotel development near the KBHCC. We project that the market would take two years to fully absorb an additional 1,000 rooms if they entered the market in 2022. This development could come in the form of a single large property or up to three smaller properties. The figure below identifies the location of 12 sites that would be appropriate for hotel development that is supportive of the KBHCC.

**FIGURE 1-4
PREFERRED HOTEL SITES**



Sources: Esri and HVS

The green markers indicate the location of existing hotel properties. Red markers indicate primary hotel sites and blue markers show secondary hotel locations. No hotel development is currently proposed on any of the primary or secondary sites.

**Incentivizing District
Development**

To direct hotel and other appropriate development to the convention center district, the City should consider using existing incentives and creating new incentives for the private development of hotel, retail, and entertainment land uses. Incentives should apply within an area bounded by Main Street on the north, St. Paul on the east, and the freeway loop on the west and south.

**Building Program
Recommendations**

HVS recommended a building program for a KBHCC renovation and expansion. This facility program can serve as a guide for subsequent physical planning aimed at providing the desired program elements.

A survey of event planners demonstrates the need for larger multipurpose ballrooms and more breakout meeting space. Analyzing the KBHCC's competitive set shows that the newest venues and those that have recently or are currently

undertaking a major renovation, have responded to those needs by adding significant amounts of breakout meeting space and large, multipurpose ballrooms.

HVS program recommendations would position the KBHCC to attract more national conventions, conferences, and tradeshow to Dallas, while not impeding the existing base of regular business at the facility. The development of new flexible, multipurpose ballrooms and additional meeting spaces would allow the KBHCC better serve conventions that require simultaneous use of exhibit, banquet, and meeting spaces. Renovation of older, dated breakout meeting spaces would create more desirable function spaces and improve occupancy in these areas. Additional function spaces, new kitchens, and improved service access would also allow the facility to recapture events that have been turned away due to the KBHCC's inability to handle simultaneous events.

Our building program recommendations include the following function spaces.

- Develop an 80,000-square foot of multipurpose ballroom. Incorporate a flexible wall system to allow use as banquet, assembly, and event space. The location of a new ballroom would have to be determined during a comprehensive concept planning process. In addition, through existing ballroom spaces, space renovations, and new construction, develop a 40,000-square foot ballroom and a 20,000-square foot ballroom.
- Level One A Meeting Rooms do not meet industry standards and need to be replaced. We recommend replacing 16,800 square feet of Level One A Meeting Rooms with 56,800 square feet of new space for a net increase of approximately 40,000 square feet of breakout meeting space. The location and configuration of a new meeting spaces would have to be determined during a comprehensive concept planning process. Construction of a mezzanine level could allow the new meeting space to be distributed throughout the convention center adjacent to the exhibit halls. Meeting rooms adjacent to the exhibit halls would improve the ability of the KBHCC to host simultaneous events.
- Older, obsolete function spaces at the east end of the KBHCC, including Ballroom A, lower level meeting spaces, administrative offices, arena, and theater could be repurposed as new function spaces, back-of-house space or used as a hotel development site.
-

The following figure summarizes the recommended expansion and compares the floor areas to existing function spaces at the KBHCC.

**FIGURE 1-5
KBHCC BUILDING PROGRAM RECOMMENDATIONS**

	Existing KBHCC	Recommended Expansion	Potential Reduction	Expanded KBHCC
Exhibit Space	724,526	0	0	724,526
Ballroom Space	65,059	101,000	26,922	139,137
Meeting Space	98,778	56,800	16,800	138,778
Total Function Space	1,018,481	359,800	97,566	1,280,715

In addition to the function and pre-function spaces described above, the gross floor area included in the proposed expansion of the KBHCC would include the following elements:

- **Production Kitchen** – The location and size of the KBHCC’s existing kitchen are undersized and logistically inconvenient for many events. Expansion should include the development of a new centrally located main production kitchen.
- **Service access** - To the extent possible, service corridors should be incorporated into the facility design to provide non-public access to ballrooms and meeting rooms from kitchens, loading docks, mechanical rooms, and storage.
- **Storage** - Adequate and convenient equipment storage is important to the efficient operation of the facility. Construction of new storage areas should accompany facility expansion.

A concept planning process conducted by a qualified architectural team should determine the best approach to achieving the recommended floor areas and improved functionality through the addition of new space and renovations of existing spaces. Expansion may require expanding the footprint of the KBHCC.

Demand Projections

The number of events at the KBHCC has hosted approximately 100 events in each of the past four years. The number of sports events and competitions has more than doubled since 2013, while the number of consumer shows and concerts have declined.

**FIGURE 1-6
HISTORICAL DEMAND AND ATTENDANCE**

Event Type	2012/13	2015/16
Conventions & Tradeshow	29	31
Conferences	9	14
Consumer Shows	11	9
Sports/Competitions	8	17
Meetings	17	20
Banquets	5	6
Assemblies	5	3
Concerts & Entertainment	3	0
Other	2	6
TOTAL	89	106

Event attendance at the KBHCC averages around one million annual attendees. Conventions and trade shows provide the highest percentage of attendees, followed by consumer shows and sporting events. Other events, including local meetings, graduations, and stand-alone banquets, generate a small percentage of event attendees.

Exhibit hall occupancy rates range between 49% and 60%, with the highest occupancy in the centrally located exhibit halls, C and D. Meeting and ballroom occupancies indicate significantly more utilization of newer spaces at the west end of the facility. The A ballroom and A 100 meeting rooms are some of the least used spaces in the KBHCC. With a 26% occupancy rate, the arena is primarily used for sports competitions and general session meetings. The adjacent theater is primarily used for The Black Academy of Arts and Letters performances. Business meetings account for roughly 14% occupancy of its occupancy.

The proposed KBHCC expansion and proposed convention district improvements should allow Dallas to expand its convention and other group business from regional and national corporations and associations, state associations, and other groups. The KBHCC expansion should allow the venue to expand utilization by its existing client base and attract a greater share of conventions and trade shows. Additional hotel supply in the convention center district would support these associated lodging needs, while other district improvements would create a more competitive and desirable destination.

The following figure presents the demand and room night projections for a stabilized year, which would occur approximately three years after the completion of the KBHCC expansion and improvements to the convention center district.

**FIGURE 1-7
EVENT DEMAND IN A STABILIZED YEAR**

	Events	Average Attendance	Total Attendance	Room Nights
Events				
Conventions & Tradeshows	45	11,100	499,500	366,300
Conferences	25	2,600	64,400	51,500
Consumer Shows	9	33,600	302,500	3,000
Sports/Competitions	20	14,000	279,600	127,200
Meetings	24	800	19,500	5,500
Banquets	12	500	6,100	0
Assemblies	6	5,300	32,000	0
Concerts & Entertainment	1	3,500	3,500	0
Other	6	3,400	20,400	0
Total	148		1,227,500	553,500

In a stabilized year, we estimate the KBHCC would attract additional conventions and tradeshows, conferences, and sports competitions. The new ballroom would also attract new large, stand-alone banquets. We estimate that the expanded KBHCC would generate approximately 553,500 room nights in the local area market. These room nights would be accommodated through group room blocks and other booking channels.

Hotel Market Analysis

HVS prepared a hotel supply and demand analysis to examine the impact of the recently opened and proposed hotel properties on lodging demand, room supply, average daily rates (“ADR”), and revenue per available room (“RevPAR”). HVS analyzed the performance of hotels that provide rooms for events at the KBHCC or host large meeting and group events internally. We assessed historical demand, occupancy, ADR, and seasonality. The following figure presents the selected hotels that provide approximately 80% of the room nights required by the KBHCC,

**FIGURE 1-8
SELECTED HOTELS**

Name of Establishment	Chain Scale *	Open Date	Rooms
Autograph Collection The Adolphus	Upper Upscale Class	Jun 1912	407
Sheraton Hotel Dallas	Upper Upscale Class	Jun 1959	1,840
Fairmont Dallas	Luxury Class	Jun 1969	545
Crowne Plaza Dallas Downtown	Upscale Class	Sep 1969	293
Hyatt Regency Dallas	Upper Upscale Class	May 1978	1,120
Hilton Anatole	Upper Upscale Class	Jun 1979	1,606
Marriott Dallas City Center	Upper Upscale Class	Jun 1980	416
Renaissance Dallas Hotel	Upper Upscale Class	Jun 1983	514
Magnolia Hotel Dallas Downtown	Upper Upscale Class	Aug 1999	325
aloft Hotel Dallas Downtown	Upscale Class	Sep 2009	193
Omni Dallas Convention Center Hotel	Upper Upscale Class	Nov 2011	1,001
		Total	8,260

*STR places hotel brands on a Chain Scale based on the previous year's annual system wide average daily rate.

HVS used the selected hotels as the basis of projecting the competitive hotel market focused on the meeting and group market segment. HVS assessed the future occupancy and ADR of the Dallas market by projecting a base demand growth for each demand segment (commercial, meeting and group, and leisure). We estimate unaccommodated and induced demand and add it to the base market demand. We then considered new supply entering the market, including a future 1,000-rooms adjacent to the KBHCC. The following figure presents the projected changes in occupancy, ADR, and RevPAR over the next ten years.

**FIGURE 1-9
PROJECTED SUPPLY, OCCUPANCY, ADR & REVPAR FOR HOTELS THAT SUPPORT THE KBHCC**

Year	Room Night Supply		Room Night Demand			Average Rate		RevPAR	
	Available	Annual Change	Occupied (000's)	Annual Change	Occupancy Rate	Amount	Annual Change	Amount	Annual Change
2016	3,015		2,007		66.6%	\$163		\$108	
2017	3,122	3.5%	2,039	1.6%	65.3%	168	3.5%	110	1.6%
2018	3,268	4.7%	2,067	1.4%	63.3%	173	3.0%	110	-0.3%
2019	3,340	2.2%	2,103	1.7%	63.0%	178	2.5%	112	2.0%
2020	3,364	0.7%	2,128	1.2%	63.3%	182	2.5%	115	3.0%
2021	3,364	0.0%	2,153	1.2%	64.0%	187	2.5%	120	3.7%
2022	3,729	10.8%	2,281	6.0%	61.2%	191	2.5%	117	-2.0%
2023	3,729	0.0%	2,364	3.6%	63.4%	196	2.5%	124	6.2%
2024	3,729	0.0%	2,441	3.2%	65.4%	201	2.5%	132	5.8%
2025	3,729	0.0%	2,465	1.0%	66.1%	206	2.5%	136	3.5%
2026	3,729	0.0%	2,487	0.9%	66.7%	211	2.5%	141	3.4%

The forecast for the Dallas market shows a decrease in occupancy through 2019 as the new supply is absorbed by the market. Occupancy rates begin to increase in 2020 as room night demand continues to grow with the local economy and the increase in new supply slows. Occupancy rates take another dip in 2022 when the 1,000 rooms adjacent to the KBHCC open and then increases through 2026. We expect ADR to increase on an annual basis as the new hotel properties with superior accommodations enter the market.

Financial Analysis

HVS analyzed historical operations of the KBHCC over the past several years and applied a series of revenue and expense assumptions regarding facility utilization and operations to develop comprehensive operating financial statements for the expanded venue. To isolate convention center operations, we have removed expenses associated with VisitDallas' destination marketing effort.

The figure below compares historical KBHCC operations to the financial projections for a stabilized year of demand under the expansion scenario. All dollar values are in 2017 dollars.

**FIGURE 1-10
COMPARISON OF HISTORICAL OPERATIONS TO EXPANSION IN STABILIZED YEAR**

	Historical	Expansion	Change
Operating Revenues			
Facility Rental	\$7,840,300	\$10,743,500	\$2,903,000
Food & Beverage (Gross)	13,977,700	16,764,200	2,787,000
Event Services	3,455,300	4,779,600	1,324,000
IT Contract	980,500	1,482,100	502,000
Event Parking	2,242,400	2,603,800	361,000
Non-event Parking	471,500	471,500	0
Ancillary Rent	827,200	827,200	0
Other Operating	51,300	51,300	0
Total	\$29,846,200	\$37,723,200	\$7,877,000
Operating Expenses			
Salaries & Benefits	\$7,468,300	\$8,401,800	\$934,000
Food & Beverage Costs	9,924,200	11,902,600	1,978,000
Contractual Services	9,880,800	11,634,100	1,753,000
Administrative & General	699,400	869,800	170,000
Repair & Maintenance	1,715,400	2,054,200	339,000
Supplies & Equipment	703,900	854,100	150,000
Leases & Rentals	179,100	226,300	47,000
Utilities	3,533,300	4,223,700	690,000
Insurance	606,000	723,200	117,000
Reimbursements	(179,100)	(226,300)	(47,000)
Total	\$34,531,300	\$40,663,500	\$6,132,200
OPERATING INCOME (LOSS)	(\$4,685,100)	(\$2,940,300)	\$1,744,800

Improved utilization of convention center spaces results in a \$7.9 million increase in event related revenues. The larger and more active facility also generates \$6.1 million in additional operating expenses. The net result is a decrease in operating loss of around \$1.7 million in 2017 dollars.

For comparison purposes, we also considered the scenario in which the KBHCC is not expanded. Strengthening competition from other national convention centers and ongoing facility limitations would lead to a decline in national conventions and trades shows at the KBHCC.

The following figure compares the financial operations for the expansion and no expansion scenarios. All figures are in 2017 dollars in the first stabilized year of demand, fiscal year 2024.

FIGURE 1-11
COMPARISON OF NO EXPANSION TO EXPANSION IN STABILIZED YEAR

	No Expansion	Expansion	Difference
Operating Revenues			
Facility Rental	\$6,797,800	\$10,743,500	\$3,945,700
Food & Beverage (Gross)	11,167,300	16,764,200	5,596,900
Event Services	2,949,200	4,779,600	1,830,400
IT Contract	806,200	1,482,100	675,900
Event Parking	1,953,900	2,603,800	649,900
Non-event Parking	471,500	471,500	0
Ancillary Rent	827,200	827,200	0
Other Operating	51,300	51,300	0
Total	\$25,024,400	\$37,723,200	\$12,698,800
Operating Expenses			
Salaries & Benefits	\$8,401,800	\$8,401,800	\$0
Food & Beverage Costs	7,928,800	11,902,600	3,973,800
Contractual Services	10,046,800	11,634,100	1,587,300
Administrative & General	615,800	869,800	254,000
Repair & Maintenance	1,673,200	2,054,200	381,000
Supplies & Equipment	663,600	854,100	190,500
Leases & Rentals	150,100	226,300	76,200
Utilities	3,461,800	4,223,700	761,900
Insurance	596,200	723,200	127,000
Reimbursements	(150,100)	(226,300)	(76,200)
Total	\$33,388,000	\$40,663,500	\$7,275,500
OPERATING INCOME (LOSS)	(\$8,363,600)	(\$2,940,300)	\$5,423,300

With no expansion or improvements, we forecast that event revenues would decrease by around \$4 million with minimal corresponding decreases in operating expenses. The net result in would a doubling of a near KBHCC's operating loss.

Economic Impact

HVS identified new direct spending that would occur annually in Dallas, Texas due to the operations of the expanded KBHCC. HVS uses IMPLAN input-output model to estimate indirect and induced spending impacts on Dallas as well as the jobs created based on this spending. The following figure compares the impacts currently created by the operation of the KBHCC those that would occur with the proposed expansion and the no-nothing scenario. Corresponding annual fiscal

impacts of the spending that would occur within the City of Dallas are also presented. All dollar values represent 2017 dollars.

FIGURE 1-12
SUMMARY OF ANNUAL ECONOMIC IMPACT IN 2017\$

Summary of Impacts*	Existing	Do Nothing	Expansion
Economic Impact (millions)	\$528	\$414	\$783
Fiscal Impact (millions)	\$17.8	\$13.9	\$22.6
Jobs	3,310	2,600	5,180
*Comparing the first year of stabilized demand after expansion			

Under the do-nothing scenario, economic and fiscal impacts would decrease by around 20% compared to existing operations. An expansion of the KBHCC would yield economic and fiscal impacts around 30% higher than existing conditions.

Next Steps

This study provides market-based building program recommendations and estimates of financial operations. Implementation of the recommendations would require the development of conceptual program that incorporates program recommendations into the existing KBHCC and surrounding downtown area. This planning exercise would combine recommendations with existing downtown master planning efforts and evaluate potential parcels for convention center and hotel development.

Funding for the expansion/renovation project could take a variety of forms. In the final section of this report, we have provided details on the most common forms of convention center funding in the U.S., including revenue bonds back by hotel occupancy taxes and other visitor-based spending. We provide case studies of ten recently completed and planned convention center projects, including those in the Texas cities of Houston, San Antonio, and Irving.

Nestled in the rolling prairies of north-central Texas, Dallas is a sophisticated, bustling metropolis that has earned its reputation in the marketplace of the world. Less than 30 miles separate Dallas from neighboring Fort Worth, leading to the coinage of "Metroplex" to describe the two cities and their surrounding suburbs. The Dallas economy is highly diversified, and the city is the leading commercial, marketing, and industrial center of the southwest; as such, Dallas has a broadly diverse business climate, led by the technology sector. Major industries include defense, financial services, information technology and data, life sciences, telecommunications, and transportation. Approximately 50% of jobs in the region are service-oriented industries, such as healthcare, tourism and leisure, and financing.

Economic and Demographic Review

For this analysis, HVS used the Complete Economic and Demographic Data Source published by Woods & Poole Economics, Inc ("Woods & Poole") as a primary source of economic and demographic statistics. Woods & Poole runs a well-regarded forecasting service that uses a database containing more than 900 variables for each county in the nation. Their regional model yields forecasts of economic and demographic trends. Census data and information published by the Bureau of Economic Analysis serve as the basis for historical statistics. Woods & Poole uses these data to formulate projections, and the group adjusts all dollar amounts for inflation to reflect real change.

**FIGURE 2-1
ECONOMIC AND DEMOGRAPHIC DATA SUMMARY**

Economic Indicator/Area	Beginning Amount	2002	2012	2017	2022	Ending Amount	Estimated Annual Compound Change 2017 to 2022
Resident Population (millions)							
Dallas County	2.3					2.8	1.3%
Dallas-Fort Worth-Arlington, TX MSA	5.5					8.0	1.8%
State of Texas	21.7					30.6	1.6%
United States	287.6					343.0	0.9%
Per-Capita Personal Income* (thousands)							
Dallas County	\$42.5					\$55.3	1.7%
Dallas-Fort Worth-Arlington, TX MSA	\$40.0					\$51.9	1.6%
State of Texas	\$34.2					\$47.7	1.6%
United States	\$37.0					\$47.8	1.5%
W&P Wealth Index							
Dallas County	116.4					117.8	0.1%
Dallas-Fort Worth-Arlington, TX MSA	110.3					109.9	0.0%
State of Texas	93.3					100.2	0.0%
Food and Beverage Sales* (billions)							
Dallas County	\$4.0					\$6.5	2.2%
Dallas-Fort Worth-Arlington, TX MSA	\$8.4					\$16.4	2.7%
State of Texas	\$28.4					\$58.6	2.5%
United States	\$374.3					\$626.1	1.8%
Total Retail Sales* (billions)							
Dallas County	\$34.6					\$48.2	2.0%
Dallas-Fort Worth-Arlington, TX MSA	\$81.6					\$135.4	2.5%
State of Texas	\$294.7					\$485.5	2.3%
United States	\$3,933.5					\$5,340.4	1.6%

Source: Woods & Poole

With over 7.3 million residents, the Dallas MSA is enjoying strong growth in both population and personal income. Food and beverage sales and retail sales are expected to continue upward trends with growth rates well above the national average.

**Workforce
Characteristics**

The characteristics of an area's workforce indicate the type and amount of transient visitation local businesses would generate. Sectors such as finance, insurance, and real estate (FIRE), wholesale trade, and services produce a considerable number of visitors who are not particularly price-sensitive. The government sector often generates group and transient room nights, but per-diem reimbursement allowances often limit the accommodations selection to budget and mid-priced lodging facilities. Some employers of manufacturers, construction, transportation, communications, and public utilities (TCPU) contribute many visitors to the area.

The following table shows the Dallas-Fort Worth-Arlington, TX MSA workforce distribution by business sector.

**FIGURE 2-2
HISTORICAL AND PROJECTED EMPLOYMENT**

Sector/Geographic Area	Beginning Amount (thousands)	2002 2012 2017 2022				Ending Amount (thousands)
Dallas-Fort Worth-Arlington, TX MSA						
Retail Trade	391				508	
Health Care And Social Assistance	247				498	
Finance And Insurance	214				451	
State And Local Government	290				432	
Administrative And Waste Services	245				429	
Professional And Technical Services	239				402	
Accommodation And Food Services	232				375	
Construction	214				320	
Other Services, Except Public Administration	193				309	
Manufacturing	324				302	
Real Estate And Rental And Lease	144				258	
Wholesale Trade	182				228	
Transportation And Warehousing	153				203	
Mining	31				112	
Information	119				102	
Other	226				373	
Total Dallas-Fort Worth-Arlington, TX MSA	3,444				5,301	
U.S.	165,159				209,148	

Source: Woods & Poole

Major Business and Industry

Over the past decade, most industry sectors have enjoyed strong growth, led by employment in health care and finance. Consistent growth is projected in a broad base of sectors. Manufacturing and information services have experienced declines since 2002, with projections of flat employment levels in coming years.

The following table presents a list of the major private employers in the market area which provides additional context to the nature of the regional economy.

**FIGURE 2-3
MAJOR PRIVATE EMPLOYERS IN DALLAS MSA**

Firm	Number of Employees
AMR Corporation	24,700
Bank of America	20,000
Texas Health Resources	19,230
Baylor Health Care System	17,097
AT&T	15,800
Lockheed Martin Corporation	14,126
JPMorgan Chase	13,500
UT-Southwestern Medical Center	13,122
HCS North Texas	12,000
Kroger Co.	10,097
Texas Instruments, Inc.	9,100
Raytheon Company	8,700
Target Corp.	8,674
United Parcel Service	8,555
Parkland Health Hospital	8,134
J.C. Penney Co.	7,964

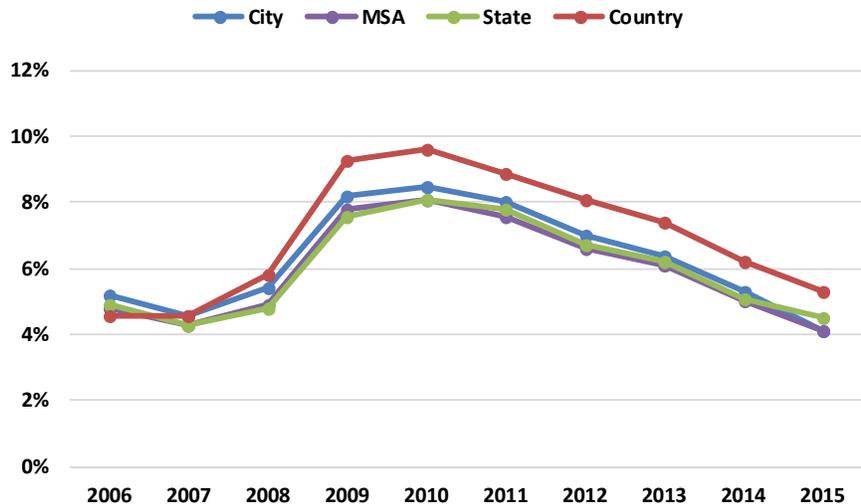
Source: City of Dallas Economic Development, 2016

Dallas’ employment profile suggests a diversified employment base within a wide range of industry sectors. A strong base in transportation, finance, healthcare, retail, and technology services indicate potential for generating convention and other group demand. Dallas is home to 21 Fortune 500 corporations and 300 corporate headquarters. Seven of companies on the Forbes list of largest privately held companies are in the Dallas area.

Unemployment Statistics

Unemployment statistics provide a measure of the health of the local economy and comparisons to state and national trends. The following table presents historical unemployment rates for the market area.

**FIGURE 2-4
UNEMPLOYMENT STATISTICS**



Unemployment in the City of Dallas has historically mirrored that for the Dallas MSA and broader markets. Like the rest of the country, Dallas experienced a spike in unemployment in 2009, peaking at 8.5%, lower than the national unemployment rate of near 10% in 2010. Recent signs of employment recovery suggest that as national economic conditions rebound, local unemployment levels have returned to pre-recession levels.

Airport Access

Airport passenger counts indicate a market’s ability to support group events. Trends in passenger counts reflect local business activity and the area’s economic health. Event planners consider airport access when choosing a destination for their conventions and meetings. Two major airports service Dallas. Dallas Love Field is seven miles from the KBHCC while Dallas Fort Worth International is around 33 miles away in neighboring Grapevine, Texas.

The following figures provide the previous decade’s passenger traffic statistics for both facilities. A brief description of each airport follows.

**FIGURE 2-5
PASSENGER STATISTICS- DFW**

Year	Passenger Traffic	Annual Percent Change
2007	59,803,000	
2008	57,093,000	-4.5%
2009	56,030,000	-1.9%
2010	56,906,000	1.6%
2011	57,807,000	1.6%
2012	58,591,000	1.4%
2013	60,437,000	3.2%
2014	63,523,000	5.1%
2015	65,512,000	3.1%
2016	65,671,000	0.2%

Source: Dallas Fort Worth International Airport

**FIGURE 2-6
PASSENGER STATISTICS – DAL**

Year	Passenger Traffic	Annual Percent Change
2007	7,953,000	
2008	8,061,000	1.4%
2009	7,745,000	-3.9%
2010	7,961,000	2.8%
2011	7,983,000	0.3%
2012	8,174,000	2.4%
2013	8,471,000	3.6%
2014	9,414,000	11.1%
2015	14,497,000	54.0%
2016	15,563,000	7.4%

Source: Dallas Love Field

Dallas/Fort Worth International Airport (“DFW”) is one of the nation's largest airports and serves as headquarters for American Airlines. In February 2011, the \$2.7-billion DFW International Airport Terminal Renewal and Improvement Program (“TRIP”) commenced. TRIP is a seven-year plan to improve Terminals A, B, C, and E. Upgrades will include concessions upgrades, security check-point enhancements, ticket counter reconfigurations, parking improvements, restroom renovations, lighting improvements, and jet bridge and ramp equipment upgrades. Additionally, the heating and cooling, electrical, and plumbing systems will be replaced. As of early 2017, portions of Terminals B and E are under construction. The comprehensive renovation of Terminal A was completed in January 2017, and the entire project should be finished by the end of 2021. Several completed updates

include new automated entry/exit plazas, as well as nine additional gates and a new 20,000-square-foot concourse that were opened as part of the renovation of Terminal B in May 2014. The DART Rail Orange Line connection inside the airport opened in August 2014. Airport officials are in discussions with airlines about the possible addition of a sixth terminal, Terminal F; officials estimate that construction would span roughly five years if the project moves forward.

Dallas Love Field Airport (“DAL”) is a public airport located northwest of Dallas, Texas. Love Field was the primary airport for Dallas until Dallas/Fort Worth International Airport opened in 1974. Love Field was designated as a Texas State Historical Site in 2003, celebrating 90 years in the aviation industry in 2007. The five-year, \$519-million renovation of Love Field, through a joint venture between the City of Dallas and Southwest Airlines, was completed in October 2014. The timing of the capital project's completion coincided with the end of federal restrictions on how far planes can fly from the airport as part of the Wright Amendment. The project included replacing the terminals with a 20-gate concourse; the first twelve gates opened in 2013, while the remaining eight gates opened in early October 2014. Additional renovations included an expanded baggage-claim area, a remodeled lobby, and a new ticketing wing. Southwest Airlines primarily serves the airport.

DFW and DAL have experienced strong growth in recent years, suggesting increased flights and destinations. Attendees wishing to fly to the area for an event at the KBHCC have ample options for travel from both domestic and international origin points.

Local Transportation

The City of Dallas is at the confluence of multiple major interstate highways that run through the city. The city's freeway system uses a hub-and-spoke system with the downtown freeway loop as the center of the system. The next major freeway loop is the Interstate 635/20 Lyndon B. Johnson loop, and the outermost is the tolled President George Bush Turnpike. Another beltway, approximately 45 miles from downtown, is planned in Collin County.

Dallas Area Rapid Transit (“DART”) serves Dallas and 12 surrounding cities, several colleges, and universities, and both airports with an extensive network of DART Light Rail, Trinity Railway Express, commuter rail, and bus routes. The service provides transportation to over 220,000 passengers each day across a 700-square mile service area. The systems red and blue lines provide stops at the KBHCC. The following figure provides a map of the DART Rail system.

**FIGURE 2-7
DART RAIL SYSTEM MAP**

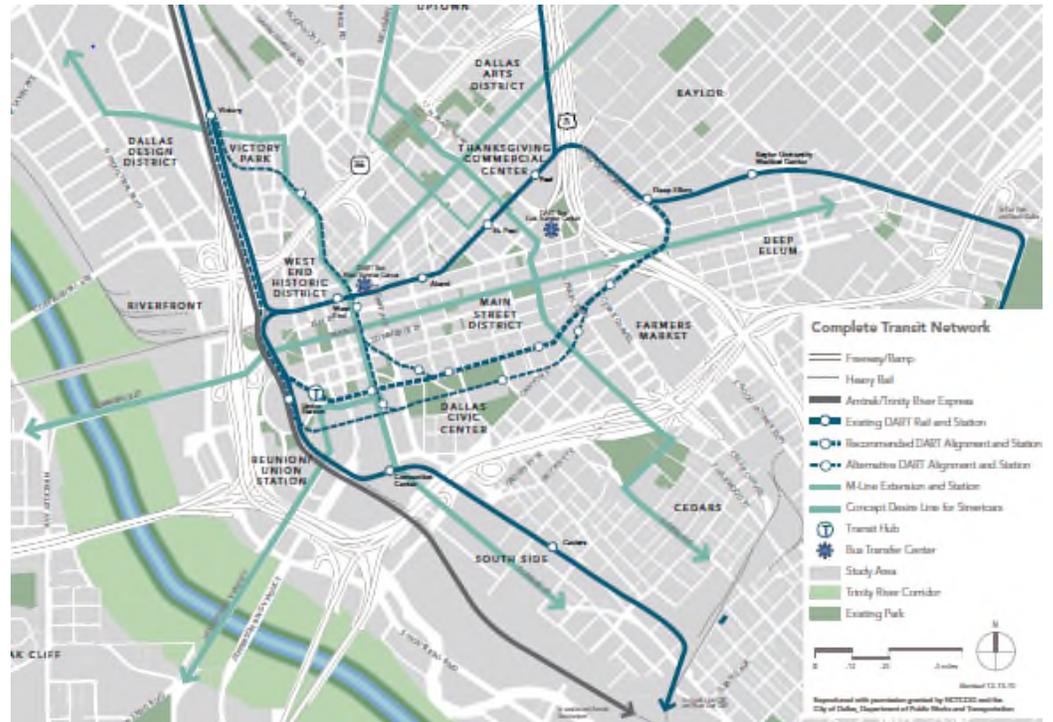


The D2 Project is the future second DART light rail system through downtown Dallas. In September 2015, Dallas City Council adopted a Locally Preferred Alternative “LPA”) plan which included primarily at-grade routes. In October 2016, City Council recommended that DART develop a subway option to minimize impacts on downtown stakeholders. DART is currently developing a D2 subway option to be completed by June 2017.

Downtown Dallas 360 (“360 Plan”) is a long-term strategic vision to maintain Downtown Dallas as a vibrant urban center. The 360 Plan includes recommendations related to urban design, transportation, and parking. The 360 Plan proposes a modern streetcar system in the downtown core to supplement the DART and D2 systems.

The 360 Plan’s proposed “Complete Transit Network” presented below includes existing and planned light rail and streetcar lines.

FIGURE 2-8
360 PLAN COMPLETE TRANSIT NETWORK



Source: Downtown Dallas, Inc.

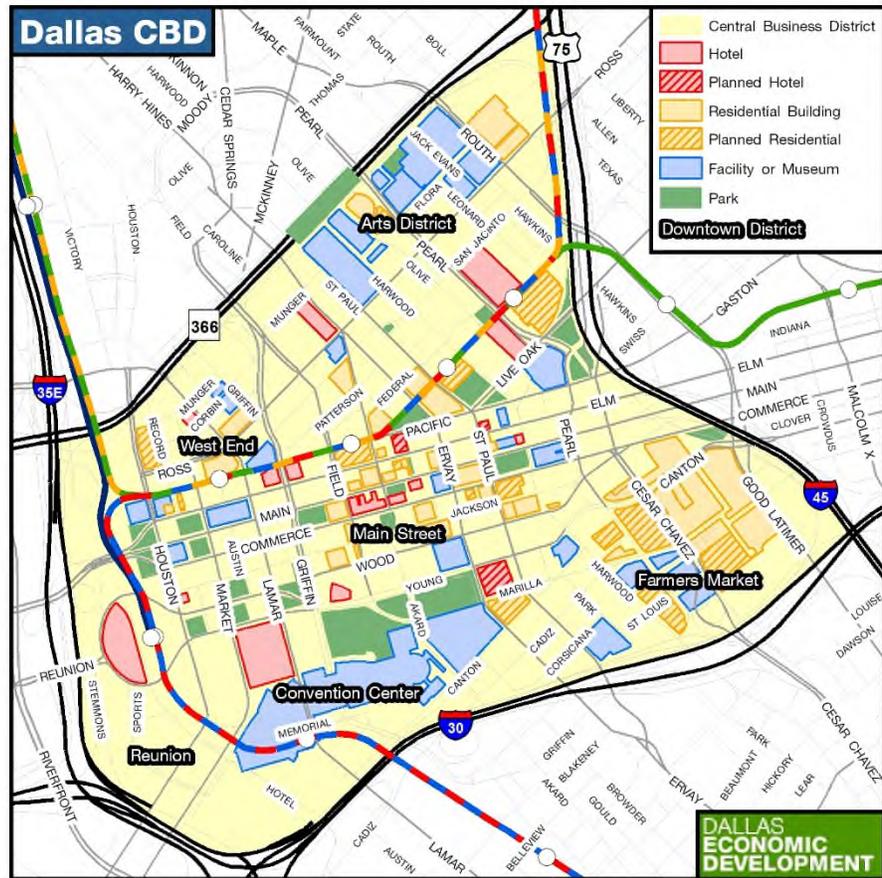
Current transit plans would support the KHBCC and provide important light rail and streetcar linkages from the convention center neighborhoods and entertainment districts to the north, south, and east of the venue.

Downtown Residential

While the population residing in the area surrounding a convention center is not the primary source of demand for the venue, the nature and amount of residential development in a neighborhood can indicate its economic strength the presence of supporting amenities and businesses. Residential neighborhoods encourage nearby retail, dining, and nightlife development, all of which produce a more lively and active after-hours environment for event attendees.

The following figure from the Dallas Office of Economic Development provides a recent map of current and planned development in central downtown Dallas.

**FIGURE 2-9
CENTRAL DOWNTOWN DEVELOPMENT MAP**



Source: Dallas Office of Economic Development

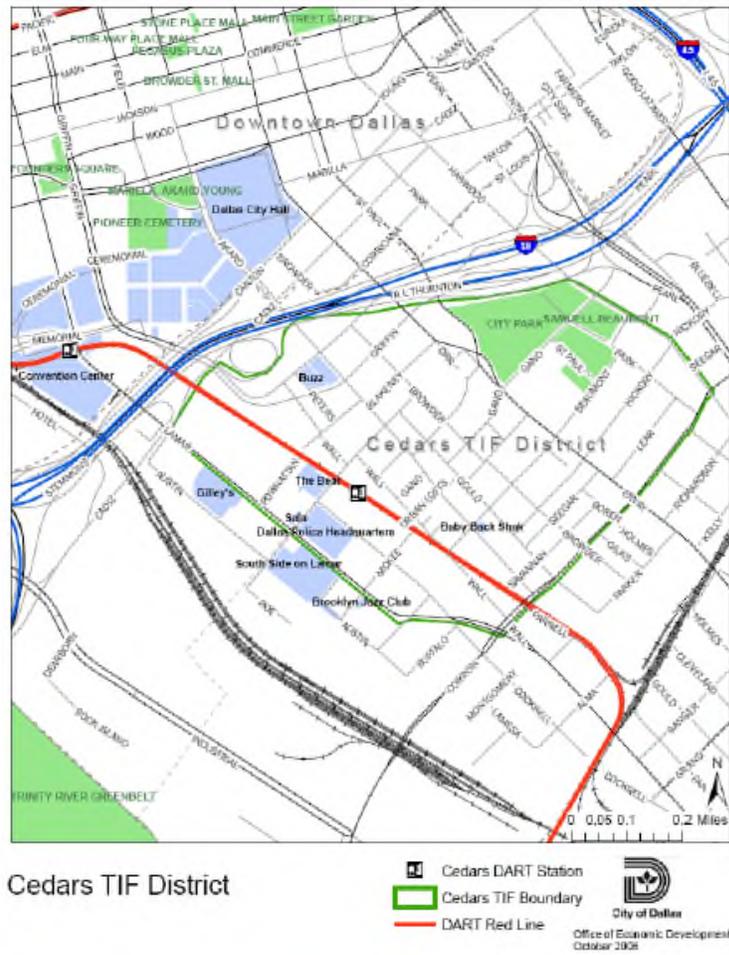
The map indicates scattered existing and planned residential development in the West End, Thanksgiving Commerce, and Arts District, while larger concentrations of housing in the Main Street District and Famer’s Market. The neighborhood immediately surrounding the KHBCC, including the Reunion/Union Station District, contains no residential properties, but the Farmer’s Market neighborhood, just east of the KHBCC, provides a large and growing resident population in central downtown.

Originally established by Dallas City Council in 1998, the Farmers Market Tax Increment Financing (“TIF”) District, has undergone two increases to its boundaries and one term extension through 2028. With the mission to facilitate the redevelopment of vacant and underutilized land adjacent to the Dallas Farmers Market, TIF funding has supported the construction of over 1,000 residential units,

with another 300 under construction or planned. Development in the TIF District has also triggered the development of an additional 700 completed and under construction residential units that are within the TIF District but not using TIF funding. Around 75,000 square feet of retail, restaurant, and other commercial development has accompanied the residential construction.

The Cedars and South Side Districts lie south of the KHBC, just across Interstate 30 and outside central downtown. The Cedars TIF District was established in 1992 and is scheduled to terminate in 2022. The following map outlines the boundaries of the Cedars TIF District in green.

**FIGURE 2-10
CEDARS TIF DISTRICT MAP**



Source: Dallas Office of Economic Development

With the mission to capitalize on its proximity to downtown and transportation to attract new residential and commercial development, TIF funding and tax abatements have supported the construction of over 300 residential units, with another 300 units under construction. Development in the TIF District has also triggered the development of an additional 100 completed and under construction residential units that are within the TIF District but not using TIF funding. Around 52,000 square feet of retail, restaurant, and other commercial development and 83,000 square feet of office space has accompanied the residential construction.

Conclusion

The Dallas Metroplex benefits from a strong corporate presence and a well-diversified employment base. Several sectors, including transportation, finance, healthcare, retail, and technology services represent sources of potential group meeting demand. The economic outlook for the area is generally positive with employment growth anticipated in most sectors. As a convention and meeting option, Dallas and the KHBC are easily accessed via automobile and served by two major airports. Several future developments in downtown Dallas, including the new D2 light rail alignment, downtown residential development, and other urban planning initiatives found in the 360 Plan, could have a significant positive effect on the potential of the KHBC in the group meetings market.

3. Tourism Infrastructure and Destination Analysis

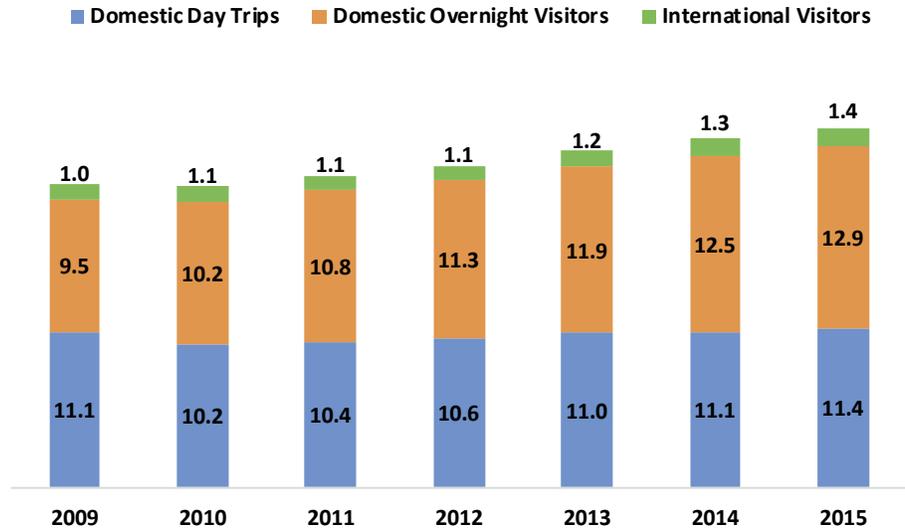
Overall destination appeal is an important factor as event planners consider sites for their events. While geographic, economic, and business-related factors are critical to site selection, the popularity of a city as a tourism destination can have a significant impact on event attendance and the success of an event. This section provides an overview of Dallas' tourism industry and existing tourism infrastructure and evaluates its accessibility and attractiveness for users of the Kay Bailey Hutchison Convention Center ("KHGCC"). While there are multiple tourist attractions throughout the Dallas Metroplex, this report focuses on amenities and attractions located in the City of Dallas and specifically the central Dallas districts.

Dallas Tourism Trends

The City of Dallas offers a variety of tourist and leisure attractions, including cultural and historical points of interest, museums, and entertainment venues. Shopping and retail opportunities range from high-end clothing to specialty shops and a downtown farmers' market.

Tourism represents an important component of the Dallas economy. According to Tourism Economics, the tourism sector supports over 40,000 jobs in the City of Dallas, making tourism the eighth largest employment sector in the City. A recent study by Tourism Economics reports the City of Dallas attracts a growing number of visitors, including nearly 26 million visitors in 2015. The following figure presents historical trends in visitation and a breakdown of overnight and day visitors and domestic versus international travelers.

FIGURE 3-1
CITY OF DALLAS VISITATION TRENDS (IN MILLIONS)



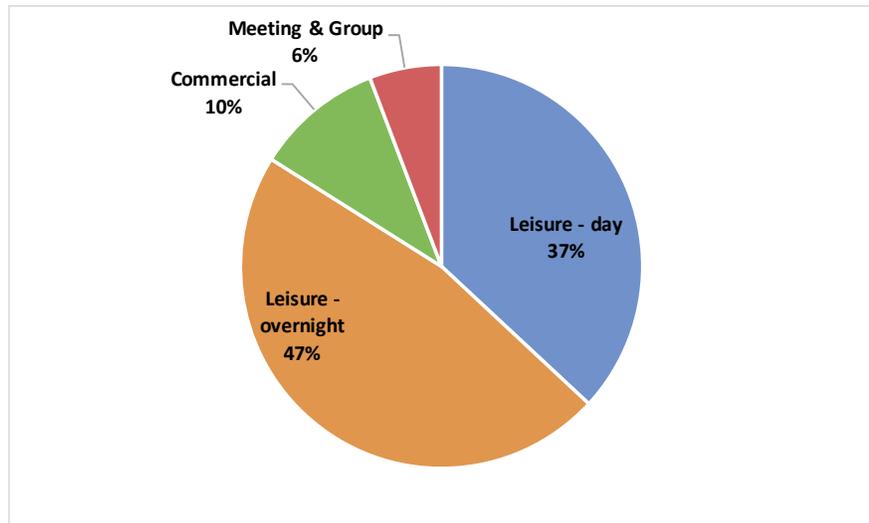
Source: Tourism Economics

Over the past five years, the number of visitors to Dallas has increased steadily with an average annual increase of 3.6%. Domestic visits to Dallas are approximately evenly split between day and overnight trips with slightly more overnight visits. While international visitation has grown in recent years, domestic visitors make around 95% of all visits to the City of Dallas.

Visitors come to the City of Dallas for a variety of personal and business-related reasons. Leisure demand consists of individuals and families spending time in an area or passing through in route to other destinations. Travel purposes include sightseeing, recreation, or visiting friends and relatives. Commercial demand consists mainly of individual businesspeople passing through the market or visiting area businesses, in addition to high-volume corporate accounts generated by local firms. The meeting and group market includes meetings, seminars, conventions, trade association shows, and similar gatherings of ten or more people.

In 2015, leisure visitors comprised nearly 84% of visitors to the City of Dallas as shown in the figure below.

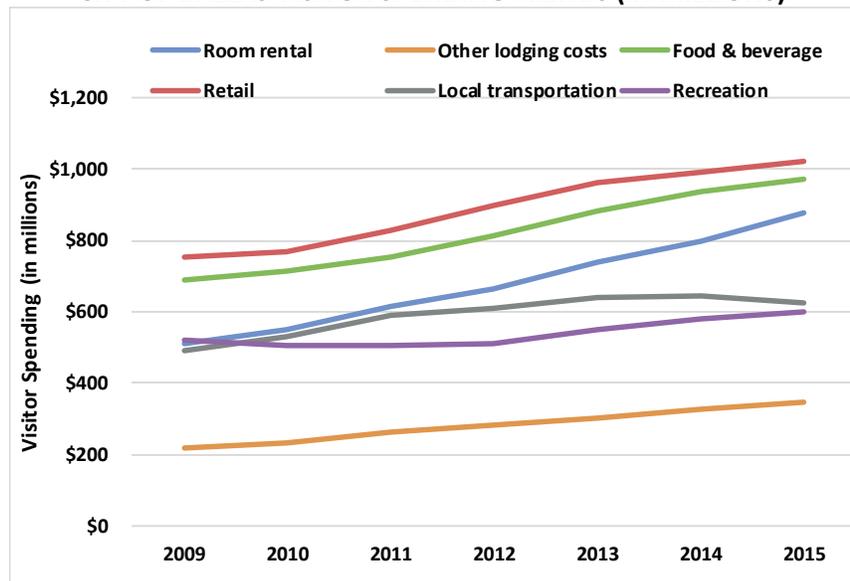
FIGURE 3-2
CITY OF DALLAS VISITORS- 2015



Source: Tourism Economics

Visitors accounted for \$4.4 billion in spending in the City of Dallas in 2015. The following figure provides a breakdown of historical visitor spending trends and components of spending.

FIGURE 3-3
CITY OF DALLAS VISITOR SPENDING TRENDS (IN MILLIONS)

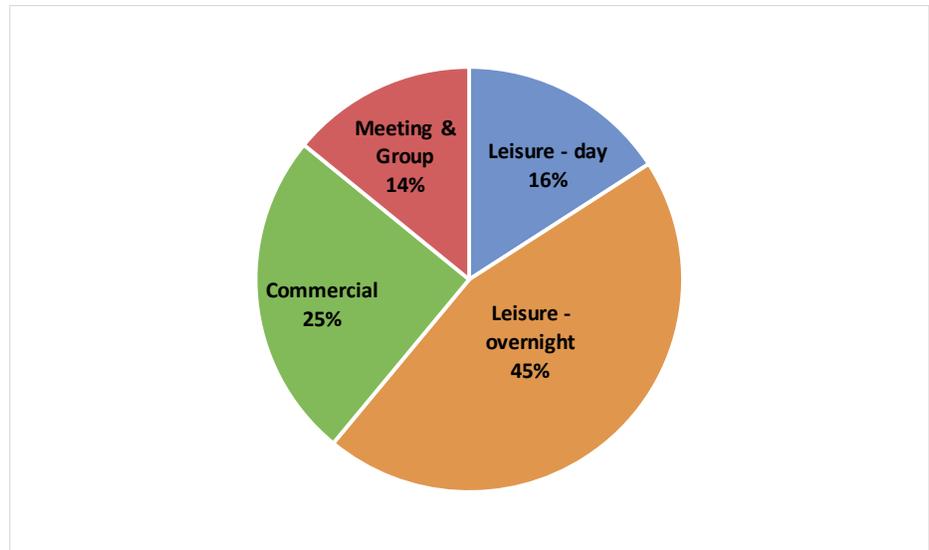


Source: Tourism Economics

Growth in visitor spending has increased with the number of visitors to the City of Dallas. Spending on lodging increased faster than the number of visitors due to increased room rates. Transportation spending has trended down due to lower fuel prices in recent years. Over the past five years, total visitor spending has had an average annual growth of 6.1%.

On average, overnight visitors spend approximately three times as much as day visitors. The difference is more pronounced for overnight business travelers who spend over five times that of day trippers on business. The following figure presents a breakdown of spending for leisure, commercial, and meeting and group visitors.

**FIGURE 3-4
CITY OF DALLAS VISITOR SPENDING – 2015**



Source: Tourism Economics

While business visitors represent only 16% of total visitor volume, spending by business visitors is nearly 40% of total visitor spending. The average business visitor to the City of Dallas spends more than three times that of a leisure visitor.

Tourist Attractions

Downtown Dallas contains a variety of distinct districts, each with its individual character and amenities. As shown in the figure below, several of these districts are within blocks of the KHBCC and provide both tourism opportunities and after-hours entertainment options to event attendees.

**FIGURE 3-5
DOWNTOWN DALLAS DISTRICT MAP**



Source: Downtown Dallas, Inc.

The Dallas Arts District is a 68-acre, 19-block complex with buildings designed by Pritzker Prize winners I.M. Pei, Renzo Piano, Norman Foster, Rem Koolhaas, and AIA “Gold Medal” recipient Edward Larrabee Barnes. The Dallas Museum of Art, established in 1903, anchors the district. It contains the Nasher Sculpture Center, the Crow Collection of Asian Art, and the Meyerson Symphony Center. The multi-venue AT&T Performing Arts Center was added in October 2009. Klyde Warren Park, a 5.2-acre urban green space above Woodall Rodgers Freeway, was completed in October 2012. It connects the Arts District with the Uptown area of Dallas.

The West End historic district features restaurants, shops, and bars. This historic area, which is rife with buildings from the late 19th and early 20th centuries, is also home to the Holocaust Museum, the Sixth Floor Museum, and the “Old Red” Courthouse and Museum. Recently completed and under construction projects include several residential and mixed-use developments, office renovations, and new hotel development.

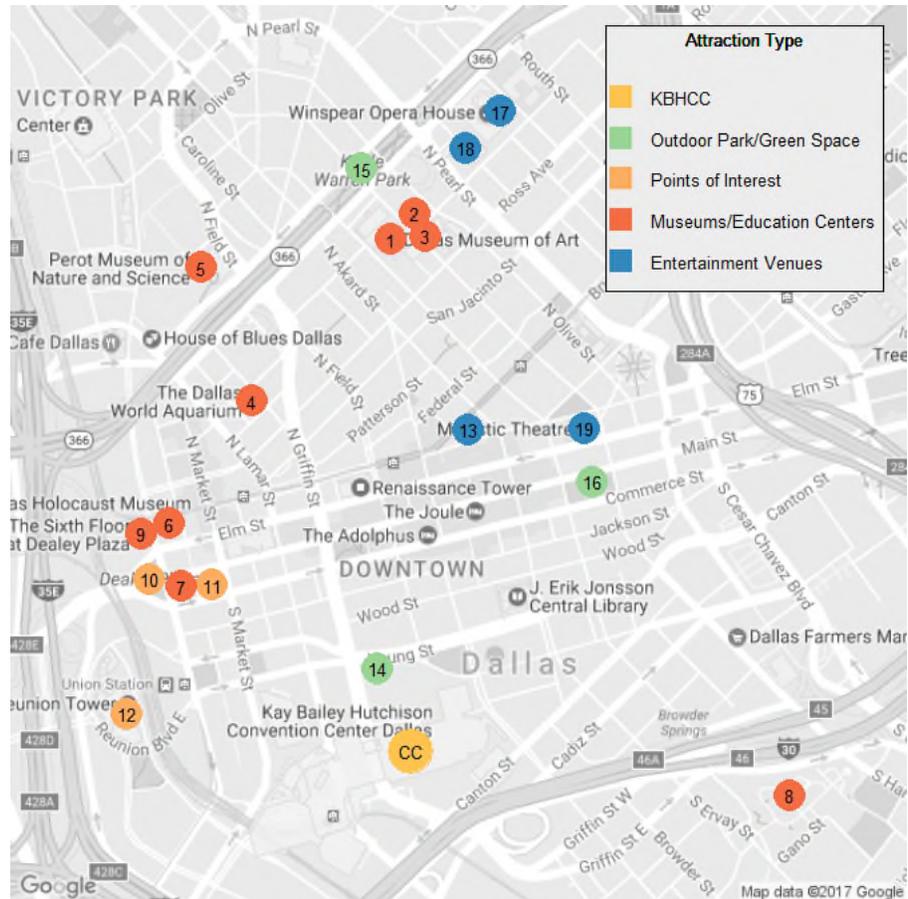
Victory Park is a 75-acre master planned mixed-use development anchored by the American Airlines Center, The House of Blues, Hard Rock Hotel, and W Dallas Hotel. Victory Park currently contains 122,000 square feet of retail and 621,000 square feet of office space, figures that will approximately double an ongoing repositioning and expansion project. With expected completion by the end of 2017, the project will include a 44,000-square foot luxury cinema, 85,000 square feet of retail and restaurant space, and enhanced sidewalks, storefronts, landscaping, and signage. Immediately adjacent to the West End district and located within the Victory Park campus, Perot Museum of Nature and Science opened its new facility in December 2012.

Formally established in 1939, the Dallas Farmers Market features produce dealers, wholesalers, and local farmers. The Market, a 26,000-square foot vendor market contains four restaurants and a variety of local specialty food vendors. The Shed is an open-air pavilion featuring a mix produce farmers, ranchers, food artisans, and arts and crafts vendors. In 1998, the City established a TIF to encourage the redevelopment of the area. In 2013, plans were announced for a mixed-use residential and retail development at the Farmers Market, including 300 residential units.

Fair Park is a 277-acre recreational and educational complex immediately southwest of downtown Dallas. Many of the buildings were constructed for the 1936 Texas Centennial Exposition. Fair Park is home to the 24-day annual State Fair of Texas. Other attractions include the African American Museum, the Hall of State, the Leonhardt Lagoon, the Texas Discovery Gardens, the Cotton Bowl, and Music Hall. Fair Park was the site of the Museum of Nature and Science prior to the opening of the Perot Museum in Victory Park. The History Building remains open as a secondary campus for the museum.

The following map locates the most popular attractions in central Dallas and surrounding the KHGCC. A brief description of each attraction follows.

**FIGURE 3-6
CENTRAL DALLAS TOURIST ATTRACTIONS**



Museums and Educational Centers

1. The **Dallas Museum of Art** contains 159,000 square feet of exhibition space, making it one of the largest art museums in the U.S. The museum collections are made up of more than 24,000 objects dating from the 3rd millennium B.C. to the present day. In 1984, the museum moved from its original location in Fair Park and attracts nearly 500,000 annual visitors.
2. The **Nasher Sculpture Center** is located on a 2.4-acre site adjacent to the Dallas Museum of Art. The center opened in 2003 and features a regularly changing exhibition from the Raymond and Patsy Nasher Collection in its indoor and outdoor galleries. Approximately 250,000 people visit the Nasher Sculpture Center each year.

3. The **Crow Collection of Asian Art** opened in 1998 by the Crow Family to share their love for Asian art and culture with the public. This free museum attracts 70,000 annual visitors.
4. The **Dallas World Aquarium** opened in 1992 in a refurbished warehouse. By 2004, the aquarium had expanded to an adjacent warehouse and vacant lot. Exhibits feature an aquarium with a variety of marine life, a South American rain forest, and a recreation of the southeast Asian island of Borneo. The aquarium attracts over 650,000 annual visitors.
5. The **Perot Museum of Nature and Science** opened in 2012, replacing the museum's original site at Fair Park. The 14-story 180,000-square foot facility has five public floors with 11 permanent exhibits and 6 learning labs. The Perot Museum's popularity has far exceeded the Fair park site with recent estimates reporting over one million annual visitors.
6. The **Dallas Holocaust Museum/Center for Education and Tolerance** is one of a few Holocaust-related museums in the U.S. and the only center serving North Central Texas and adjacent states. Located in downtown Dallas' West end, the museum features exhibits, speakers, and other programming. The museum attracts over 70,000 visitors each year, approximately half of which are students.
7. The **Old Red Museum of History** resides in the restored Old Red Courthouse, originally built in 1892. Opened in 2007, the museum is dedicated to presenting the history of Dallas County and contains historical artifacts, interactive exhibits, and educational learning center, and four mini-theaters. The museum attracts around 20,000 paid visitors each year, half of which are students. When considering event attendees and tourists who enter the lobby, the total number of visitors rises to around 75,000.
8. **Dallas Heritage Village** sits on land in the Cedars district once occupied by Dallas' first city park, known as City Park. The construction of Interstate 30 cut the Cedars off from downtown Dallas, causing the neighborhood and park to decline. Starting in 1969, 21 buildings have been transported to the site and reassembled to create a historical living village. The collection of historic buildings and furnishings represents the period from 1840 to 1910. In 2005, the name changed to Dallas Heritage Village at Old City Park. Around 50,000 people visit Dallas Heritage Village each year, including 20,000 students.
9. The **Sixth Floor Museum** occupies the sixth and seventh floors of the Dallas County Administrative Building, known in 1963 as the Texas School Book Depository. The main sixth floor exhibits are dedicated to the legacy of President

Kennedy. Opened in 2010, the museum's Reading Room contains one of the world's largest collections of original photographs and video coverage of the Kennedy assassination. Around 400,000 people visit the museum each year.

Points of Interest

10. **Dealey Plaza** is a city park originally opened in 1940 at the convergence of three streets that pass under a railroad bridge. As the site of the 1963 assassination of President Kennedy, nothing of significance has been torn down or altered in the immediate area, and the National Park Service designated Dealey Plaza as a National Historic Landmark District in 1993. The plaza receives daily visitors, many of which also visit the Sixth Floor Museum and nearby JFK Memorial Plaza.
11. **JFK Memorial Plaza** is a concrete memorial to President Kennedy located in a square around one block east of Dealey Plaza. The memorial is a cenotaph, or empty tomb, that symbolizes the freedom of Kennedy's spirit. The designer, American architect Phillip Johnson, called it "a place of quiet refuge an enclosed place of thought and contemplation separated from the city around, but near the sky and earth."
12. Completed in 1978, **Reunion Tower** is a 561-foot observation tower in the Reunion District of downtown Dallas. The tower was part of an urban development project that also renovated historic Union Station that included the development of the Hyatt Regency Dallas in May 1978. Reunion Tower has undergone several renovations, reopening the restaurant level in 2009 and the observation deck in 2013.
13. **Thanks-Giving Square** is a private park and public facility anchoring the Thanksgiving Commercial Center. Developed in 1976 as the first public-private partnership of its kinds in Dallas, the square consists of a landscaped garden and non-denominational chapel building. The square welcomes people of all cultures and religions to celebrate values, thoughts, and spirituality in a contemplative setting. Concurrently, the private development of the square, the City of Dallas developed underground transportation infrastructure, including a pedestrian network and truck terminal.

Outdoor Parks and Green Spaces

14. **Pioneer Plaza** is a large public park located adjacent to the KHGCC. When combined with the Pioneer Park Cemetery which features a Confederate War Memorial, the park is the largest open space in central Dallas. Opened in 1994, Pioneer Plaza contains a large sculpture of 49 steers and 3 trail riders that

commemorate cattle drives that took place along the Shawnee Trail that once passed through Dallas. On land donated by the City of Dallas, private sources funded the sculpture and other improvements. The KHBCC currently maintains the plaza.

15. **Klyde Warren Park** is an urban, five-acre green space built over the old Woodall Rogers Freeway in downtown Dallas. The park contains playgrounds, an amphitheater, interactive fountains, a fenced pet area, a storytelling tree, and multiple locations for activities. The \$110 million project was a public-private partnership opened in 2012 and is privately operated and managed by the Woodall Rodgers Park Foundation.
16. **Main Street Garden Park** is a 1.75-acre park located at the east end of the Main Street District. Dedicated in 2009, the park features a toddler play area, public art, a dog run, fountains, and a patio café. The park hosts live concerts on its main stage, and the garden can be rented for private events. The \$17.4 million park was funded primarily by the City of Dallas' programs to develop several downtown core parks. The park is owned by the City of Dallas and maintained by Downtown Dallas, Inc.

Entertainment Venues

17. The **AT&T Performance Center** is a multi-venue complex in the Arts District that supports a variety of indoor and outdoor performances, including a Broadway series, contemporary dance and music, and community performances. The McDermott Performance Hall is a traditional horseshoe opera house with seating for 2,200. Strauss Square is an outdoor performance space with a main stage and lawn and chair seating for up to 1,800. The Rose Performance Hall is an 8,100-square foot flat floor space that can be transformed into a variety of seating and stage configurations. The space is suitable for performances with up to 575 seats and banquets for up to 400 people. Performances and other events at the AT&T Center attract 425,000 attendees annually.
18. The **Meyerson Symphony Center** is a concert hall located in the Arts District. Opened in 1989, the I.M. Pei-designed hall is in the standard European shoebox style and seats 2,062. Meyerson Symphony Center is the permanent home of the Dallas Symphony Orchestra and the Dallas Symphony Chorus, as well as the primary performing venue of the Dallas Wind Symphony and several other Dallas-based musical organizations. The venue is owned and managed by the City of Dallas Office of Cultural Affairs and attracts 380,000 attendees annually.

19. The **Majestic Theatre** was originally opened in 1921 as a vaudeville house in the City Center District. In 1977, the 2,800-seat theater became the first building in Dallas to be listed on the National Register of Historic Places. It underwent a major renovation and reopened in 1983 as a venue for musicals, plays, concerts, pageants, and dance performances.

Lodging Supply

A convention center's ability to attract out-of-town groups depends greatly on the availability of nearby hotel rooms within a reasonable distance to the facility. Moreover, different events have different preferences with respect to the types of hotels that best meet the needs of their delegates and attendees. Most planners of professional conventions and trade shows prefer large blocks of full-service hotel rooms in nationally branded properties. Some consumer show and sporting event attendees prefer less expensive, limited-service hotel options that offer guest amenities such as complimentary breakfast and free internet connections.

In 2016, nearly 150 hotel properties across the Dallas metroplex provided over 300,000 room nights to attendees of KHBCC events. Most hotels participate in large, city-wide events, such as national conventions and sporting events. Most events at the KHBCC rely on lodging properties within Dallas' Central Business District. Central Dallas currently contains 73 hotel properties with 17,390 rooms. There are currently 21 hotel properties under construction or in the planning stages within the Dallas CBD.

Due to strong demand for corporate lodging and in-house group events, several large, full-service properties in central downtown provide limited room blocks for KHBCC events that do not require city-wide participation. Section 4 of this report provides a detailed analysis of the hotel supply and demand in the market. The figure below provides an overview of the 11 hotel properties in downtown Dallas that currently provide most of, much of room night blocks for KHBCC events.

**FIGURE 3-7
CONVENTION CENTER LODGING SUPPLY**

Property	Number of Guest Rooms
Sheraton Dallas Hotel	1,840
Hilton Anatole	1,608
Hyatt Regency Dallas	1,120
Omni Dallas Hotel	1,001
Fairmont Dallas	545
Renaissance Dallas Hotel	514
Adolphus Hotel	422
Dallas Marriott City Center	416
Magnolia Hotel Dallas Downtown	329
Crowne Plaza Dallas Downtown	296
Aloft Dallas Downtown	193

In 2016, the Omni Dallas Hotel accommodated around 26% of room nights for KHBCC events, followed by the Hyatt Regency Dallas at 14% and the Sheraton Dallas Hotel at 8%.

Retail, Dining, and Entertainment

Attractive nearby retail, dining, and entertainment options are important factors for meeting planners when assessing the overall destination appeal of potential event locations. The area immediately surrounding the KHBCC offers relatively few dining and entertainment options. The Omni Dallas Hotel contains several food and beverage outlets with varying levels of services. In 2015 and 2016, four new restaurants opened on Lamar Street directly across from the Omni and adjacent to the KHBCC. These “Restaurants on Lamar” include fine dining options in German, Japanese, Tex-Mex, and Italian fare.

As detailed above, the West End Historic District and Main Street District begin approximately four blocks north of the KHBCC and contain a variety of dining, retail, and cultural establishments. Recently completed and under construction projects include several residential and mixed-use developments, office renovations, and new hotel development.

To the south, lies the Cedars and South Side Districts. These areas are undergoing a large revitalization project, bringing a range of dining and entertainment options as well as art galleries and museums. Large, mixed-use residential projects accompany this development, including affordable multi-family housing.

While multiple opportunities for dining, retail, and other entertainment exist throughout downtown Dallas, the challenge for event attendees is access to these districts. Despite relative proximity to the KHBCC, pedestrian routes to districts

lying just north and south of the venue lack the necessary design to encourage walkability. This lack of proper sidewalk design along with passage through undesirable urban areas create a perception of the lack of safety. In addition, current public transportation routes do not offer convenient access from the KHBCC to downtown entertainment districts. Future light rail and streetcar plans could provide these linkages with stations located within the KHBCC.

Conclusion

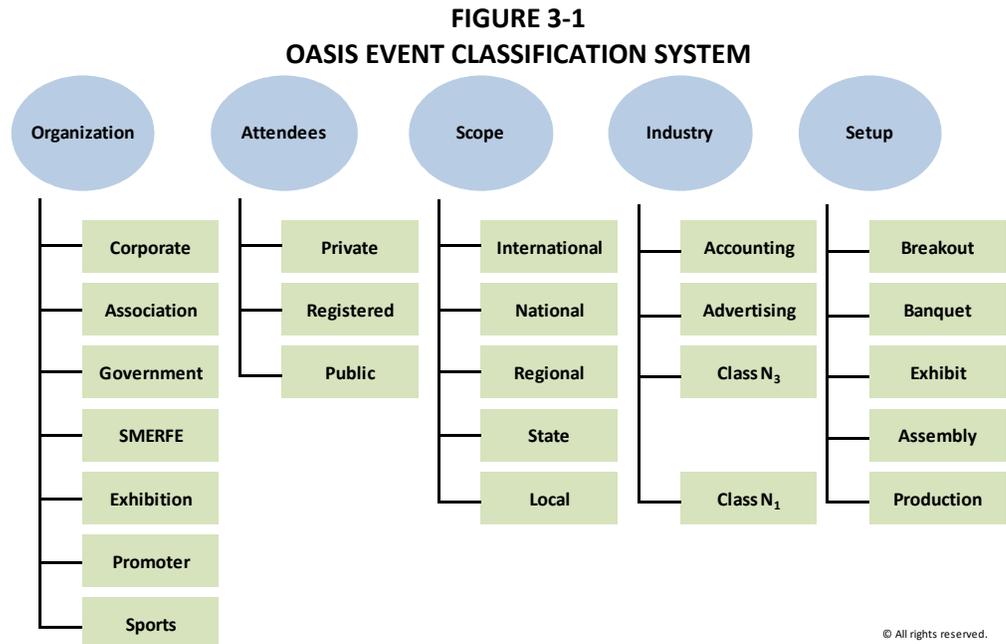
Visitors come to the City of Dallas for a variety of personal and business-related reasons. Of the 26 million annual visitors to the City of Dallas, over 80% are leisure visitors, while approximately 6% are meeting and group attendees. Tourism remains a strong and growing industry as overall visitation and spending have grown annually over the past several years. Tourism attractions are plentiful in downtown Dallas, including museums and cultural attractions, entertainment venues, outdoor parks, and other points of interest. Downtown Dallas has an array of distinct districts, each with its individual character and amenities. Many districts are within blocks of the KHBCC and provide both tourism opportunities and after-hours entertainment options to event attendees. While several cultural and entertainment districts fill the City of Dallas, the area immediately surrounding the KHBCC offers limited retail and dining options for event attendees. In addition, barriers to the walkability from the KHBCC to these entertainment districts diminish the attractiveness of the venue to event planners and attendees.

4. Convention Center Industry Trends

In this section, HVS presents an analysis of the convention, conference, tradeshow and meeting industry, including trends in the supply and demand of meeting and event facilities, as well as trends in expenditures and meeting planner preferences. The purpose of this trends analysis is to provide background information necessary to assess the potential for an expansion of the Kay Bailey Hutchison Convention Center (“KBHCC”). This section of the report also provides definitions of industry terms used throughout the remainder of this report.

OASIS® Event Classification System

Convention and conference centers measure their performance by tracking event activity, but the definition and classification of events lack consistency throughout the industry. Each convention center or marketing organization has their own way of classifying and measuring event demand. HVS has developed a proprietary method of event classification called OASIS Event Classification Method® or OASIS®, which is a convenient acronym for five criteria of event categorization: Organization, Attendees, Scope, Industry, and Set-up. See the figure below.



Following are definitions of the criteria in the OASIS Event Classification Method® and descriptions of the categories within each.

ORGANIZATION—the organization that sponsors or owns the event provides an important area of classification and can be described in seven mutually exclusive categories:

- **Corporations**—corporations, or private business interests, are responsible for organizing most events. The event organizers may be internal to the business or professional meeting planners.
- **Associations**—associations are usually membership organizations centered on specific business types, professions, or political purposes.
- **Government**—international, national, state, or local government organizations sponsor events. This category is particularly important in markets with a large government office presence.
- **Exhibition Company**—exhibiting organizations are companies or subsidiaries of companies established to own and promote exhibit events, such as trade and consumer shows.
- **Event Promoter**—event promoters are organizations that exist to promote concerts, entertainment, and other types of live events that require production set-up.
- **Sports Enterprise**—sports enterprises are companies or subsidiaries of companies that exist to own and promote sports events.
- **Social, Military, Educational, Religious, Fraternal, and Ethnic (“SMERFE”)**—although like associations, this category includes the types of organizations described in the title. Sometimes called “affinity groups” SMERFE represents a distinct category because members of these organizations use personal disposable income for membership dues and event attendance and therefore tend to be more price-sensitive than associations with professional memberships.

The Organization criterion is most useful to marketing and sales organizations that rely on this information to make decisions on the allocation of staff and resources according to the type of organization sponsoring the event. Other industry participants, such as destination management companies and venue operators, also need to understand the type of organizations active in sponsoring events and value personal relationships with the event planners that represent them.

ATTENDEES—Event attendees can be placed in three distinct categories that distinguish the ways in which attendees gain access to events:

- **Private**—attendees come to the event by invitation only and do not pay a registration or admission fee. Private attendees may be individually asked to

attend, as to a wedding, or invited by virtue of belonging to a certain group, such as company employees or shareholders.

- **Registered**—attendees do not necessarily need an invitation, but typically pay an advance registration fee to attend the event. Registered attendees are often called delegates or qualified buyers, and they usually attend an event for multiple days.
- **Public**—the event is open to the public. Attendees may need to purchase a ticket for admission such as at a consumer show. Other civic events may be free of charge.

In addition, some events have combination shows with an initial period of exclusive registered attendance and subsequent public attendance.

The Attendees category is particularly important to venue operators and industry analysts. Understanding the type of attendee at a given event is critical for assessing the impact on convention center operations and projecting economic impact. The length of stay of attendees and their spending patterns varies considerably among the types of attendees.

SCOPE—this category refers to the geographic origin of the attendees. Events are classified accordingly if a significant proportion of the attendees come from the indicated geographic region surrounding the convention center. Five categories capture all the potential geographic scopes and are self-explanatory:

- International
- National
- Regional
- State/Provincial
- Local

Understanding the origin of attendees is critical to event planners and in the estimation of the economic impact of events. Events that draw attendees from larger geographic regions tend to have higher new spending associated with the event. The allocation of marketing and sales resources may also break down according to the geographic scope of events.

INDUSTRY—in North America, HVS recommends relying on the North American Industry Classification System (“NAICS”) which replaced the previously used U.S. Standard Industrial Classification (“SIC”) system. NAICS was developed jointly by the U.S., Canada, and Mexico to provide new comparability in statistics about business activity across North America. Other economic regions and countries have

similar industrial classification systems that are widely used and can be adopted for the purposes of classifying events by industry.

NAICS has hundreds of categories, but these categories are organized hierarchically in five levels. All categories can be rolled up into twenty of the top levels in the hierarchy. However, not all top-level industry classifications are useful for event classification because little or no event activity is associated with them. Other top-level categories, such as Manufacturing, are too broad to provide meaningful information, and level two or three categories can be used to form a useful breakdown of events.

The choice of industry classifications should result in a reasonable share of events falling into each category. According to the Tradeshow Week data book, the leading industries that are represented by conventions, tradeshow and exhibition include:

- Medical and Health Care
- Home Furnishings and Interior Design
- Sporting Goods and Recreation
- Apparel
- Building and Construction
- Landscape and Garden Supplies
- Computers and Computer Applications
- Education
- Gifts
- Associations

Use of the NAICS codes allows for the orderly roll-up of industrial classifications across different events and venues, regardless of the categories or the hierarchical levels that different people may choose to use. Industrial classification information is useful for those planning to develop new events and for other analysts that need to understand how trends in the economic health of the underlying industries affect the success of events and venues.

SPACE SETUP—this final criterion provides for the categorization of events by the set-up of the function spaces they utilize. These categories are not mutually exclusive as events may use any combination of the five primary types of event set-up.

- **Breakout**—typically involves the use of meeting rooms, boardrooms, or other multi-purpose spaces for meeting functions in a classroom or meeting setting. This set-up may involve some catering services such as coffee breaks or lunches.
- **Banquet**—includes the set-up for catered banquets events such as weddings and may include some staging for presentations such as at a general session event.
- **Exhibit**—includes the set-up displays in exhibition halls or other multi-purpose spaces. Concession services and buffet lunches are often a component of this set-up.
- **Assembly**—includes set-up in theater style seating in plenary halls and fixed seat theaters or other multi-purposes spaces that are used primarily for assemblies and general sessions.
- **Production**—includes the set-up for concerts, entertainment, sporting events and other types of events that require significant staging, lighting, and other live-event related set-up.

Event Types

Application of the OASIS[®] system can provide precise definitions of commonly used event classifications. All commonly used terms for event types can be defined by a combination of three OASIS[®] categories: organization, attendees, and space set-up.

- **Conventions**—associations, government, and SMERFE organizations register attendees for multi-day events. Facility set up includes breakout, banquet, and exhibit space set-up and may include plenary sessions. Typically, the primary purpose of a convention is information exchange.
- **Tradeshows**—provide a means for wholesalers and retailers to transact business with industry buyers. Like conventions, tradeshows offer a forum for exchanging industry ideas. In order to clearly differentiate conventions from tradeshows, HVS assumes that only corporations and enterprises can sponsor and produce tradeshows. Like conventions, tradeshows require registered attendees. While they also require exhibit space set-up, they only sometimes require banquet, plenary, and/or breakout space set-up.
- **Combination Shows**—are either corporate or enterprise produced, typically with an initial period of attendance by registered attendees only, and later by the public. Always requiring exhibit set-up, they sometimes also require plenary, banquet and/or breakout set-up for additional portions of their show.
- **Consumer Shows**—public, ticketed events featuring the exhibitions of merchandise for sale or display. Exhibition companies produce consumer shows, as they provide a means of product distribution and advertising. They only require exhibit space set-up.

- **Conferences**—require a mix of banquet and breakout space set-up as well as occasional assembly space, but do not require any exhibit set-up. Conferences can be conducted by any organization type, but always require attendees to be registered.
- **Meetings**—only require breakout space set-up. Like conferences, they can be produced from any of the organization types, but unlike conferences, they are private events to which one must be invited.
- **Banquets**—only require a banquet set-up for food and beverage meal service. These events also can be produced by any organizational type, and are either held privately or require guests to register.
- **Assemblies**—usually involve a ceremony, speech, or other similar activity that attracts a crowd of spectators. Produced by any type of organization, assemblies are always public events. Additionally, assemblies only require a plenary set-up.
- **Fairs**—usually involve an exhibit booth set-up for a public event in which a number of organizations or companies represent themselves and/or a product or service, with a similar theme or purpose uniting the event. Corporations, associations, governments, or SMERFE groups may present a fair.
- **Concert/Entertainment**—usually a concert or some form of live entertainment, owned and organized by an event promoter for the public. Entertainment events only require production set-up.
- **Sports/Amateur Sports**—require only a production set-up. Attendees to sporting events, which are always organized by sports enterprises, may be public or registered. Some sporting events have both a registered and public aspect to the event over the span of a few days.

Trends

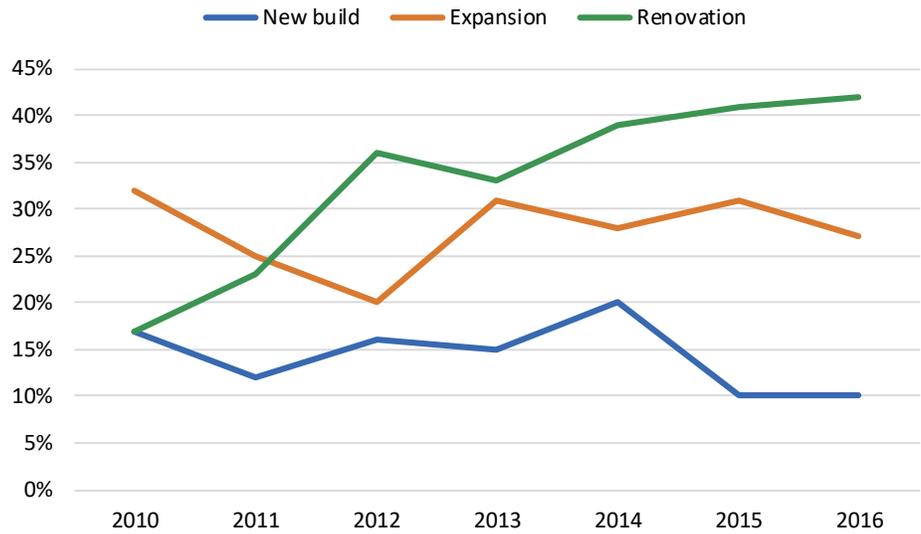
The purpose of this section is to describe the conference, convention, and meeting industry and analyze trends in the number of events, attendance, and the supply of facilities.

Supply Trends

The convention and conference center industry experienced significant year-over-growth in supply from 2000 through 2006. Starting in 2007, the rate of growth in supply slowed significantly but remained positive throughout the national recession. As most convention and meeting facilities involve public funding, economic conditions affect the level of public investment in convention and meeting facilities that are intended to stimulate economic activity. As economic conditions improved, public budgets began to support funding for convention and meeting facilities, and several new facilities and major expansions moved forward. Since 2010, the percentage of convention markets planning or developing a new build, expansion or renovation project has varied between 60-70%. The following figure

demonstrates that the nature of planned convention center improvements has changed over the past few years.

**FIGURE 3-2
PLANNED IMPROVEMENTS BY TYPE**



Source: AIPC 2016 Member Survey

The percentage of markets planning a new build convention venue has dropped to 10% in recent years as the percentage that intend to renovate their existing facility has surpassed 40%. The percentage with expansion plans has remained relatively steady between 25-30%.

While the percentage of convention markets actively developing or planning a renovation or expansion of their convention venues has grown to around 70%, the nature of these improvements has also changed. The focus on exhibition hall expansion from the 1990s and 2000s has been replaced by the need to provide larger and more flexible ballroom, meeting spaces, and prefunction spaces. Event delegates want more networking opportunities in lounges and hospitality suites. They would like faster room changeovers and custom furniture configurations. Clients need more flexible and casual spaces, including prefunction spaces that serve as informal gathering areas with adaptable seating configurations, Wi-Fi, and interactive tools.

Convention venues currently report that technology infrastructure and services need the greatest investment, outweighing the needs for more function space. Technology and connectivity needs drive bandwidth requirements higher, while

clients seek innovative smart building technologies including audio visual, climate control, signage, and key access.

Current plans for convention center expansions and renovations far outweigh those for new development, as detailed below.

**FIGURE 3-3
NEW & EXPANDED FACILITIES UNDER DEVELOPMENT**

Venue	City	New Build	Expansion	Renovation	HQ Hotel	Expected Completion
Alamodome	San Antonio, TX			✓		2017
Albany Capital Center	Albany, NY	✓				2017
Anaheim Convention Center	Anaheim, CA		✓			2017
Benton Convention Center	Winstom-Salem, NC			✓		2017
Donald E. Stephens Convention Center	Rosemont, IL			✓		2017
Evraz Place	Regina, SK			✓		2017
Gaylord National Resort & Convention Center	National Harbor, MD		✓			2017
George R. Brown Convention Center	Houston, TX		✓			2017
Georgia World Congress Center Authority	Atlanta, GA			✓		2017
Greater Columbus Convention Center	Columbus, OH		✓	✓		2017
Halifax Convention Centre	Halifax, NS	✓				2017
Mayo Civic Center	Rochester, MN		✓	✓		2017
McCormick Place - Wintrust Arena	Chicago, IL		✓			2017
Memphis Cook Convention Center	Memphis, TN		✓		✓	2017
Music City Center	Nashville, TN			✓		2017
Orange County Convention Center	Orlando, FL			✓		2017
Charleston Civic Center	Charleston, WV		✓	✓		2018
Gaylord Rockies Resort & Convention Center	Denver, CO	✓				2018
Kentucky International Convention Center	Louisville, KY		✓		✓	2018
Miami Beach Convention Center	Miami Beach, FL		✓			2018
Moscone Center	San Francisco, CA		✓	✓		2018
Suburban Collection Showplace	Novi, MI		✓			2018
Chase Center Arena	San Francisco, CA	✓				2019
Colorado Convention Center	Denver, CO		✓			2019
Fort Worth Multipurpose Arena at Will Rogers	Fort Worth, TX		✓			2019
Gaylord Texans Resort & Convention Center	Grapevine, TX		✓			2019
Irving Convention Center	Irving, TX				✓	2019
Oklahoma City Convention Center	Oklahoma City, OK	✓				2020
Washington State Convention Center	Seattle, WA		✓			2020
Broward County Convention Center	Ft. Lauderdale, FL		✓	✓	✓	2021
Sacramento Convention Center	Sacramento, CA		✓	✓	✓	2022
Bartle Hall Convention Center	Kansas City ,MO		✓		✓	TBD
Boston Convention & Exhibition Center	Boston, MA				✓	TBD
DeVos Place	Grand Rapids, MI		✓		✓	TBD
Jacob K. Javits Convention Center	New York, NY		✓			TBD
Las Vegas Convention Center	Las Vegas, NV		✓			TBD
Wisconsin Center	Milwaukee, WI		✓		✓	TBD

Source: Trade Show Executive, Respective Venues

The type of supply growth has transformed in recent years to meet planners' needs. Meeting and breakout sessions have become more common during large conventions, thus increasing the need for additional meeting space and/or flexible function space. Several future venue expansions will respond to this trend. The Colorado Convention Center expansion includes an 80,000-square foot ballroom and a 50,000-square foot outdoor roof terrace. The Anaheim Convention Center will add 200,000 square feet of flexible function space suitable for exhibits, banquets, and meetings. The Washington State Convention Center addition will include a 100,000-square foot "flex hall."

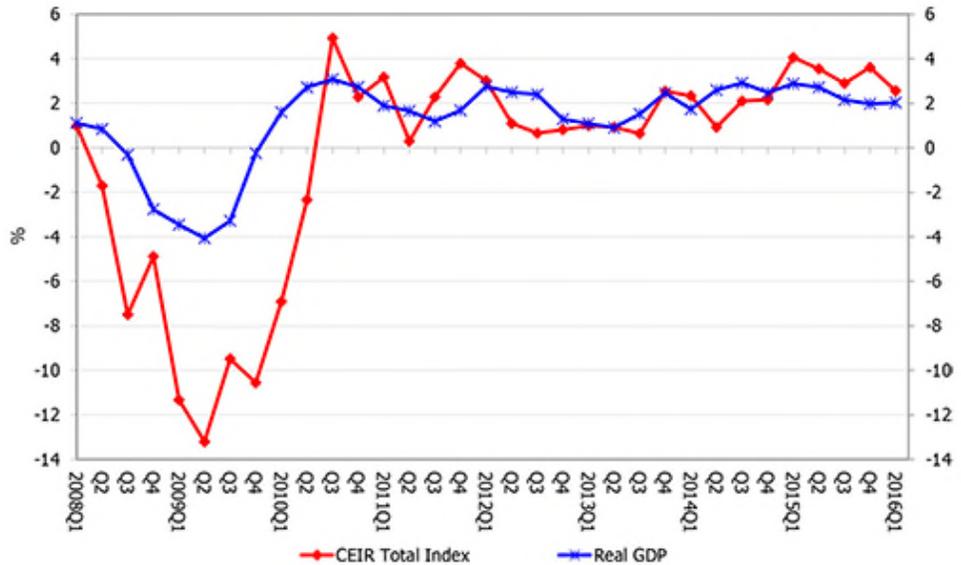
As the industry has matured, meeting planner expectations for service and quality have increased. Recent and planned renovations of both large and small convention centers focus not only on technology improvements, but also on providing high-quality finishes, furnishings, and lighting. Many venues are striving to provide high-quality food and beverage service, requiring larger, more modern kitchens and improved delivery service.

Cities have also recognized that the attendees' experience extends beyond the walls of the convention center. Plentiful, attached, and adjacent lodging has become a key point of comparison for event planners. Adjacent full-service hotel properties not only provide convenient lodging options for attendees, but also additional meeting and banquet spaces for events. Over the past few years, convention markets have recognized the importance of an active and vibrant Convention Center district. Parks, plazas, and retail outlets allow attendees to experience the local atmosphere during breaks, while restaurants, bars, and entertainment venues provide convenient and safe after hours' activities. Houston has recently completed Avenida Houston, an entertainment and cultural district. Avenida Houston fronts the George R. Brown Convention Center and runs from Minute Maid Park to the Hilton Americas Houston hotel. Attractions and amenities include restaurants and night clubs, a 1,000-room Marriott Marquis hotel, public art displays, parking garages, and Discovery Green, a 12-acre urban park. Multiple cities throughout North America are actively pursuing convention center district development to create an appealing destination for meeting attendees, other visitors, and residents.

Demand Trends

The Center for Exhibition Industry Research (CEIR) has created an index of "total" demand in the convention and meeting industry and compared the demand index to the United States GDP. The following figure demonstrates how the combined or "Total" demand index shown in the above chart moves in step with the U.S. GDP.

FIGURE 3-4
GROWTH IN EXHIBITION DEMAND VS. GDP GROWTH (% CHANGE)



Source: Center for Exhibition Industry Research

During the recession, limited funding mechanisms slowed supply growth as demand also decreased. Corporations, associations, and governmental entities decreased total demand for convention and meeting space in 2009, largely due to strained budgets. The year 2010 saw growth in GDP as well as the beginnings of a recovery in the exhibition industry. Subsequent years have seen both steady growth in GDP and continued growth in convention and meeting demand.

Following the national recession, attendance growth at convention venues in North America has lagged exhibition demand, with recovery beginning in 2011 as presented below.

FIGURE 3-5
NORTH AMERICAN GROWTH IN CONVENTION CENTER ATTENDANCE

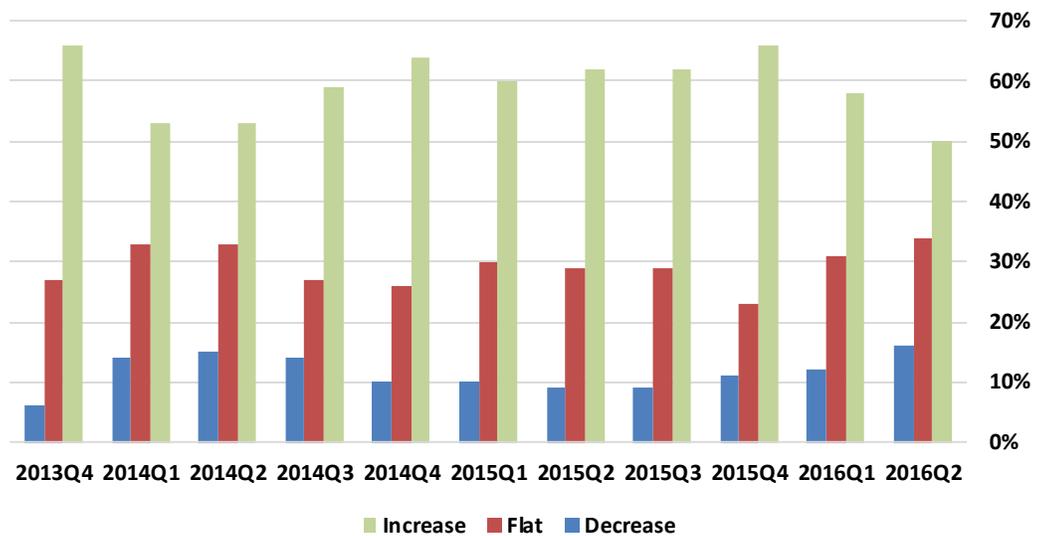
Year	Attendance Growth
2010	-6.3%
2011	6.8%
2012	0.1%
2013	-1.1%
2014	5.1%
2015	-0.8%
2016 Est	1.4%

Source: AIPC 2016 Member Survey

For the five-year period from 2010 through 2015, convention center attendance in North America grew a modest 5.8%. Worldwide growth was nearly 16% with venues in Europe, Australia, and Africa experiencing double-digit growth rates

Meeting Professionals International (“MPI”) regularly surveys event planners to assess attendance forecasts for the coming year, asking them to indicate whether they believe attendance will increase, decrease, or remain flat. The following figure presents the results of these surveys for the past several quarters.

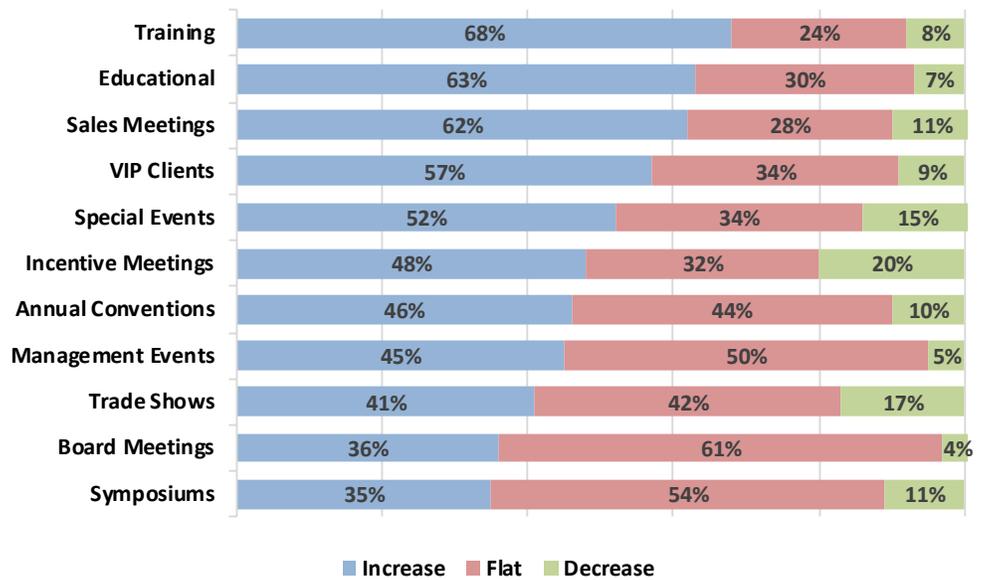
FIGURE 3-6
ATTENDANCE FORECASTS



Source: MPI Meetings Outlook

While most planners expect event attendance to increase, the percentage has decreased in recent months to around 50%. A larger percentage of planners (16%) project attendance decreases, the greatest in recent months. The type of meeting plays an important role in the planners' forecasts. The following figure segments the projected number of events by type.

**FIGURE 3-7
FORECASTS BY EVENT TYPE**

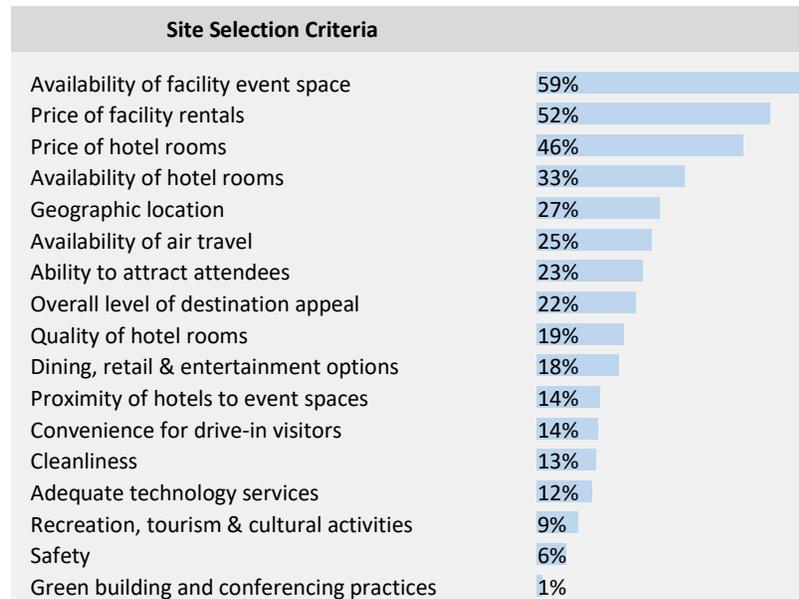


Training, educational events, and sales meetings will see the most increases in events and attendance. As the economy improves, increases in hiring and investment in employees likely drive this trend.

Event Selection Criteria

Over the past several years, HVS has surveyed over ten thousand event planners asking them to identify their top criteria for selecting a city and venue for their events. The following figure presents the summary results of these surveys highlighting the most often mentioned selection criteria.

FIGURE 3-8
SITE SELECTION CRITERIA FOR PLANNERS



Source: HVS

Availability and price of facility rental are the two most often mentioned criteria for selecting an event location. In addition to actual facility size, the survey indicates that site selection is largely based on two other important amenities - hotels and airports. This reaffirms the changing dynamic of the convention and meeting industry that is now focused on reducing costs for the hosting organization and its attendees as well as maximizing accessibility.

Convention and Meeting Trends for the Future

Over the past few decades, the meeting and convention industry has evolved dramatically from a budding industry to a more mature one that has become an important driver of the national economy. As an established industry, the meeting and convention industry has been marked by rapid growth in the last four decades and a subsequent slowdown in supply growth in the late 2000s. The economic recession significantly impacted the level of demand and available budgets for conventions and meetings. In the current decade, the industry continues to evolve as economic recovery occurs.

Changes in Demand and Supply Transformation: As discussed earlier, the maturity of the industry has sharply increased competition. Nearby or attached hotel rooms, flexible meeting space, price points at convention centers and hotels, and airport capacity and rates continue to drive site selection, and thus dictate how supply changes over time. The quality of convention facilities and hotels continues to be an important factor in site selection.

Technology: Technology advancements have shifted the nature and focus of the meetings industry. As attendees become more comfortable with a paperless, digital platform, demand for facility-wide Wi-Fi, greater bandwidth, and even more power outlets has increased. Planners and attendees have less need for generic conference spaces, preferring a more interactive environment with flexible layouts, furniture, and audio-visual capabilities. Technology has also enabled a new level of service from convention venues. Automated assistance devices and apps can put a planner or attendee in direct contact with event service or food and beverage personnel. Quality acoustics and lighting are also becoming increasingly sought-after amenities.

Travel Costs: Organizations hosting and planning events continue to work with tightened budgets, as do attendees. Recent increases in travel costs have decreased the desire to travel for some attendees and exhibitors. In the long run, expansions in the transportation system and continued innovations, as well as improved economic conditions, are likely to support the growth of the meeting industry.

Electronic Meetings: In recent years, industry experts have speculated that improvements in telecommunications technology would supplant the need for face-to-face meetings. While data indicates that some meetings and events have been replaced by webinars or other electronic forms of meetings, electronic meetings act as a demand generator for future meeting growth by expanding the networks and interactions of businesses and organizations. Further advancements in communications technology will be necessary before electronic meeting became a realistic substitute for face-to-face meetings.

Mixed-Use Developments: For many markets, the presence of conference and convention centers offer an opportunity to develop an adjacent mixed-use attraction with land uses such as hotels, retail, dining, sports venues, and other entertainment uses. Some conference and convention centers have become the center of their own “districts,” offering a wide variety of entertainment options to delegates, event organizers, or exhibitors. Attendees prefer districts that offer an authentic city experience. Locally-based businesses that reflect the vibe of a destination are much preferred over chain restaurants and retail stores. The growth of mixed-use developments, particularly as economic conditions improved, will continue to change the meeting and convention industry as supply transforms.

Implications for Dallas

While the pace of growth in convention and event space slowed to a trickle during the recession, recent trends show a return to the development and expansion of venues across the country. Despite the recent economic recovery, the convention and meeting industry remains highly competitive and price sensitive. Some of the recession’s impacts will have lasting effects on the industry such as substitution to electronic meetings and reduced spending by associations and corporate event



planners. But, convention venues can distinguish themselves and overcome downward price pressures. Enhancing overall destination appeal through developing a convention center district is one such method that has been successful in many markets. Delivering a quality in-house food and beverage product is another means. Facility improvements that enhance quality, increase flexibility, and provide state-of-the-art technology in function spaces are necessary elements for future success. The KHBCC would need to make similar efforts to be successful.

5. Comparable Venues and Benchmarking

This analysis of comparable venues provides a basis for our recommendation in improving the Dallas convention center district, building program recommendations, and forecasts of event demand. HVS compares the function spaces, adjacent hotel capacities, and characteristics of the markets relevant to the success of the venues. Our comparable venue analysis concludes with an assessment of the relative strengths and weaknesses of Dallas. We have also benchmarked the Dallas convention center district to five other cities.

The Kay Bailey Hutchison Convention Center (“KBHCC”) competes directly with convention centers in other cities and hotels in the Dallas metropolitan area for a share of local and regional group business. Additional competition for regional and national events comes from convention centers in Texas and in several markets throughout the U.S. Event planners select host cities for their events based on the overall package that a city may offer. Several factors determine a venue’s overall strength and potential in the meetings market. These factors include the attributes of the facility, lodging supply, the economic and demographic profile of the community, transportation access, tourism amenities, and overall destination appeal.

HVS analyzed competitive venues shown in the figure below.

**FIGURE 5-1
COMPARABLE VENUES**

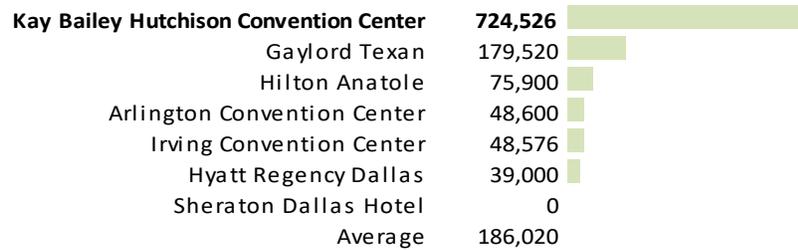
Name of Venue	Location	Total Function Space
Local Area Competitors		
Kay Bailey Hutchison Convention Center	Dallas, TX	888,433
Gaylord Texan	Grapevine, TX	298,781
Hilton Anatole	Dallas, TX	277,196
Sheraton Dallas Hotel	Dallas, TX	211,807
Hyatt Regency Dallas	Dallas, TX	121,395
Arlington Convention Center	Arlington, TX	87,112
Irving Convention Center	Irving, TX	85,279
National Competitors		
Georgia World Congress Center	Atlanta, GA	1,707,785
Ernest N. Morial Convention Center	New Orleans, LA	1,376,119
Anaheim Convention Center	Anaheim, CA	1,133,088
George R. Brown Convention Center	Houston, TX	1,019,000
Cobo Center	Detroit, MI	905,446
Kay Bailey Hutchison Convention Center	Dallas, TX	888,433
Walter E. Washington Convention Center	Washington, DC	872,770
Phoenix Convention Center	Phoenix, AZ	870,690
Pennsylvania Convention Center	Philadelphia, PA	853,679
Colorado Convention Center	Denver, CO	832,698
San Diego Convention Center	San Diego, CA	816,091
Indiana Convention Center	Indianapolis, IN	742,075
Boston Convention & Exhibition Center	Boston, MA	707,423
Salt Palace Convention Center	Salt Lake City, UT	679,477
Americas Center	St. Louis, MO	644,582
Henry B. Gonzalez Convention Center	San Antonio, TX	631,121
Kansas City Convention Facilities	Kansas City, KS	535,910
Music City Center	Nashville, TN	500,593
Austin Convention Center	Austin, TX	364,439
Cox Convention Center	Oklahoma City, OK	153,566

Sources: Respective Venues

**Exhibition Space
Assessment**

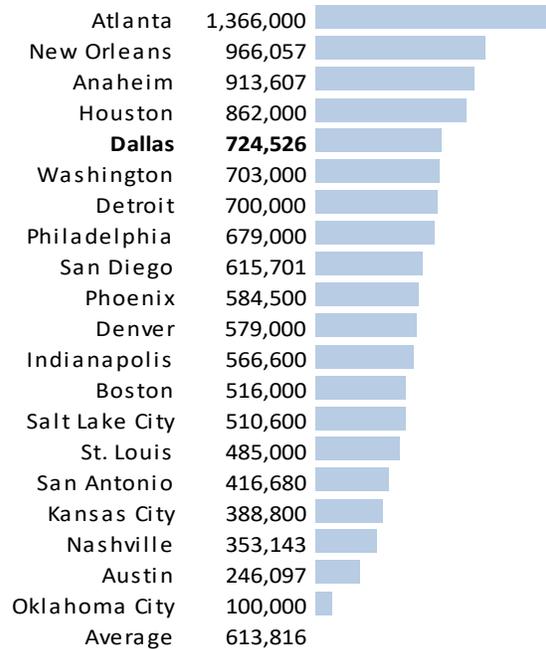
The amount and quality of exhibition space determine the size and type of conventions, tradeshow, and consumer shows that a venue can accommodate. The figures below show a comparison of available exhibition space for those venues that have a dedicated exhibition hall.

FIGURE 5-2
TOTAL EXHIBITION SPACE IN LOCAL VENUES



Source: Respective Venues

FIGURE 5-3
TOTAL EXHIBITION SPACE IN NATIONAL VENUES



Source: Respective Venues

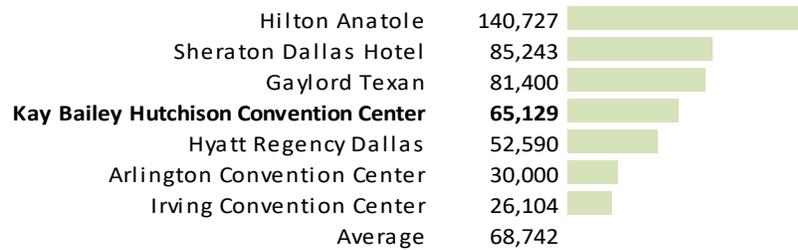
With around 725,000 square feet, the KBHCC offers the fourth largest exhibit capacity in the competitive set of national venues and the second largest in Texas. When compared to local venues, the KBHCC's exhibit capacity is far above its competitors, but these are not necessarily in competition for larger events that need extensive exhibit space.

**Ballroom Space
Assessment**

Social events (such as weddings and fundraisers), conventions, conferences, and tradeshows typically require food services in a ballroom setting. General assemblies at conventions and tradeshows use a ballroom with a theater or banquet set-up.

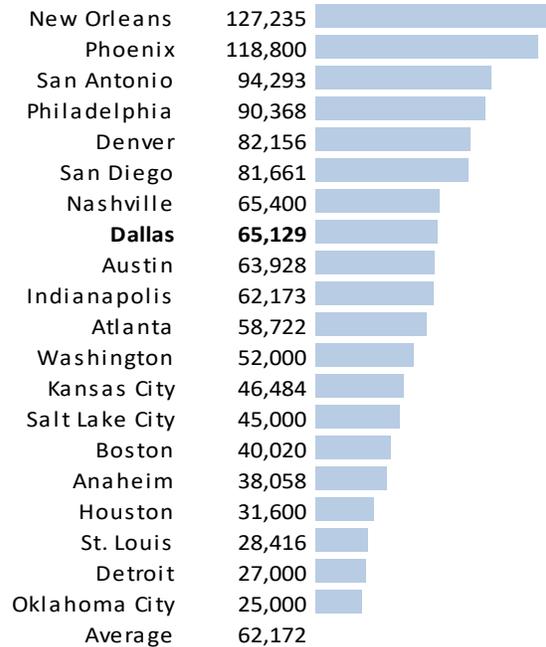
Food service provides a primary source of revenue as event planners seek a higher level of service for their attendees. The size of the ballroom often determines a venue’s event size capacity. The figures below compare available ballroom/ banquet space in the comparable venues.

**FIGURE 5-4
BALLROOM SPACE IN LOCAL VENUES**



Source: Respective Venues

**FIGURE 5-5
BALLROOM SPACE IN NATIONAL VENUES**

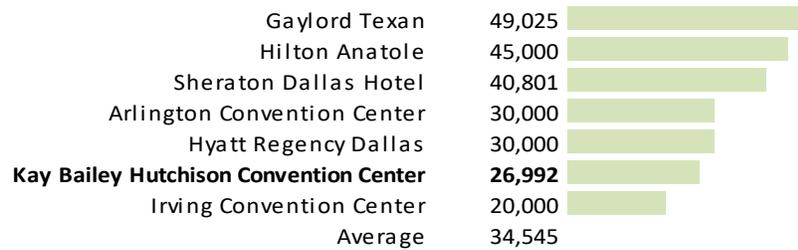


Source: Respective Venues

In the set of national venues, Dallas is slightly above average in ballroom space, but it is below average in terms of local competitors. Large flexible ballroom spaces at the Hilton Anatole, Sheraton Dallas, and Gaylord Texan allow these facilities to compete for large banquet events and small conventions.

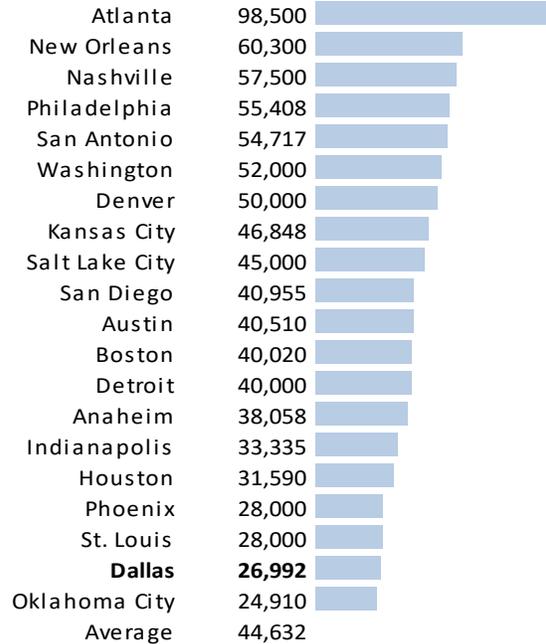
The KBHCC ballroom floor area consists of 3 ballrooms, the largest of which is 26,992 square feet. Therefore, the ranking of total ballroom space overstates KBHCC's capacity to hold larger banquets in a single ballroom. The following figures compare the venues by the largest single ballroom.

**FIGURE 5-6
LARGEST BALLROOM IN LOCAL VENUES**



Source: Respective Venues

**FIGURE 5-7
LARGEST BALLROOM IN NATIONAL VENUES**



Source: Respective Venues

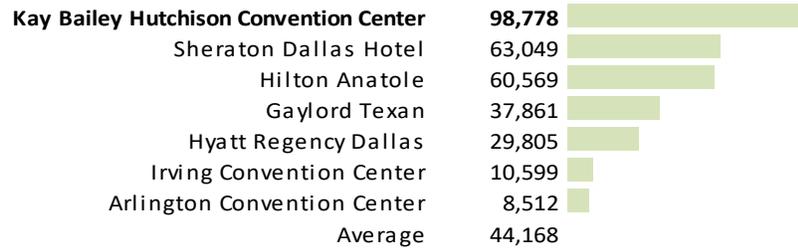
Despite KBHCC's position as approximately average in total ballroom space, its largest ballroom capacity is below average. KBHCC's largest ballroom is second-to-last among both national and local venues.

**Meeting/Break-out
Room Assessment**

Meeting rooms can accommodate sub-groups as they break out of larger general sessions at conventions and tradeshows. Meeting rooms also support self-contained meetings, training sessions, seminars, classes, and other functions. Typically, convention centers offer meeting space proportionate to the amount of exhibition and ballroom space available at the facility. However, the optimum amount of meeting space can vary depending on a facility’s target market. The figures below compare available meeting space in the comparable venues.

FIGURE 5-8

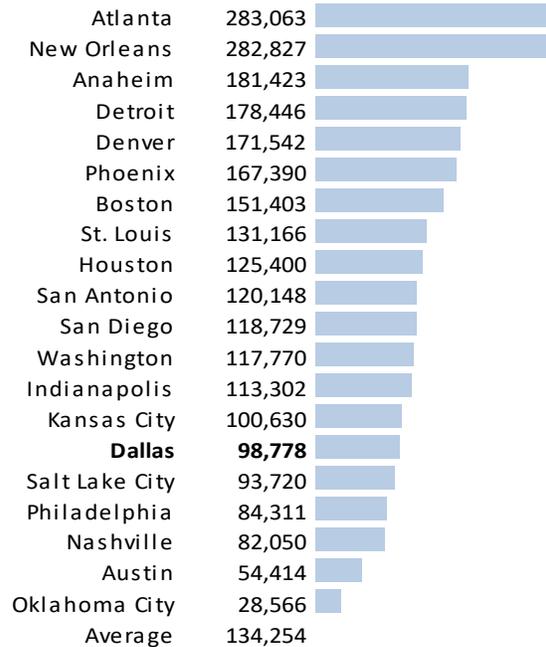
MEETING SPACE IN LOCAL VENUES



Source: Respective Venues

FIGURE 5-9

MEETING SPACE IN NATIONAL VENUES



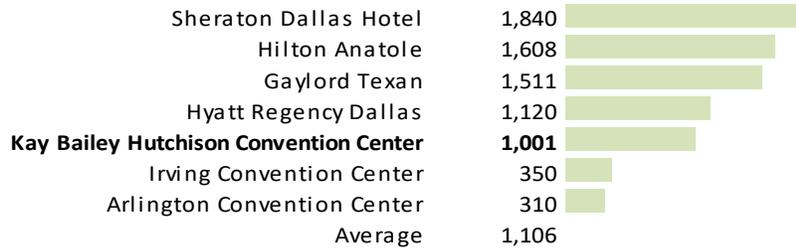
Source: Respective Venues

The meeting space in the KBHCC has more capacity than the competitive hotels in the Dallas market. But compared to regional and national venues, the breakout meeting space at the KBHCC is below average with multiple venues housing significantly more meeting capacity and flexibility, including Houston and San Antonio.

Hotel Capacity

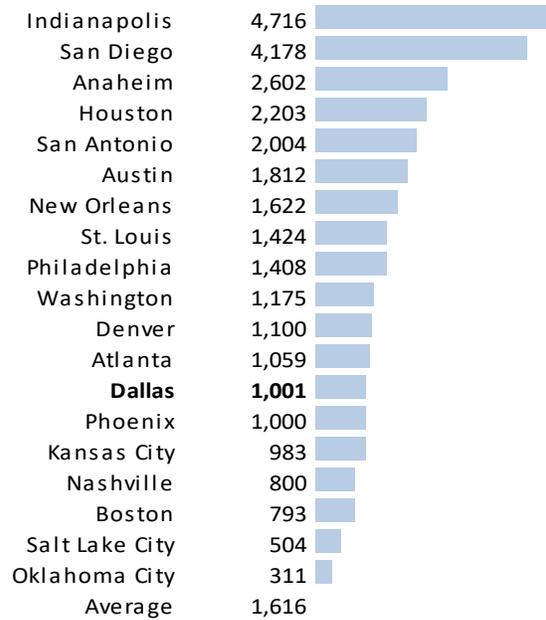
The quality and proximity of hotel supply represent one of the most important selection factors for facility users. To attract out-of-town groups, an adequate supply of nearby hotel rooms should support the lodging needs of delegates, exhibitors, and other attendees. Event planners consider proximity and connectivity as critical factors when evaluating the overall hotel packages available in competing communities. Typically, the number of rooms offered at hotels adjacent or connected to the convention center is the key point of comparison. Other important factors include hotel brands, service levels, building ages, management, ease of access, and available meeting and banquet spaces in these hotels. The figures below compare the number of guest rooms for those venues with connected lodging.

FIGURE 5-10
CONNECTED HOTEL ROOMS IN LOCAL VENUES



Source: Respective Properties

FIGURE 5-11
CONNECTED HOTEL ROOMS IN NATIONAL VENUES

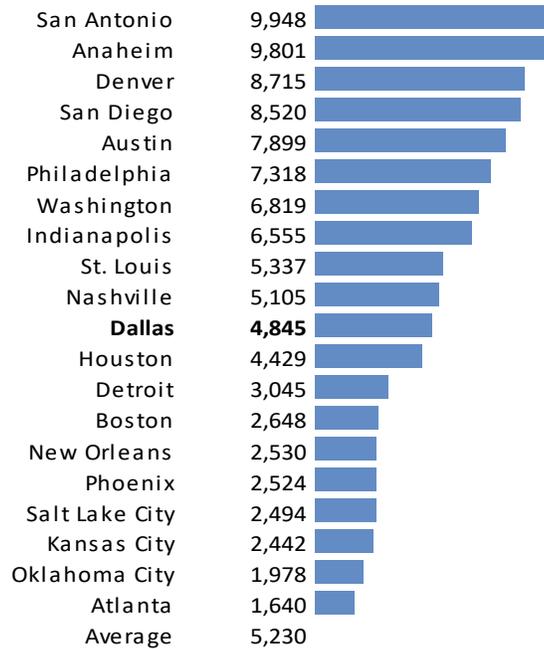


Source: Respective Properties

For the hotels and convention centers with an adjacent or connected hotel property, the number of guest rooms varies without correlation to the size of the market or the size of the convention facility. On average, properties connected to the competitive regional and comparable national venues average around 1,600 guest rooms. Higher room counts in the Sheraton Dallas, Hilton Anatole, and Gaylord Texan allow these local competitors to attract small conventions and events that prefer to be under one roof.

In addition to connected rooms, the availability of hotel rooms within a reasonable walking distance to a stand-alone convention center is a desirable feature for event planners. To better understand the overall hotel package surrounding the KBHCC and its impact on competitiveness, HVS investigated the number of hotel rooms within walking distance to the venue. The following figures compare these values to the comparable set of national convention centers.

FIGURE 5-12
HOTEL ROOMS WITHIN ONE-HALF MILE OF NATIONAL COMPETITORS



Source: STR

The City of Dallas has significantly fewer hotel rooms than San Antonio and Austin but slightly more than Houston. When considering nearby hotel rooms, the KBHCC has a roughly average number of guest rooms within walking distance.

Exhibition Space Ratios

Since many events require exhibit, ballroom, and meeting spaces, these spaces must be appropriately proportioned to support one another. A venue with a large exhibit hall may still lose an event if it does not have the banquet or meeting space necessary for the event. To assess the relative sizes of convention center function spaces, we applied a ratio of meeting and ballroom space to exhibition space for each comparable convention venue. The results are presented in the figure below.

FIGURE 5-13
RATIO OF BALLROOM AND MEETING SPACE TO EXHIBIT SPACE

Venue	Exhibit Space	Ballroom		Meeting Space		Total Function Space Ratio
	Square Feet	Square Feet	Ratio to Exhibit Space	Square Feet	Ratio to Exhibit Space	
National Competitors						
Cox Convention Center	100,000	25,000	25.0%	28,566	28.6%	53.6%
Henry B. Gonzalez Convention Center	416,680	94,293	22.6%	120,148	28.8%	51.5%
Phoenix Convention Center	584,500	118,800	20.3%	167,390	28.6%	49.0%
Austin Convention Center	246,097	63,928	26.0%	54,414	22.1%	48.1%
Colorado Convention Center	579,000	82,156	14.2%	171,542	29.6%	43.8%
Ernest N. Morial Convention Center	966,057	127,235	13.2%	282,827	29.3%	42.4%
Music City Center	353,143	65,400	18.5%	82,050	23.2%	41.8%
Kansas City Convention and Entertainment Facilities	388,800	46,484	12.0%	100,630	25.9%	37.8%
Boston Convention & Exhibition Center	516,000	40,020	7.8%	151,403	29.3%	37.1%
Americas Center	485,000	28,416	5.9%	131,166	27.0%	32.9%
San Diego Convention Center	615,701	81,661	13.3%	118,729	19.3%	32.5%
Indiana Convention Center	566,600	62,173	11.0%	113,302	20.0%	31.0%
Cobo Center	700,000	27,000	3.9%	178,446	25.5%	29.3%
Salt Palace Convention Center	510,600	45,000	8.8%	93,720	18.4%	27.2%
Pennsylvania Convention Center	679,000	90,368	13.3%	84,311	12.4%	25.7%
Georgia World Congress Center	1,366,000	58,722	4.3%	283,063	20.7%	25.0%
Walter E. Washington Convention Center	703,000	52,000	7.4%	117,770	16.8%	24.1%
Anaheim Convention Center	913,607	38,058	4.2%	181,423	19.9%	24.0%
Kay Bailey Hutchison Convention Center	724,526	65,129	9.0%	98,778	13.6%	22.6%
George R. Brown Convention Center	862,000	31,600	3.7%	125,400	14.5%	18.2%
Average			12.2%		22.7%	34.9%

Sources: Respective Venues & HVS

As the industry moves towards large, flexible multipurpose ballrooms, newer and reconfigured venues are producing higher meeting and ballroom to exhibit space ratios. At 22.6%, the KBHCC has one of the lowest ratios of total function space to exhibit space, which is well below the average of 34.9% among national competitors. This analysis suggests that sizes of meeting and ballroom spaces are not sufficiently supporting the venue’s exhibition space. This disproportion could result in losing large events or being unable to accommodate simultaneous events. The above ballroom and meeting space assessments suggest that the KBHCC could benefit from an increase in flexible ballroom and breakout meeting space.

Market Population and Income

Local area population data can provide evidence of a community’s overall economic size and ability to support public services and visitor amenities for convention center users. Because most convention centers primarily target out-of-town users, local area population figures rarely have a direct correlation with overall demand potential. But, population can determine the demand potential for certain types of events such as locally generated corporate meetings, banquets, religious events, graduation ceremonies, and consumer shows. The following figures present MSA

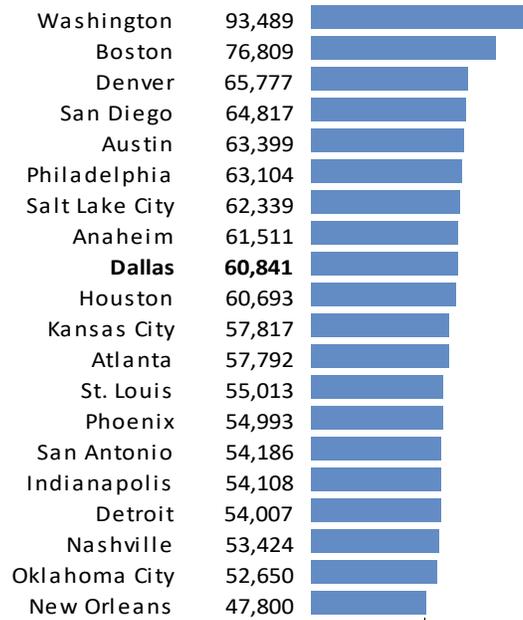
population and median household income data for the markets surrounding the set of comparable national convention centers.

FIGURE 5-14
CITY POPULATION OF COMPARABLE MARKETS (2016)



Source: Esri

FIGURE 5-15
MEDIAN HOUSEHOLD INCOME OF COMPARABLE MARKETS (2016)



Source: Esri

With over 7,000,000 residents, the population in the Dallas market is well above the average for the comparable venues. Median household income, however, is closer to average.

Corporate Comparison

The density and breadth of a city's corporate base indicate demand potential in the meetings industry. Businesses generate demand for conventions, conferences, training, and other industry-specific events. The following figures demonstrate how the area compares with the competitive and comparable markets with respect to the total number of business establishments in the metro area.

FIGURE 5-16
BUSINESS PRESENCE IN COMPARABLE MARKETS (2016)

Market	Number of Businesses	Business Sales (in millions)
Anaheim	558,908	\$1,619
Houston	242,970	\$1,166
Dallas	261,408	\$979
Philadelphia	241,069	\$768
Atlanta	243,249	\$688
Boston	220,096	\$635
Washington	234,982	\$620
Detroit	163,349	\$533
Phoenix	150,364	\$441
New Orleans	57,205	\$364
Denver	121,965	\$342
San Diego	130,760	\$337
St. Louis	111,296	\$333
San Antonio	76,890	\$275
Kansas City	81,386	\$275
Indianapolis	70,078	\$251
Nashville	77,121	\$247
Austin	78,323	\$218
Oklahoma City	54,827	\$167
Salt Lake City	44,866	\$164

Source: Esri

The number of business establishments roughly follows population, but Dallas has relatively more business establishments, rising from fourth to third. Dallas benefits from a stronger business presence than most of its competitors.

Air Service Capacity

Transportation links, including airports, play a critical role in the success of convention centers that target regional and national user groups. As one of the best indicators of an airport’s ability to enhance a convention center’s draw, air service capacity, measured as total annual passenger volume, indicates the relative convenience of a destination. The following figure presents estimated 2016 passenger traffic data for the primary airports serving the comparable venues.

FIGURE 5-17

PASSENGER TRAFFIC AT PRIMARY AIRPORTS IN COMPARABLE MARKETS



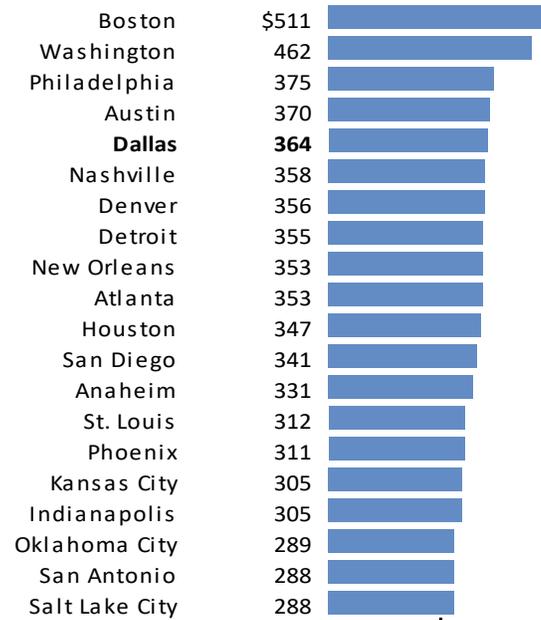
Source: Respective airports

The passenger counts at Dallas-Fort Worth International Airport indicate an elite level of capacity for out-of-state travel. Dallas is a hub for American Airlines and one of the busiest airports in the world by aircraft movements and passenger traffic.

Travel Cost Assessment

Travel costs associated with attending a convention center event can contribute to a facility’s overall ability to attract delegates, exhibitors, and attendees. High travel costs can become a deterrent for certain types of groups in a facility’s potential market whereas low travel costs can be a competitive advantage in attracting certain price-sensitive groups. The following figure compares the Corporate Travel Index (“CTI”) of the comparable markets. The CTI sums the average costs of three primary travel expense categories: hotel accommodations, meals, and car rentals.

FIGURE 5-18
U.S. CORPORATE PER DIEMS



Source: Business Travel News’s Corporate Travel Index (2017)

Visitors to Dallas pay above average per capita travel costs among comparable markets. Dallas is at a disadvantage when trying to attract more price-sensitive groups, such as association, SMERFE conventions, sports competitions, and government meetings in comparison to many cities in Texas and the South. A large portion of the high travel costs can be attributed to high car rental rates and the highest cost for restaurant meals in this comparison.

Dallas’s Market Position

A comparison of Dallas’s destination attributes with its competitors demonstrates Dallas’s standing in the national markets. We compared Dallas among its national competitors on the key destination selection criteria detailed above. We also assessed the nature of the surrounding convention center districts by comparing data on the number of restaurants, retail outlets, and the resident populations. To assess the degree of difference among the destinations in our sample, we standardized the difference between each destination score and the average score of the entire sample using z-scores¹ – this illustrates the relative strength or weakness of each market. See the figure below.

¹ For each criterion, we calculated a z-score, which indicates how many standard deviations a score is from the mean. $Z = (X - \mu) / \sigma$ where Z is the z-score, X is the value of the criteria for a given city, μ is the mean of the values for all cities in the sample, and σ is the standard deviation of the scores.

FIGURE 5-19
COMPARISON OF DALLAS WITH COMPETITIVE CONVENTION DESTINATIONS

Destination	Adjacent Hotel Capacity	Airport Capacity	Hotel Rooms in Walking Distance	Resident Population	Retail Outlets	Restaurants	Travel Cost	Overall Z-Score
Atlanta	(0.5)	2.7	(1.3)	(0.0)	0.2	0.2	(0.0)	1.31
Philadelphia	(0.2)	(0.1)	0.7	2.8	3.1	2.9	(0.7)	1.22
San Antonio	0.2	(0.9)	1.7	(0.5)	(0.3)	0.1	0.8	1.06
Washington	(0.4)	(0.3)	0.6	2.5	1.8	2.0	(1.4)	0.69
San Diego	1.8	(0.4)	1.2	0.9	0.6	0.6	(0.1)	0.65
Denver	(0.4)	1.0	1.3	0.7	0.8	1.1	(0.2)	0.59
Anaheim	0.6	1.8	1.6	(0.4)	(1.0)	(0.9)	0.5	0.32
Indianapolis	2.2	(0.9)	0.5	(0.6)	(0.5)	(0.8)	1.0	0.11
Dallas	(0.5)	1.2	(0.1)	(0.6)	(0.6)	(0.0)	0.1	(0.08)
Houston	0.4	0.3	(0.3)	(0.4)	(0.3)	(0.4)	(0.4)	(0.15)
Salt Lake City	(0.9)	(0.3)	(1.0)	(0.1)	(0.4)	(0.4)	1.1	(0.29)
Phoenix	(0.5)	0.4	(1.0)	(0.3)	(0.7)	(0.8)	0.6	(0.32)
New Orleans	(0.1)	(0.8)	(1.0)	(0.6)	0.3	(0.1)	(0.1)	(0.32)
St. Louis	(0.2)	(0.7)	0.0	(0.4)	(0.8)	(0.8)	0.5	(0.33)
Detroit	(1.2)	0.1	(0.8)	(0.7)	(0.6)	(0.5)	(0.0)	(0.53)
Boston	(0.7)	0.2	(0.9)	(0.2)	0.4	0.2	(3.3)	(0.61)
Austin	0.1	(0.7)	1.0	(0.3)	(0.1)	(0.2)	(0.4)	(0.69)
Nashville	(0.7)	(0.7)	(0.0)	(0.6)	(0.4)	(0.5)	(0.0)	(2.96)
Kansas City	(0.5)	(0.8)	(1.0)	(0.4)	(0.7)	(0.7)	0.9	(3.32)
Oklahoma City	(1.0)	(1.1)	(1.2)	(0.7)	(0.9)	(1.0)	1.2	(4.63)

Sources: HVS, respective airports, Esri, Google Maps, CSL Event Planner Survey, and Corporate Travel Cost Index

Combining all criteria into an overall score for destination appeal, Dallas ranks close to average. In Texas, it is substantially below San Antonio and above Austin, and slightly above Houston. As Houston continues to make efforts to develop its convention district, it could supplant Dallas. Notably, Dallas ranks below average in resident population and retail outlets.

Adjacent Hotel Capacity – We defined adjacent hotel capacity as the total hotel rooms in lodging properties within 0.1 miles of the convention center that could provide a significant room block for convention events. As noted above, the KBHCC has fewer adjacent hotel room capacity than many of its competitors.

Hotel Rooms within Walking Distance – Dallas ranks eleventh among its competitors in the number of hotel rooms that support convention activity. These include hotels that STR classifies as upper mid-scale or better.

Airport Capacity – We measure airport capacity by the number of annual passengers in primary airports in each city. Dallas ranks third behind Atlanta and Anaheim.

Resident Population – A sizable and vibrant resident population positively influences a convention center district by creating active streets and supporting retail, restaurant, and entertainment venues within the district. Dallas’ resident population surrounding the convention center ranks near the bottom of the comparable markets.

Retail Outlets – Dallas ranks 15th in the number of retail outlets within a 15-minute walk of its convention center.

Restaurants – Dallas ranks eighth in the number of restaurants and nightlife establishments within a 15-minute walk of its convention center.

Recent and Planned Expansion

As explained in the Industry Trends section of this report, there are several expansions to convention centers underway that may affect the KBHCC. The following figure shows the convention centers in the national set that are in the process of expansion.

FIGURE 5-20
RECENTLY COMPLETED AND PLANNED CONVENTION CENTER EXPANSIONS

Name of Venue	Location	Year of Completion	Prime Exhibit Space	Prime Meeting and Flexible Space
Cobo Center	Detroit, MI	2015	23,000	90,000
Henry B. Gonzalez Convention Center	San Antonio, TX	2016	75,000	14,077
George R. Brown Convention Center	Houston, TX	2016		25,100
Anaheim Convention Center	Anaheim, CA	2017		200,000
Georgia World Congress Center Authority	Atlanta, GA	2017	TBD	TBD
Music City Center	Nashville, TN	2017	TBD	TBD
Colorado Convention Center	Denver, CO	2019		85,000

Source: Trade Show Executive

These expansions show the trend of demand for meeting and flexible breakout space. Additionally, San Antonio’s expansion of their exhibit space would decrease Dallas’s advantage in this area and possibly lead to increased competition for large events. Several other venues, including the San Diego Convention Center, are also considering expansions that could increase exhibit, ballroom, and meeting space.

CONVENTION MARKET BENCHMARKING ANALYSIS

HVS compared the KBHCC to similar and competing facilities in San Antonio, San Diego, Denver, Anaheim, and Philadelphia. In this analysis, we compared the amenities within walking distance of convention centers, the amenities within the convention center, transportation and parking access, and sales and occupancy taxes that affect visitors. We also looked at the issue of safety and security near the convention center.

Market and Facility Descriptions

San Antonio, the Alamo City, is often regarded as the Heart of Texas. Its illustrious past and its cosmopolitan present have come to symbolize the rich heritage of the state. Millions of visitors are drawn to the city's meandering San Antonio River Walk, the eighteenth-century Spanish missions, and the Alamo. The coexistence of the old and the new makes San Antonio an attractive place to visit. The San Antonio area is part of the greater south-central Texas economic base, which exhibited resiliency during the Great Recession. San Antonio features a variety of industries and employers that represent a cross-section of meeting demand potential including high-tech research and manufacturing, as well as education, health care, defense, and government.

HENRY B. GONZALEZ CONVENTION CENTER



San Antonio is a well-regarded convention city with a good supply of space and hotel rooms. The Henry B. Gonzales Convention Center is the City's principal meeting venue. In January 2016, a \$325-million expansion of the Convention Center was completed, which increased the venue's capacity to over 1.6 million square feet. The booked events and room nights show that the convention center will be reaching historical levels of occupancy. Currently, a new entrance is under construction as part of a mixed-use development that will bring significant residential, retail and an eight-acre park to downtown San Antonio.

San Diego is a coastal California city located in the southwestern corner of the continental U.S. It is the second-largest city in the state and the eighth largest in the U.S. In addition to information and communications technologies, the economy of San Diego is influenced by its port, which includes the only major submarine and shipbuilding yards on the West Coast, as well as the largest naval fleet in the world. Due to San Diego's military influence, major national defense contractors are headquartered in San Diego. Tourism is also a major industry, owing to the city's favorable climate and attractions.

SAN DIEGO CONVENTION CENTER



The San Diego Convention Center ("SDCC") is the premiere facility for conventions and trade shows in San Diego, and the venue attracts national and international associations and corporate events. The SDCC opened in 1989 and underwent an

expansion that roughly doubled its size in 2001. In Fiscal Year 2015, the SDTA booked events that generated over one million room nights. In the calendar year 2015, the building achieved a 68 percent occupancy. It is home to several nationally and internationally renowned events including San Diego Comic-Con International, the American College of Cardiology Scientific Session, the National Safety Council Expo, Cisco Live!, and the Esri User Conference.

Denver is the capital and most populated city in Colorado. It is located at the eastern edge of the Rocky Mountains which reach higher than 14,000 feet. Denver has a diverse economy supported by the government, hospitality, banking, telecommunications, high-tech, and retail sectors, among others. Lockheed Martin, United Airlines, Comcast Corporation, CenturyLink, and JBS Swift & Company represent some of the largest private employers in the Denver metropolitan area. The healthcare sector also has a strong presence in the region, including the University of Colorado Health, Children's Hospital, Banner Health, and Saint Joseph Hospital. The federal government plays a significant role in the local economy, with significant presence at the Federal Center, at Buckley Air Force Base, and in Downtown Denver.

DENVER CONVENTION CENTER



The Colorado Convention Center was built in 1990 on the western side of Downtown Denver. A \$340-million expansion that almost doubled the size of the

center was completed in 2004. The facility's Bellco Theatre, formerly known as the Wells Fargo Theatre, underwent a \$3-million, five-year renovation project that was completed in 2012. In 2015, Denver voters approved a ballot measure to fund an additional expansion of the Colorado Convention Center. The expansion, which is approved for \$100 million in financing between the Convention Center and National Western Complex, is expected to include new flexible meeting and ballroom space, 120,000 square feet of new pre-function space, and a new 50,000-square-foot outdoor terrace. Although Visit Denver expects the expansion to be completed in 2019, details regarding the project have not been finalized.

Large citywide convention bookings decreased in 2015, but demand rebounded in 2016 due to the city's attractive convention package and its attached 1,100-room Hyatt Regency. The addition of the new Downtown hotels over the next few years, coupled with the planned renovation and expansion of the Colorado Convention Center, should allow the convention center to target and host larger convention groups in the near term.

Philadelphia has a remarkable history and is known for its many historical landmarks that date back as far as the 1600s. Today, Philadelphia is known for having a major commercial, educational, and cultural presence. The city is home to the University of Pennsylvania and has a significant healthcare sector, including Thomas Jefferson University Hospitals, Main Line Health system, Magee Rehabilitation Hospital, Hahnemann University Hospital, and St. Christopher's Hospital for Children.

PENNSYLVANIA CONVENTION CENTER

Centrally located within a four-hour drive of roughly 40% of the U.S. population, the Pennsylvania Convention Center (“PCC”) in Downtown Philadelphia is the premier location for conventions and meetings in the Northeast Corridor. A \$787-million expansion of the PCC completed in March 2011 increased the size of the building by 62% and made it the largest exhibit space and ballroom in the Northeast. The PCC is proximate to Pennsylvania Academy of Fine Arts, which features Lenfest Plaza, an open-air pavilion. Many famous cultural institutions and arts venues are accessible along Benjamin Franklin Parkway. In addition, the PCC facility is physically connected to a regional rail station, a shopping mall, a microbrewery, and a farmers' market. In 2013, the PCC hired a new management company, SMG, and it reports hosting almost 250 events per year.

Anaheim, and the adjacent city of Garden Grove, is part of the greater Orange County economic base, which is composed primarily of service-oriented firms, most predominantly those engaged in entertainment, public education, and manufacturing. Anaheim is the 10th largest city in California. It is home to the original Disney theme park. Walt Disney Corporation is the largest employer in Orange County; as such, it is one of the largest demand generators in the region. The Anaheim Convention Center had an outdoor expansion of the Grand Plaza in December 2012 and plans are underway to add an additional 200,000 square feet of meeting and “flex” space in 2017.

ANAHEIM CONVENTION CENTER



The Anaheim Convention Center's large number of breakout rooms, extensive exhibitor space, and outdoor spaces enable the facility to hold large events. The 200,000-square-foot expansion and the addition of new hotel supply in the market will help secure convention bookings. These developments, coupled with anticipated improvements at the Disney theme parks, result in a positive outlook for the future of the Anaheim convention market. The NAMM (National Association of Music Merchants) is the facility's signature event, drawing over 95,000 visitors.

Hotel Package

As explained above, hotel supply is a crucial factor for facility users. The key point of comparison is hotel rooms attached or in walking distance, but quality is also important. The following figures show the number and quality of hotel rooms within walking distance of the hotel and the number of rooms in the greater market.

FIGURE 5-21
HOTEL ROOMS WITHIN ONE-HALF MILE

District	Luxury	Upper Upscale	Upscale	Upper Midscale	Other	U/C*	Total Rooms
San Antonio	1,379	4,102	1,305	1,577	1,585	0	9,948
Anaheim	0	3,192	2,958	1,087	2,564	0	9,801
Denver	755	4,734	2,159	351	110	606	8,715
San Diego	1,787	5,304	583	103	426	317	8,520
Philadelphia	882	3,108	1,642	773	512	401	7,318
Dallas	0	2,772	929	176	694	274	4,845

*Under construction

Source: Esri

FIGURE 5-22
HOTEL ROOMS IN GREATER MARKET (AS OF 2016)

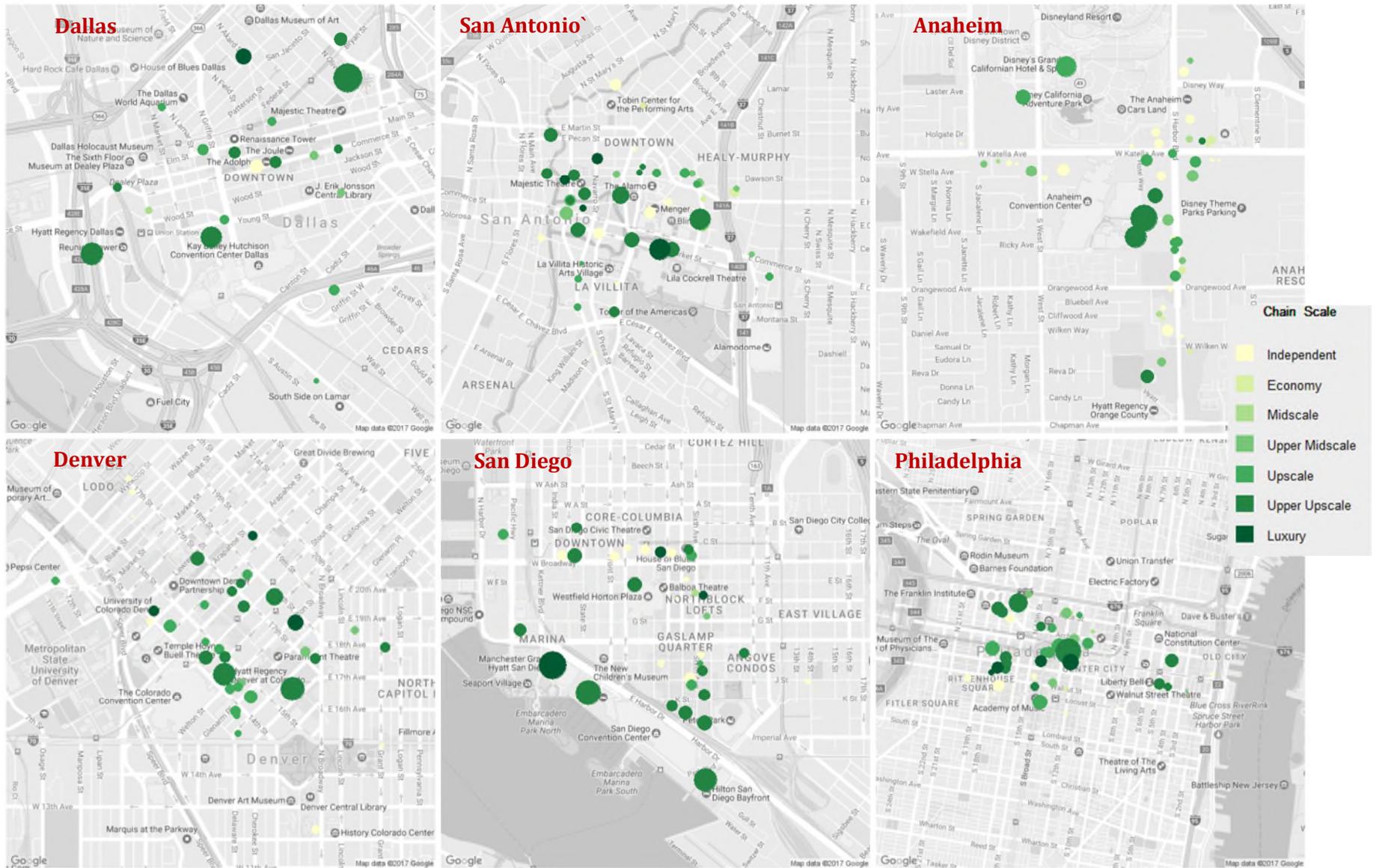
Market	Luxury	Upper Upscale	Upscale	Upper Midscale	Other	Rooms
Dallas	3,000	19,100	15,900	12,400	30,800	81,200
Anaheim	2,100	12,900	13,100	10,300	17,800	56,200
Philadelphia	1,400	10,100	13,700	9,700	11,800	46,700
San Antonio	3,700	7,100	7,400	9,600	17,500	45,300
Denver	1,800	11,100	10,900	8,800	12,100	44,700
San Diego	4,300	13,400	9,200	5,500	8,200	40,600

Source: Esri

Within a one-half mile radius of the convention center, Dallas has the fewest total hotel rooms and the fewest room in the Upper Upscale and Upscale chain scales. This area also lacks any luxury hotels. In addition, many hotels that could be used for room blocks are more spread out than ideal for planners and require shuttle service. Dallas has the most hotel rooms in the greater market due to the inclusion of surrounding cities such as Arlington, Irving, and Frisco.

The following figures illustrate the hotel supply in walking distance of the benchmark convention centers.

FIGURE 5-23
LOCATION OF PROXIMATE HOTEL PROPERTIES – COMPARABLE MARKETS



Despite its proximity to downtown Dallas, the KBHCC has a smaller room supply than the benchmark districts. All the markets support transient and group business demand, but unlike Dallas, the other benchmark cities support more leisure demand, which supports hotel supply. Anaheim has the Disney attractions, San Antonio has the Riverwalk, San Diego has the Gaslamp Quarter District, and Philadelphia has a dense and historic downtown. The Colorado Convention Center is near the Denver Performing Arts Complex, the Auraria Campus, which hosts multiple colleges and other downtown attractions. While hotel supply in downtown Dallas is substantial, like the restaurants, nightlife, and Arts District, it is located relatively further away from the convention center.

Facility Amenities

Amenities in convention centers are becoming more important as attendees and planners are looking for an experience. Wi-Fi and charging capabilities are a necessity, and the ability to stream or broadcast during events is a growing request. The following figure shows examples of amenities offered in the benchmark conventions centers.

**FIGURE 5-24
FACILITY AMENITIES**

District	Business Center	F&B	Internet	Other
Dallas	N/A	N/A	Cyber cafes	N/A
San Diego	FedEx	Starbucks. Tides Restaurant.	Free Wi-Fi in the ground level lobby areas and in Tides Restaurant.	Guest services professions, portable charging stations, and nursing station.
Philadelphia	FedEx	EcoGrounds. Overlook Cafe	Complimentary on all public concourses and the Overlook Cafe. Service is available throughout the facility.	Florist, nursing station.
San Antonio	UPS	3 cafes from the in-house catering group.	Wi-Fi in all public spaces. Cyber Cafes (internet/email stations).	Way-finding kiosks in each meeting room, nursing station.
Denver	UPS	Which Wich.	Ability to order Wi-Fi as individual or event.	Gift shop, Visit Denver info desk, and nursing station.
Anaheim	C2 Print & Ship	N/A	Cyber cafes - internet/email stations.	N/A

Source: Respective websites

We understand the KBHCC is currently undertaking technology upgrades through its technology partner, Smart City. The KBHCC could benefit from the addition of a business center and an expansion of guest technological services.

Community Amenities

HVS studied the available district amenities within a 15-minute walk-time of each of the benchmark convention centers. We used Esri to search for businesses that fall under one of the following three categories:

Retail trade – This category includes electronic stores, food and beverage stores, health and personal care, clothing and accessories, hobby and bookstores, and other miscellaneous stores. Retail businesses account for the needs attendees may have for essential goods, as well as the shopping interest of attendees and their partners and families.

Restaurants and nightlife – This category includes full-service and limited-service restaurants, snack and non-alcoholic beverage bars, and bars, lounges, taverns, and nightclubs.

Arts, entertainment, and recreation – This category includes several leisure attractions that are commonly available in city centers. While convention center attendees may not be able to make use of most or many of these, they serve as a proxy for vibrancy, activity, and cultural offerings of a given area. This can include performing arts, spectator sports, museums and zoos, historical sites, amusement parks, and casinos.

The following tables show how Dallas compares in terms of retail, restaurants and nightlife, and arts, entertainment, and recreation to the benchmark convention districts.

**FIGURE 5-25
RETAIL IN BENCHMARK CONVENTION CENTER DISTRICTS**

District	Venues	Sales (millions)
San Diego	61	\$564
Anaheim	9	255
Denver	85	136
Philadelphia	135	120
Dallas	34	71
San Antonio	49	56

**FIGURE 5-26
RESTAURANTS AND NIGHTLIFE
IN BENCHMARK CONVENTION CENTER DISTRICTS**

District	Venues	Sales (millions)
San Diego	368	\$431
Philadelphia	615	361
Denver	370	351
San Antonio	207	288
Anaheim	79	230
Dallas	146	128

**FIGURE 5-27
ARTS, ENTERTAINMENT, AND RECREATION
IN BENCHMARK CONVENTION CENTER DISTRICTS**

District	Venues	Sales (millions)
Philadelphia	805	\$1,230
Denver	329	995
San Diego	328	613
San Antonio	196	396
Dallas	96	278
Anaheim	53	87

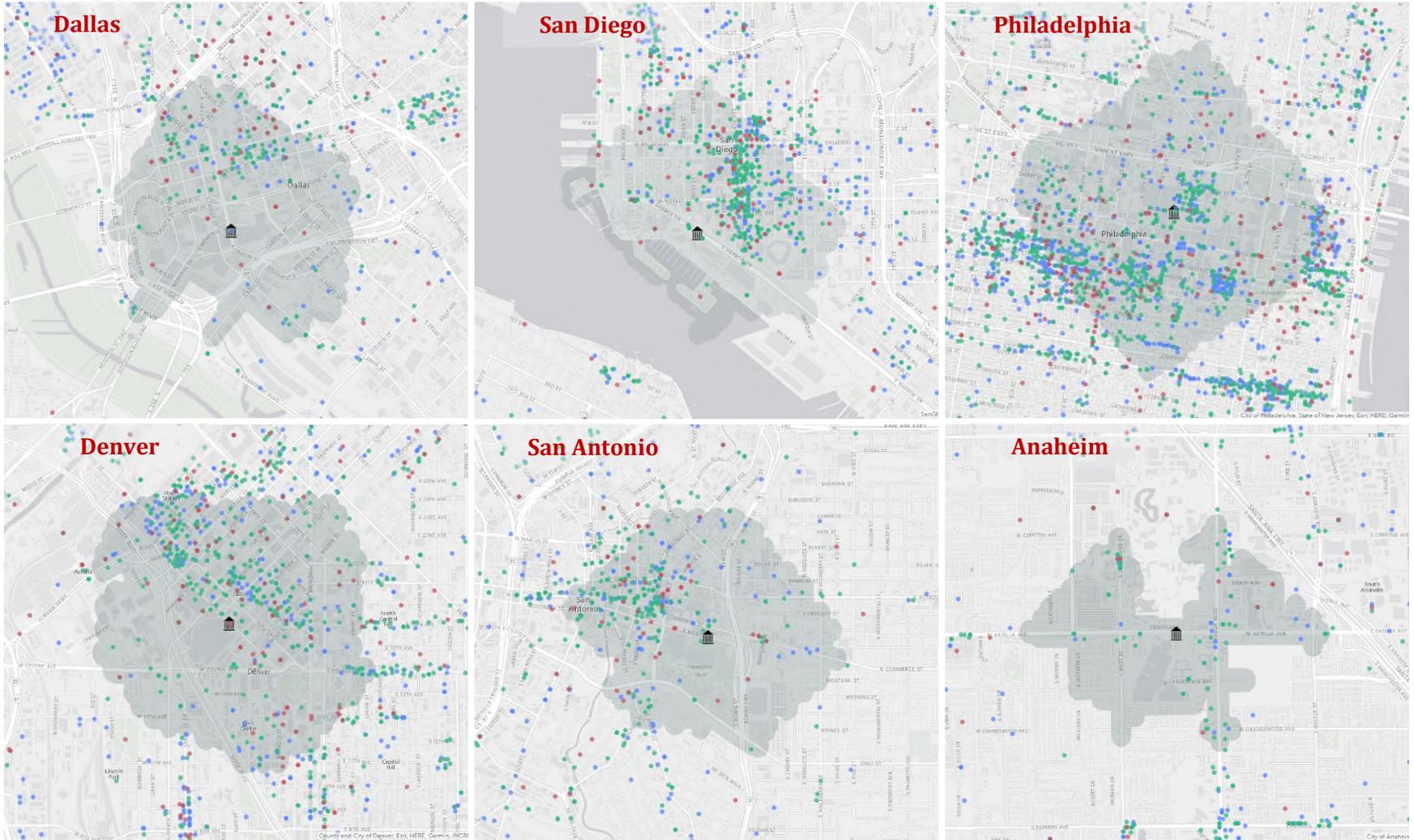
Dallas is last or penultimate in all three categories, indicating that a large part of the city’s amenities is located outside of a 15-minute walk-time.

The following figures display the quantity and density of amenities in these benchmark convention districts.

FIGURE 5-28

LOCATION OF PROXIMATE AMENITIES – BENCHMARK

- Retail
- Restaurants & Nightlife
- Arts, Entertainment, & Recreation



While Dallas has significant amenities in its downtown neighborhoods,, these are mostly concentrated north of the convention center. Although within walking distance, the pedestrian connections to restaurants, retail, and entertainment establishments are unattractive and forbidding. San Antonio and Philadelphia have more cultural and historical amenities to offer, and San Diego and Denver simply have a higher density of shopping, restaurants, and entertainment options. Anaheim, while the weakest in density, benefits immensely from proximity to the Disney parks.

Neighborhood Safety

Safety and security are oft-cited concerns with the immediate area around the KBHCC. The following figure shows the ranking by crimes per 100,000 persons for the convention center neighborhoods and cities.

**FIGURE 5-29
SAFETY RANKING**

City	Convention District	Average Rank	City	Average Rank
Anaheim	3,812	1	3,236	5
San Antonio	3,252	2	5,617	1
San Diego	1,867	3	2,481	6
Denver	1,682	4	4,204	2
Philadelphia	1,671	5	4,176	3
Dallas	1,654	6	4,134	4

Source: FBI Uniform Crime Reports, Areavibes.com

Dallas is the lowest in terms of crimes committed in the convention center neighborhood. We note that perception of safety often operates independently of what statistics may reveal. The overall city crime rates diverge from crime rates in convention districts. In order to quell the insecurities of planners and attendees, the most ground could be gained in managing perception through marketing, renovating and improving the surrounding area, or otherwise addressing the need for cosmetic markers of safety.

Tourism Taxes

Taxes also affect an attendee’s expected expenses and overall experience. Several cities have instituted taxes that target spending by tourists to help fund tourism-related development, destination marketing efforts, and other city initiatives. Planners may also consider several tourism-related taxes when comparing venues in different cities.

FIGURE 5-30
TAXES (%)

City	Sales and use	Hotel occupancy	Admission / amusement	Prepared food % beverage	Average effective auto rental
San Antonio	8.13	17.00	-	-	16.37
Anaheim	7.75	17.00	-	-	11.80
Philadelphia	8.00	15.50	5.00	-	12.00
Dallas	8.25	15.00	-	-	15.90
Denver	7.65	14.85	10.00	8.00	14.63
San Diego	7.75	12.50			11.00

Source: Respective cities, respective states, taxfoundation.org, HVS

While sales and use taxes are relatively consistent among the benchmark districts, lodging taxes can vary significantly. At 15%, Dallas is in the middle among the benchmark districts. When compared to competing cities in the state of Texas, Houston (17%) and San Antonio (17%) have higher hotel taxes, while Austin (9%) is lower. Only Denver and Philadelphia have specific taxes that would affect admission to convention and other amusement events, and only Denver has a distinct tax on prepared meals beyond a sales tax. San Antonio and Dallas have high car rental tax rates compared to the other convention districts.

**Conventions and
Visitors Bureau
Budgets**

Conventions and Visitors Bureaus (CVBs), usually public or non-profit entities, are the official destination marketing organizations for a region. CVBs also serve as the primary sales and marketing agency for a city’s convention center. They may also book non-convention events that require city-wide participation and coordination. A CVB’s budget typically allocates funding to a variety of priorities including sales, marketing, business development, client services, and promotions. The following figure compared the benchmark cities by budget and the size of hotel market that they serve.

FIGURE 5-31
CVB BUDGET COMPARISON

City	Budget (\$ millions)	Market	Hotel Rooms	\$ Per Hotel Room
San Diego	34.2	San Diego Region	39,000	877
San Antonio	23.3	City of San Antonio	41,000	568
Denver	23.2	City & County of Denver	46,000	504
Philadelphia	19.9	City of Philadelphia	17,000	1,171
Dallas	15.0	City of Dallas	35,000	429
Anaheim	14.5	Anaheim & Orange County	58,000	251

Source: Respective websites and annual reports, STR, and HVS

**Parking and
Transportation**

Visit Dallas has the second lowest budget of the benchmark set but is also responsible for the second lowest volume of hotel rooms. The San Diego Tourism Authority has the highest budget, which includes public and private funding, and the second highest rate per hotel supply. The Philadelphia CVB has a median budget, but is responsible for the fewest hotel rooms, servicing only the City of Philadelphia and the convention center.

The ability to access a venue is a necessary aspect of attracting attendees. Parking and transportation affect not only how attendees reach a convention center, but their access to other parts of the city in their free time. Parking is also necessary for local visitors and attendees that rent cars. Also, parking can restrict a venue’s ability to attract regional and in-state events in which a large portion of attendees arrive via driving.

**FIGURE 5-32
PARKING AVAILABILITY**

City	On-site Parking	Parking Garages within 1 mile
Anaheim	3,500	12
San Antonio	3,000	99
Philadelphia	2,400	331
San Diego	1,900	187
Dallas	1,400	177
Denver	1,000	273

Source: Respective venues, MapQuest Search API

Despite a substantial number of parking garages, Dallas is below average in nearby parking.

The following compares convention centers by several characteristics that indicate the proximity and popularity of public transportation.

**FIGURE 5-33
PUBLIC TRANSPORTATION RANKING**

	Within 0.5 miles			% Use Public Transportation*	Average Rank
	Rail Lines	Bus Lines	Bikes Share Stations		
Philadelphia	10	10	10	19%	1
Denver	3	10	10	5%	2
San Antonio	0	10	10	3%	3
San Diego	3	5	0	4%	4
Dallas	5	8	0	3%	5
Anaheim	0	5	0	3%	6

*By workers within a 30 minute drive

Source: Esri, Google Maps, Walkscore.com

Philadelphia has by far the best public transportation of this group; due to its density and infrastructure, the Philadelphia district has the most rail and bus lines and the most-used transportation system. Dallas is only above Anaheim, though DART (Dallas Area Rapid Transit) light rail has a station beneath the KBHCC that can take visitors to Downtown and the Arts District in 15 to 20 minutes. Section 2 of this report outlines the D2 Project for a second light rail system through Downtown Dallas and a proposed streetcar system. These developments would dramatically improve public transportation options for KBHCC attendees.

**Conclusions and
Implications for Dallas**

A study of competitive and comparable cities and venues can indicate an appropriate recommendation for the KBHCC and the Dallas convention district.

- With around 725,000 square feet of exhibition space, the KBHCC houses one of the largest exhibit spaces in the country. However, Dallas is weak in its ratio of ballroom and meeting space compared to its competitors. This limits the facility’s ability to support events that have large exhibition requirements and require significant ballroom and breakout meeting space.
- Recent and ongoing expansions in competing cities indicate a trend toward more breakout and flexible, multipurpose spaces. Event planners continue to look for venues that can offer flexible spaces and configurations.
- The attached Omni Hotel is well-regarded, but with relatively few suitable hotels near the KBHCC, Dallas is only average when comparing the number of hotel rooms within walking distance to its national competitors and weak when compared to the benchmark districts.
- Dallas’ metro population, strong corporate presence, and convenient airlift suggest increased opportunity to attract group meeting business.

- In terms of its convention center district, Dallas is average or below average in residential presence, retail, and restaurants and bars compared to national competitors. It is weak compared to the benchmark districts, suggesting a less vibrant and active area for event attendees to spend their off hours.
- Dallas could benefit from increased development closer to the KBHCC, improved walkability to the high amenity areas, or improved transportation to the active corridors and the Arts District. While transportation currently exists via DART making this more appealing or providing shuttle service could encourage attendees.
- While safety is an oft-cited issue at the convention center, it compares favorably statistically to the benchmark convention districts. Improvements to the perception and aesthetics of the surrounding area could mitigate planner concerns.

6. Focus Group and Survey Findings

Focus Group Overview

HVS personnel moderated two focus group sessions hosted by VisitDallas and the Professional Convention Management Association (“PCMA”). Event planners attending the focus groups represented a variety of corporations and associations. The focus groups covered multiple topics regarding event planner preferences, needs, challenges, and specific impressions of Dallas and the Kay H. Bailey Convention Center (“KBHCC”) as an event destination. HVS and other moderators guided discussions through specific questions but welcomed open discussion and honest feedback from event planners. To ensure candor, VisitDallas team members were not present for discussions.

Key Findings

With respect to general event planners needs, preferences, and perceptions of convention venues, event planners provided the following opinions.

- Most event planners cited costs as the most important considerations when selecting a destination. They noted that they experience the greatest cost fluctuation in internet and labor costs. Transportation costs are an issue in some cities, notably Chicago, Boston, and Los Angeles.
- Hotel rates are as important as venue costs. Some cities’ rates are too high to negotiate a suitable room block agreement, while others have excess room inventory and a room block agreement is unnecessary. Second-tier markets are becoming more attractive alternatives as are limited service properties and Airbnb channels.
- Convention centers struggle to provide adequate bandwidth for event Wi-Fi needs which are continuously expanding. Planners and attendees are also requesting technology to improve registration, climate control, and other services. Generational changes in the industry are real, and adjusting technology to meet the needs of the younger generation is an issue.
- On a scale of one to ten, event planners rated the importance of an attractive convention center district as an eight. Nearby restaurants, retail shops, and other activities make a destination more attractive. Attendees look for an authentic experience that reflects the local destination. Perceived safety is an issue in some cities with large homeless populations.
- Strong destination appeal can balance more negative aspects of a destination, such as high cost and lack of airlift.

Other discussion focused on Dallas and the KBHCC. Key findings include the following.

- When asked to rank Dallas' attractiveness (from one to ten) as a destination, planners gave an average rank of five. According to planners, Dallas does not have a brand or perception that resonates with event attendees. Dallas has a lack of impression rather than a negative impression. Dallas is a cost-effective destination but lacks uniqueness.
- Planners feel that the KBHCC's interior is dated and too spread out. Planners would like to see more flexible room layouts, new food and beverage options, improved interiors, and the additional of flexible lounge spaces
- Planners noted that the homeless population surrounding the bus station and McDonald's is a problem for attendees and blocks pedestrian access to other areas of downtown Dallas. They would also like more transportation options from the Center and throughout downtown. Light rails and skywalks would help address connectivity issues.
- More amenities within walking distance of the KBHCC are needed, including restaurants, "grab and go" food vendors, pop-up concession and food trucks, unique retail, pharmacies, and green spaces. Planners recommend relocating the cemetery and Pioneer Park to make way for these developments.

Survey Overview

HVS designed and conducted a survey of event planners to provide a basis for building program and convention district improvements recommendations. The survey also provided an indication of event planner interest locating events in Dallas, which is useful in assessing the potential demand for the KBHCC.

HVS collected contact information event planners from VisitDallas. HVS successfully sent emails to 1,465 of the event planners on this list. The email introduced the purpose of the survey and provided a link to the web-based survey. There were 129 responses for an overall response rate of 8.8%. The true response rate is unknown because spam filters may have blocked a significant number of emails.

The following summary of responses highlights key results.

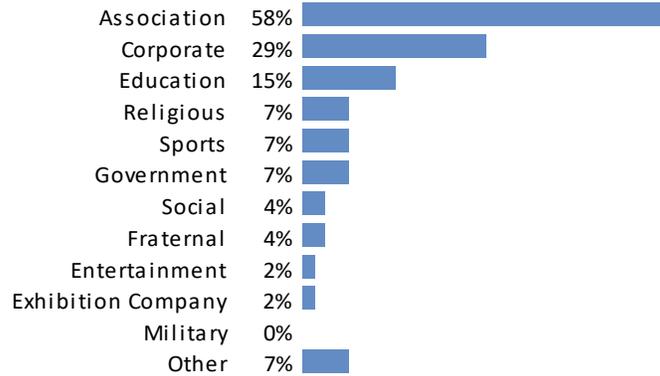
Survey Respondents

To indicate whether this group of respondents fairly represents a cross-section of the meetings industry, HVS collected data on the type of organization they represent and the types of events they plan.

Survey respondents represent 27 states with just 14% residing in Texas. Other well-represented places of origin are California, Illinois, and Washington D.C.

To understand the types of organizations responding to the survey, HVS asked respondents to describe the organizations they represent. Respondents may represent more than one type of organization, as shown in the figure below.

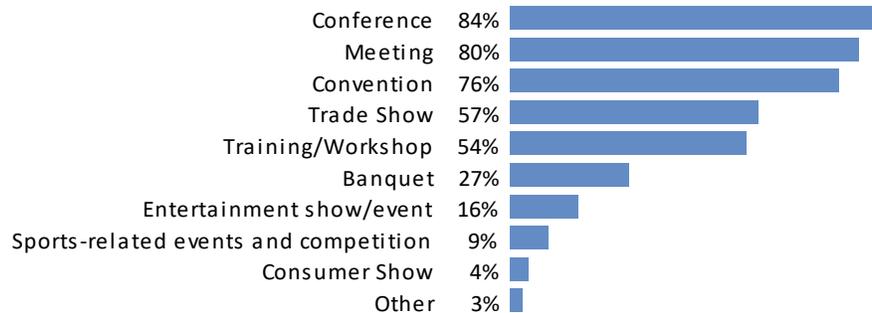
**FIGURE 5-1
RESPONDING ORGANIZATION BY TYPE**



Event planners representing associations make up 58% of the sample, followed by those representing corporations (29%). SMERF (social, military, educational, religious and fraternal) events make up in total 29% with education being the highest of these at 15%. The sample obtained through this survey appears to reflect a broad cross-section of event planners that are typical of the make-up of the regional meetings industry.

HVS asked event planners to identify the all the types of events they plan.

**FIGURE 5-2
TYPES OF EVENTS PLANNED**



Meeting planners organize a wide variety of event types. Planners cited conferences, meetings, and conventions most often. A lower percentage of event planners plan trade shows and trainings/workshops.

Past Events

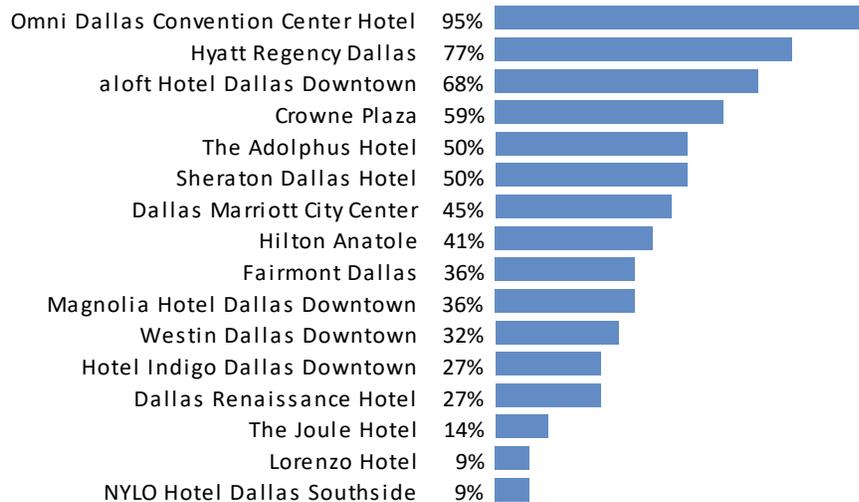
HVS asked event planners if they had planned an event at the KHBCC during the past five years. See the figure below.

**FIGURE 5-3
EVENT HELD DURING PAST 5 YEARS**



A higher percentage of respondents have not held an event at the KHBCC during the past five years. For those planners who responded “yes” to the above question, HVS asked them to identify the hotels that participated in their hotel room block.

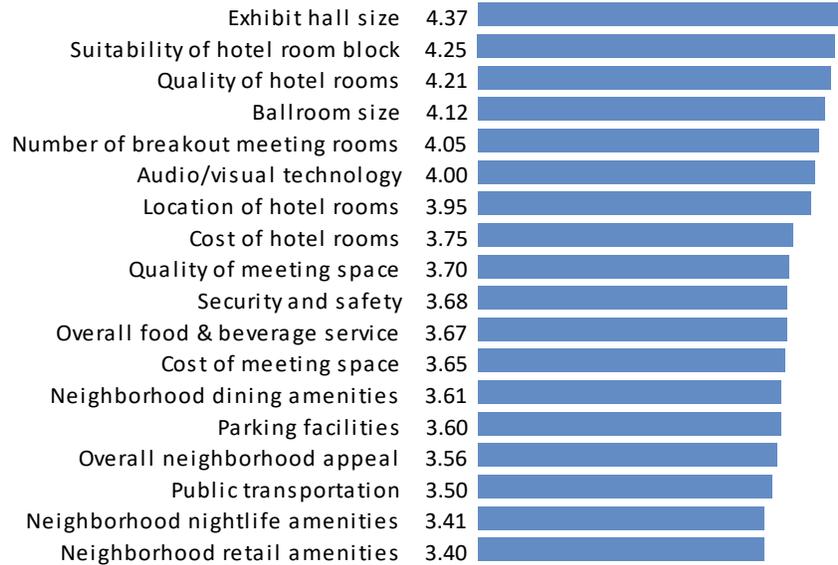
**FIGURE 5-4
HOTELS IN ROOM BLOCK**



For those events requiring lodging, respondents most frequently mentioned the Omni Dallas Convention Center Hotel. The Hyatt Regency and aloft Hotel Dallas were the next most often mentioned hotel properties.

HVS also asked event planners who had hosted an event at the KHBCC to rate their satisfaction with the venue’s event space, service, and other surrounding amenities. In the following figure, a score of five indicates fully satisfied, and a score of one indicates extremely dissatisfied with their experience at the KHBCC.

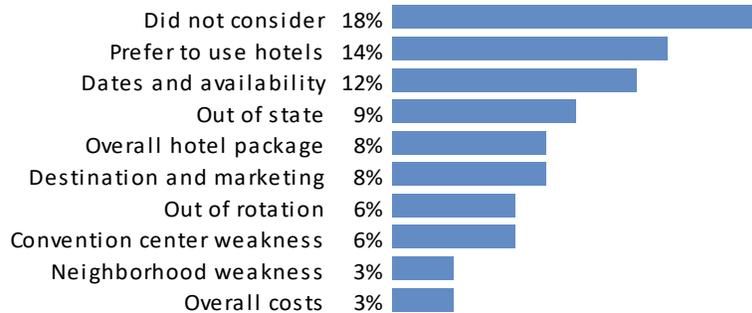
**FIGURE 5-5
PLANNERS SATISFACTION WITH KHBCC EVENTS**



Most planners who have hosted at the KHBCC have been satisfied with the size of the exhibit hall and ballroom and the number of breakout rooms. The quality and suitability of hotel rooms also received high marks. Planners were less satisfied with the neighborhood amenities including retail, nightlife, and public transit.

In unaided answers to questions, planners who have not held an event at the KHBCC stated their reasons for not doing so. HVS classified their answers into the categories shown in the figure below.

**FIGURE 5-6
REASONS FOR NOT HOSTING EVENT AT KHBCC**



When explaining why they have not hosted at the KHBCC, the largest percentage of event planners (18%) have never considered using the KHBCC. Some reason such as location and a preference for hotels could not be influenced by building or

destination improvements. But, 40% of event planners cited a reason that could be addressed by destination improvement.

HVS asked all event planners to identify up to five other facilities and cities in which they have recently held events. Respondents noted a variety of hotels, convention centers, and other venues. The following figure shows the percentage of venue use by type.

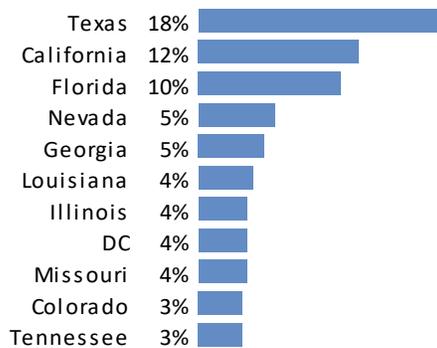
**FIGURE 5-7
VENUES BY TYPE**



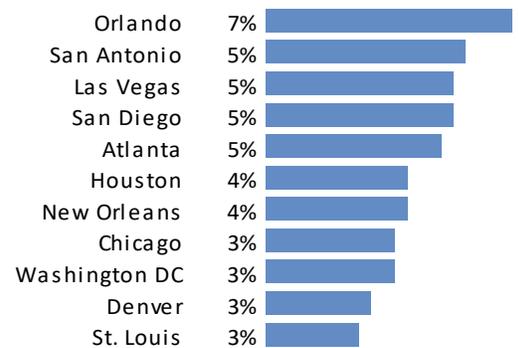
Convention centers alone make up the majority (61%) of all other venues in which event planners have booked events. Hotels make up another 25% and resorts and casinos 7%.

Planners reported hosting events in over 80 cities across North America. The following figures show the most popular cities and states in which event planners most frequently place events.

**FIGURE 5-8
OTHER VENUES BY STATE**



**FIGURE 5-9
OTHER VENUES BY CITY**

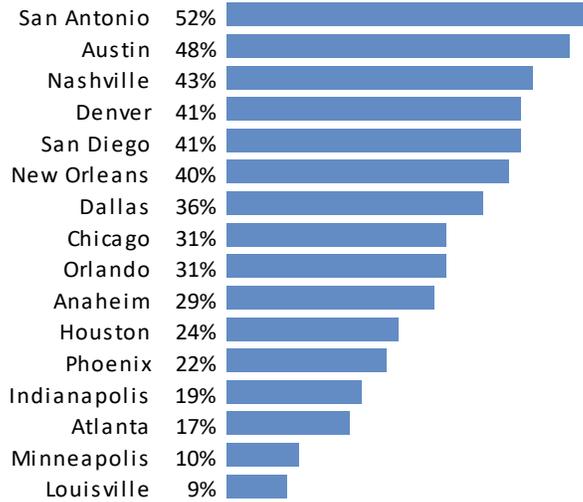


The most frequently mentioned states include Texas, California, and Florida. The most popular cities include Orlando, San Antonio, Las Vega, San Diego, and Atlanta.

**Meeting Planner
Perceptions**

HVS asked event planners to identify the three best markets for planning their events from a competitive set of cities throughout the U.S. The following figure ranks the destinations by event planner preference.

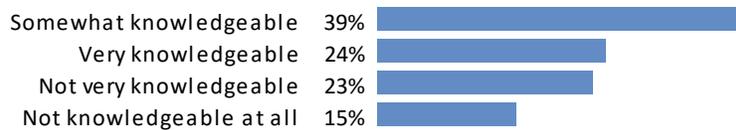
**FIGURE 5-10
TOP DESTINATIONS IN THE U.S.**



Over 50% of planners cite San Antonio as a top destination. Since a large portion of the survey list includes event planners that are local or have previously held an event or expressed an interest in Dallas, other cities in Texas received several mentions. Other top destinations include Nashville, Denver, and San Diego. Dallas is considered a top destination by 36% of the planners.

Before responding to a series of questions regarding their perception of Dallas and the KHBCC as a group event location, HVS asked meeting planners to identify their level of knowledge about the destination.

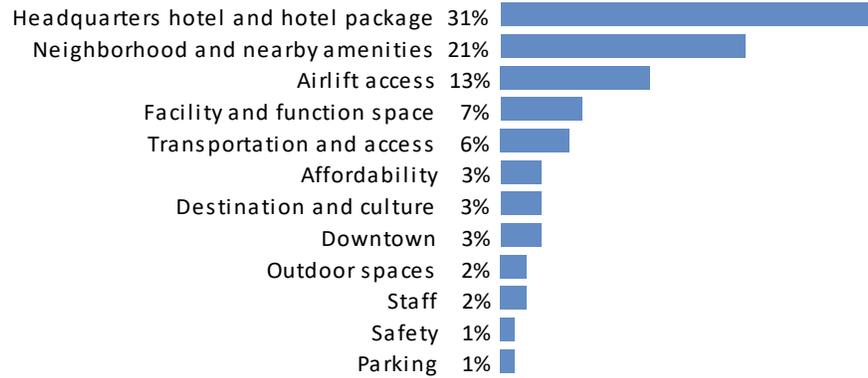
**FIGURE 5-11
KNOWLEDGE OF DALLAS AS AN EVENT DESTINATION**



Over 60% of respondents report that they are at least somewhat knowledgeable of Dallas and the KHBCC. The remaining 40% event planners claim to have little or no knowledge of Dallas as an event destination.

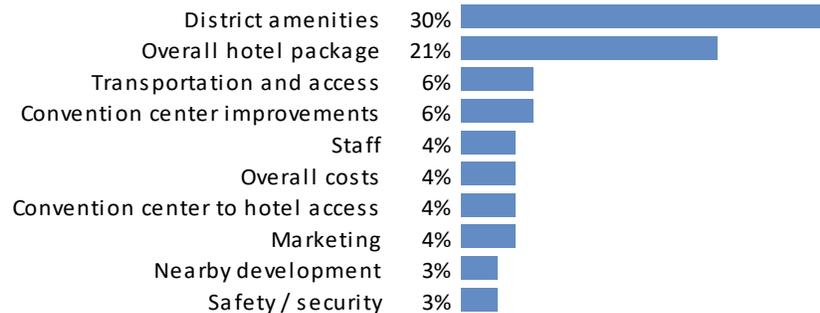
HVS asked meeting planners identify Dallas’s main strengths and weaknesses as an event destination. We classified their unaided responses as shown in the following figures.

FIGURE 5-12
STRENGTHS AS AN EVENT DESTINATION



The Omni hotel and the overall hotel package in the city were the most often mentioned strength. Several also cited the neighborhood and nearby amenities as a strength, though this is also often cited as an area that needs improvement. As one of the busiest airports in the U.S. the Dallas/Fort Worth International Airport is also considered a strength.

FIGURE 5-13
WEAKNESSES AS AN EVENT DESTINATION



More planners cite district amenities as a weakness rather than a strength. This weakness includes lack of restaurants, nightlife, shopping, and walkability. Others cite dates and availability, the lack of proximate hotels.

HVS asked event planners to rate the importance of several potential developments in the convention center district. The following figure presents these results. A score of five indicates that the development is very important to planners while a score of one indicates it is not important at all.

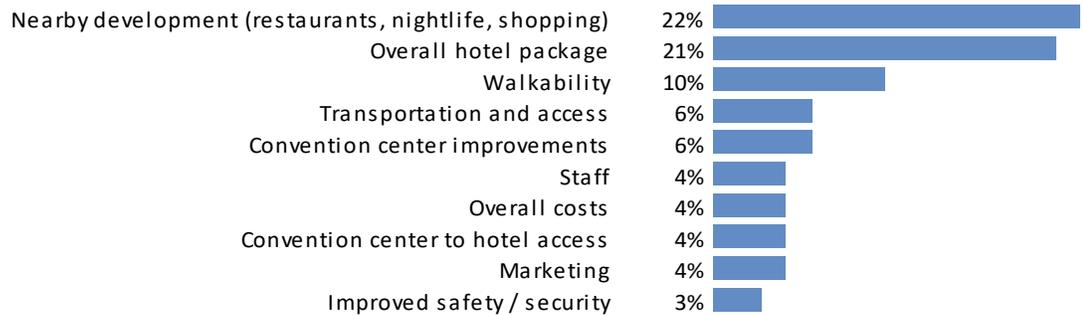
FIGURE 5-14
IMPORTANCE OF DISTRICT IMPROVEMENTS



More restaurants and improved neighborhood safety are most important to event planners. Improved access to other Dallas neighborhoods and districts via public transportation and improved pedestrian paths is also important. Retail amenities are less important.

HVS also asked event planners to describe specific improvements that could be made to the convention center and surrounding district that would encourage them to bring their events to Dallas. We classified their unaided responses as shown in the following figures.

FIGURE 5-15
IMPROVEMENTS AS AN EVENT DESTINATION



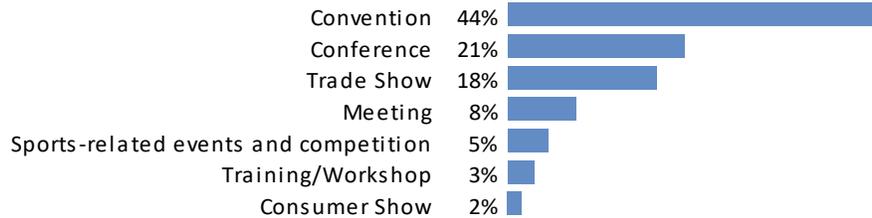
Improvements to the amenities and walkability of the surrounding area were often cited by planners. Event planners are concerned with the options and accessibility for non-event related activities for their attendees. Planners also mentioned that the overall hotel package and access to hotels (that may require shuttles) could be improved as well.

Event Characteristics and Facility Requirements

To determine preferences for events, HVS asked event planners to identify and describe their most typical or important event. This information included the name of the event, the type of event, venue needs, approximate attendance, scheduling, and lodging requirements.

The following figure breaks down the events by type.

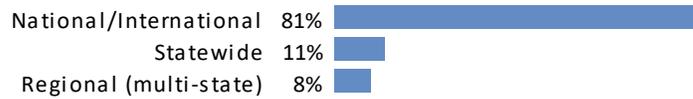
FIGURE 5-16
EVENTS BY TYPE



Almost half of the events described by meeting planners are conventions. Conferences and trade shows make up an additional 21% and 18%, respectively. Meetings, sports, and consumer shows make up a small percentage of events.

HVS asked survey participants to identify the scope (geographic origin of attendees) of their most typical event.

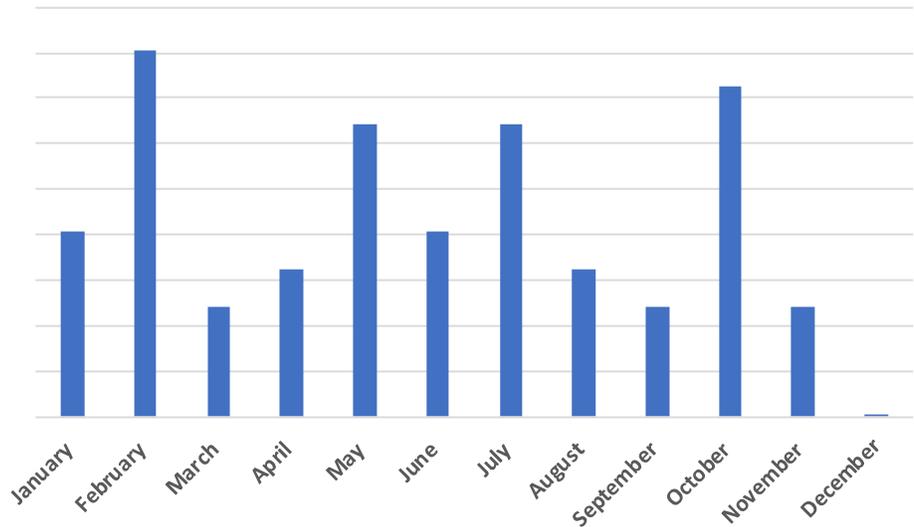
FIGURE 5-17
GEOGRAPHIC ORIGIN OF ATTENDEES



Most events (81%) attract national or international attendees.

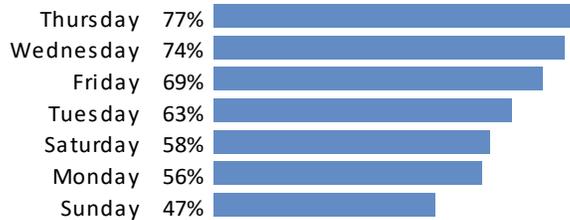
HVS asked event planners to identify the month and the days of the week in which the typical event takes place.

**FIGURE 5-18
EVENTS BY MONTH**



Events occur during most of the year, with February, October, May, and July as the most active months. Almost no events occur in December.

**FIGURE 5-19
EVENTS BY DAY OF WEEK**



Events take place throughout the week with most occurring Wednesday through Friday. Weekends and Mondays have the fewest events.

HVS asked event planners to indicate the level of attendance to their events. Event attendance levels indicate the quantity and size of function spaces that events require. HVS calculated the average attendance for each event type reported as presented in the following figure.

FIGURE 5-20
AVERAGE ATTENDANCE BY TYPE OF EVENT



The above figure shows that average attendance levels requirements vary by event type. Consumer shows have by far the most attendees, followed by trade shows. Conferences, meetings, and trainings tend to have lower attendance.

HVS asked event planners to identify the typical type of venue in which they place their event.

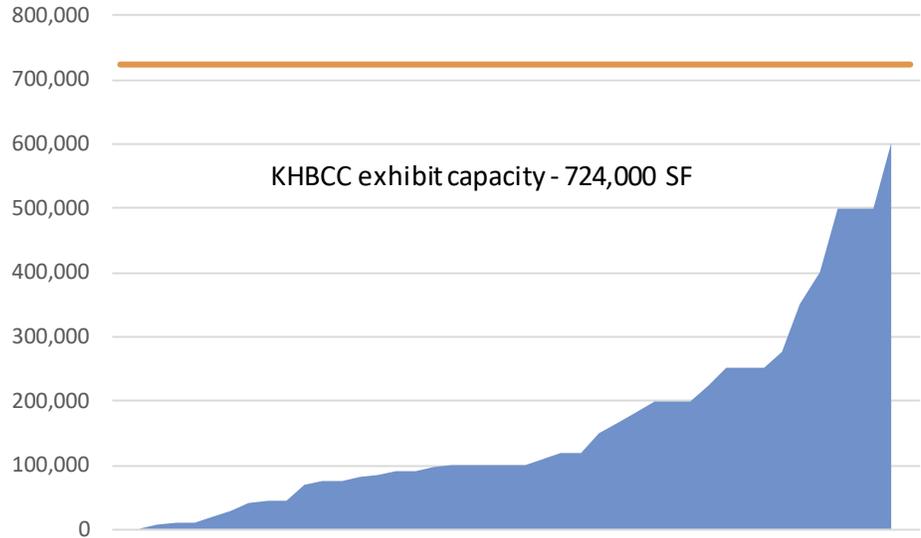
FIGURE 5-21
TYPE OF VENUE PREFERRED FOR EVENT



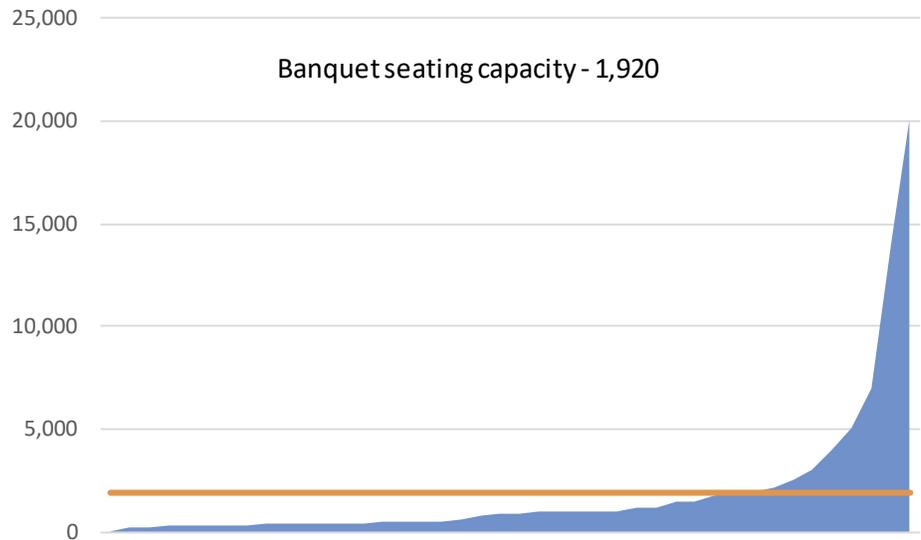
Over three-quarters of the events described by event planners are held in convention centers. A smaller percentage use hotels, conference centers and other venues.

HVS asked event planners to identify facility exhibit space, banquet seating, general session seating, and meeting room needs for their events. HVS considers only those events which require a specific function space. The following figures present distributions of space requirements for exhibit space, banquet seating, general session seating, and number of meeting rooms. The current capacity of the KHGCC for each function is indicated on the graphs by an orange line.

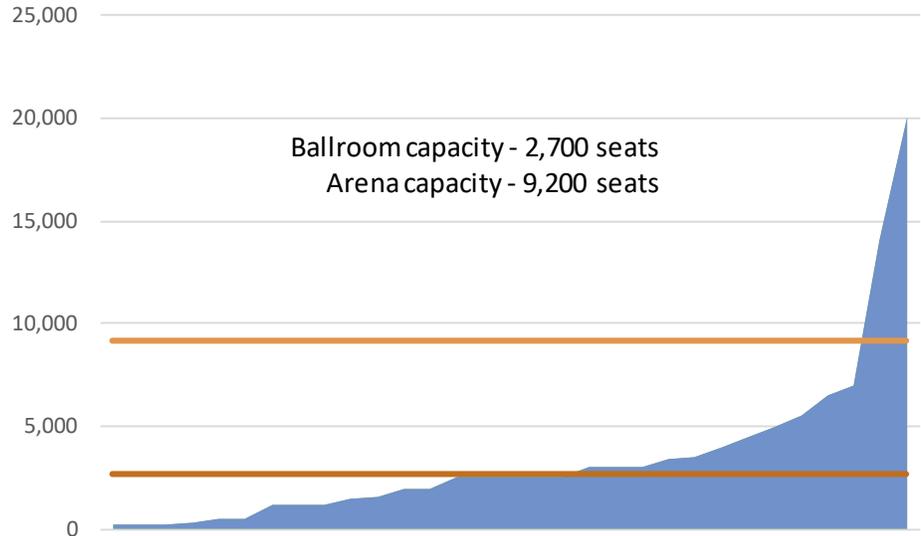
**FIGURE 5-22
EXHIBIT SPACE NEEDS**



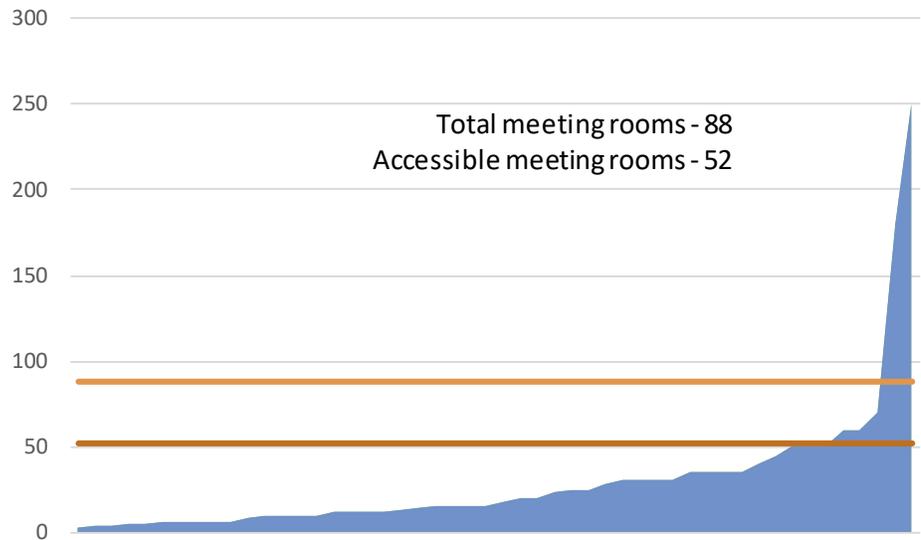
**FIGURE 5-23
BANQUET SEATING REQUIREMENTS**



**FIGURE 5-24
GENERAL SESSION SEATING REQUIREMENTS**



**FIGURE 5-25
MEETING ROOM REQUIREMENTS**

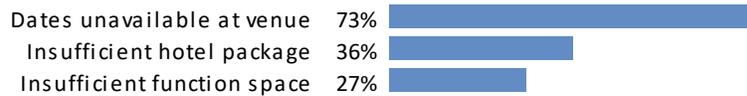


The KHBCC’s exhibit space can accommodate all of the needs of event planners who responded to our survey. The KHBCC’s large ballroom, Ballroom A can only accommodate around 75% of event banquet seating needs. For general session seating, Ballroom A can accommodate 58% of event needs, while use of the arena increases capacity to 94% of events. The KHBCC can also accommodate the meeting room needs of over 95% with 88 rooms. However, this may overstate the venue’s capacity as the disconnected “A Meeting Rooms” are considered substandard and not acceptable to most meeting planners.

Event Infrastructure Needs

To further evaluate the specific meeting infrastructure needs in Dallas, HVS asked event planners whether they had ever wanted to host an event at the KHBCC but did not due to insufficient event infrastructure. Approximately 24% of survey respondents reported that they had been unable to host an event at the KHBCC for this reason. HVS asked them to specify all reasons they have encountered.

FIGURE 5-26
REASONS FOR NOT BOOKING DUE TO EVENT INFRASTRUCTURE



The majority of planners (73%) indicated that they have been unable book the KHBCC due to unavailable dates at the venue. Over 35% noted an insufficient hotel package and 27% cited insufficient function space.

Survey Conclusions and Implications for the KHBCC

Survey respondents provide a good sample for evaluating the perception of the KHBCC, the convention center district, and Dallas. The majority plan events for associations, corporations, and SMERF groups. They represent a variety of entities and plan a range of meeting and event types and sizes. Key findings and conclusions include the following:

- Overall, planners were pleased with the experience, giving the highest ratings to the event space and hotel package.
- Based on historical bookings and event planner preferences, the KHBCC’s competitors include convention centers in major cities throughout the U.S. the strongest in-state competition comes from San Antonio and Austin, while the strongest out-of-state competitors include Orlando, Nashville, Denver, and San Diego.
- Dallas has several strengths as a group event destination, including its headquarters hotel, nearby amenities, and airport.
- The greatest deterrents to event planners considering Dallas for an event include the lack of nearby destination amenities and inadequate hotel package.

- Planners consider quality restaurants and neighborhood safety as the most important aspects of a convention center district. Planners note that specific improvements could include restaurant and nightlife developments, an improved nearby hotel package, and improved walkability in the immediate area around the KHBCC and to more active parts of the city
- In its current configuration, The KHBCC can accommodate all of the exhibition and most of the breakout meeting and general session needs of the events described by event planners. But, current ballrooms cannot accommodate 25% of the events.
- For planners who have not been able to book an event at the KHBCC, over 70% indicate that reason was unavailability of the venue. Over one-third indicate insufficiency of the hotel room block, including too many properties and not enough available guest rooms.

7. District Improvement and Building Program Recommendations

In this section of the report, HVS presents the KBHCC building program and destination improvement recommendations that would enhance Dallas’s competitive position in the meeting and convention industry. Destination recommendations include development initiatives, transportation improvements, and other strategic programs that would create a more attractive and desirable destination for event planners and attendees. Facility recommendations aim to improve the event capacity, operational efficiency, and overall suitability of the Kay Bailey Hutchison Convention Center (“KBHCC”) in order to attract more high impact events to Dallas.

To formulate these recommendations, HVS relied on the user survey and focus groups summarized (Section 6), an analysis of meeting space programming in competitive venues and comparable markets presented (Section 5), lost business reports provided by VisitDallas (Section 8), discussion with KBHCC management and other stakeholders, other market research, and knowledge of standard industry practices.

District Recommendations

KBHCC building improvements alone, while necessary, would not advance Dallas’s standing in the convention industry. In survey responses and focus groups, event planners are clear and emphatic about their preferences for cities with destination appeal—places where convention delegates can enjoy a positive experience of a unique destination.

The benchmarking analysis presented in Section 5 of this study, clearly indicates that other convention destinations have higher concentrations of dining, retail, and entertainment outlets surrounding the convention center. In addition, Dallas suffers from a relatively small residential population in its convention center district. Dining and retail businesses need a strong residential population to support them when the convention center is not active. The lack of residential, retail and entertainment development in the area surrounding the KBHCC contributes to a less active and vibrant convention center district as compared to competing venues across the U.S.

But, our research demonstrates that downtown Dallas has a significant number of restaurant, retail, and entertainment outlets. And these amenities are within a reasonable walking distance of the KBHCC. Compared to other convention center

districts, crime rates are relatively low. None-the-less, public perception is inconsistent with these facts. This is primarily due to the lack of connectivity between the KBHCC and the rest of downtown.

360 Plan

City planners have long recognized these issues. The “Downtown Dallas 360” plan published by the City in 2011 framed the problem as follows:

“Despite being one of the oldest parts of Dallas and laid out in a classic grid pattern, the design, flow and feel of many of Downtown’s streets do not foster a vibrant, active, pedestrian-oriented scene. The decades-old conversion of most smaller streets into a series of one-way arteries designed simply for quick auto ingress and egress results in difficult navigation throughout Downtown. In particular, streets such as Elm and Commerce primarily function to provide access to and between the east and west edges of the freeway loop, their four-or-more lanes creating massive divides in the heart of historic Downtown. Exacerbating the problem are newer large, multi-lane divided streets such as Pearl, Young, and Griffin, designed to facilitate fast-moving traffic through Downtown but are inhospitable places for businesses and pedestrians. In addition to the existing challenges to vehicular circulation, broken sidewalks, physical obstructions, inconsistent landscaping and tree canopy, and a lack of buffers to fast-moving traffic make walking on Downtown’s streets a daunting task. While ongoing streetscape improvements are updating the physical infrastructure, Downtown streets need a holistic approach to improvement.”

The implementation of the Downtown 360 plan has helped to revitalize Downtown Dallas. As reported in the Downtown Dallas Inc 2016 annual report, at the end of 2016, there were

- more than 10,000 residents living in the center of Downtown,
- 50,000 people live within the 2.5-mile radius of the urban core,
- 7,600 residential units under construction in first quarter of 2017
- 6,000 new residential units have been announced,
- population could reach nearly 70,000 in the next 12-18 months,
- office market net absorption of 173,564 square feet, in the downtown core,
- Forty-Five Ten moved into their new flagship store on Main Street, and
- Fifty-eight restaurants and bars opened in 2016.

A 360 Plan Update, currently in progress focuses on mobility improvements in Dallas’ urban core. It builds on the original plan adopted by the Dallas City Council in 2011, including housing, transportation, urban design, parks, and public space, the 360 update will first set urban mobility principles to guide current and future local, regional, and state planning.

The larger downtown area of Dallas can be divided into 19 districts. Seven are considered Core Districts and make up the area inside the freeway loop. These districts are home to most of the major center city landmarks and included the Civic Center District where the KBHCC is located. See the figure below.

**FIGURE 7-1
CORE AND NEIGHBORING DISTRICTS OF DOWNTOWN DALLAS**



Source: Dallas 360

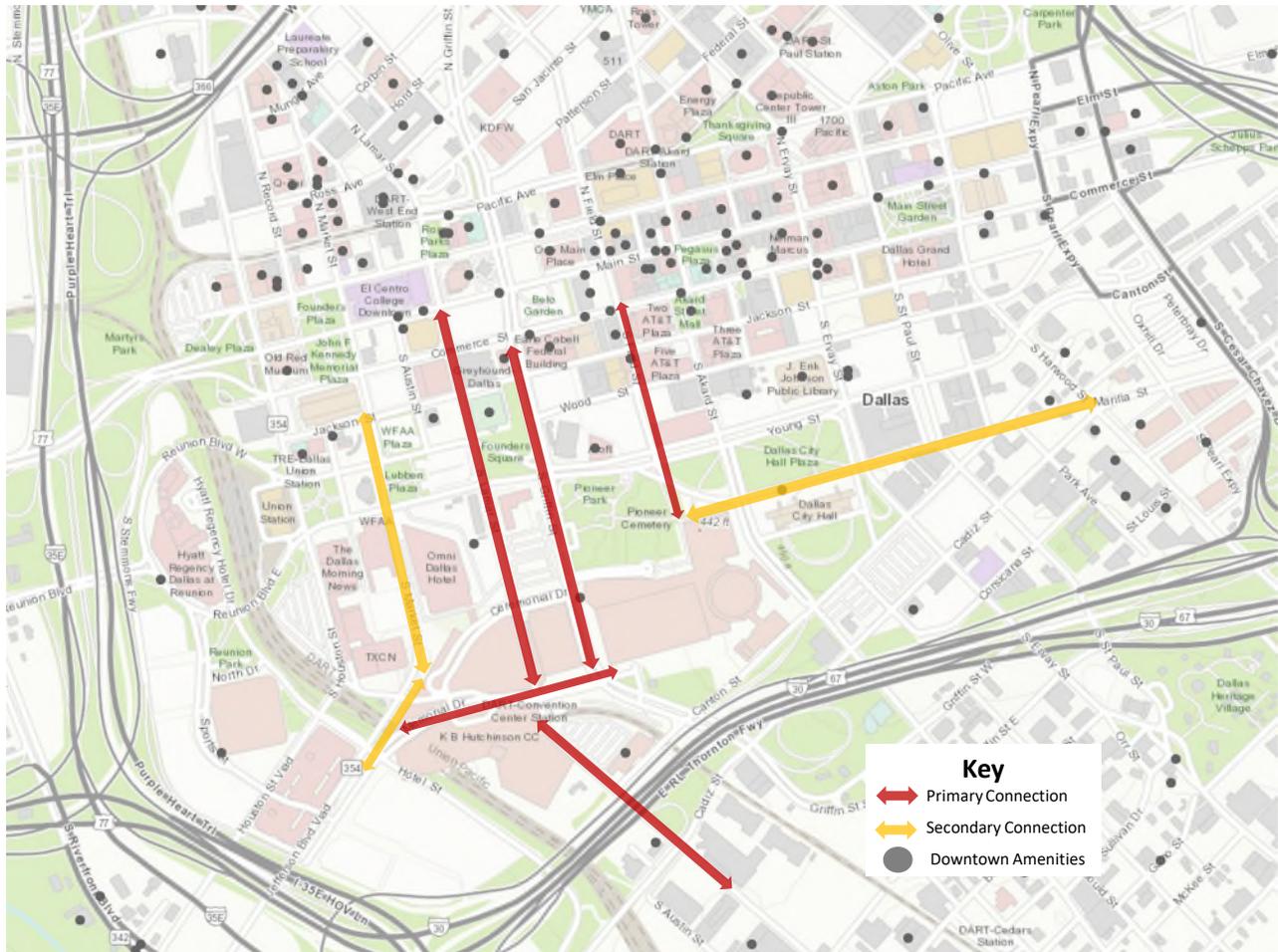
As discussed in Section 2 of this report, much of the recent downtown development has occurred outside of the Civic Center District. Many new

restaurants and entertainment venues have opened in the Main Street District. New residential development has occurred on the east side of the Farmers Market District. The West End, Arts, and the Thanksgiving Commercial Center Districts have all seen significant commercial and residential growth. If economic conditions remain healthy, additional commercial and residential development will likely occur in downtown, but these developments will not be concentrated in the Civic Center District.

Pedestrian Connections

Improving connectivity to the adjacent downtown districts offers the most effective way of improving the appeal of the Civic Center District. This improved connectivity should consider all forms of transportation including vehicular, public transit, and bicycle. But, pedestrian friendly connectivity is of the highest importance. The figure below shows where improvements to pedestrian corridors are of primary and secondary importance.

FIGURE 7-2
IMPORTANT PEDESTRIAN CONNECTIONS TO THE KBHCC THAT NEED IMPROVEMENT



Sources: Esri and HVS

The Lamar and Griffin corridors lead to the front door of the KBHCC and connect most directly to the Main Street and West End Districts. Improvement of these two connections is the highest priority. Event planners singled out the location of the Greyhound Bus station on Lamar and Jackson Streets as a deterrent to visitors' willingness to walk freely in the neighborhood. The building conveys an image of blight and attracts a homeless population that convention attendees fear. Careful consideration should be given to improving the station or relocating it to a better site.

Relocation of the bus station may reduce the presence of homeless people from Lamar Street, but does not offer a solution to this larger societal problem. Like

most major cities, Dallas must address the needs of its most vulnerable populations. We observe homelessness in most US cities, including highly attractive convention districts. But homelessness is only a deterrent to tourists when it has a prominent or singular street presence. Activating Lamar Street will attract a diverse population that is welcoming to visitors and mitigate the negative impacts of homelessness.

Field Street is a narrow two-lane road that provides the shortest and most direct access from the KHBCC to amenities in the Main Street District. But, structured parking facilities and other buildings lack store fronts. While its scale and lower levels of vehicular activity are appropriate, Field Street (between Young and Commerce Streets) lacks amenities necessary for an attractive pedestrian corridor. The City should explore the development of retail frontage on Field Street.

Lamar Street intersects with Memorial Drive under the KHBCC. Currently, this underground connection is forbidding and only invites auto traffic or KHBCC service vehicles. Renovation of the KHBCC should consider changing this environment to an attractive pedestrian corridor. Lamar Street continues south as a primary connection to the South Side District, a growing residential area.

Connections of secondary importance include Market Street and Jefferson Boulevard, which link the KHBCC and the Omni Hotel to parking across Hotel Street. The site adjacent to the Jefferson Boulevard and Hotel Street had been designated as a future high-speed rail station. If this development occurs, pedestrian connection to the KHBCC would be of primary importance.

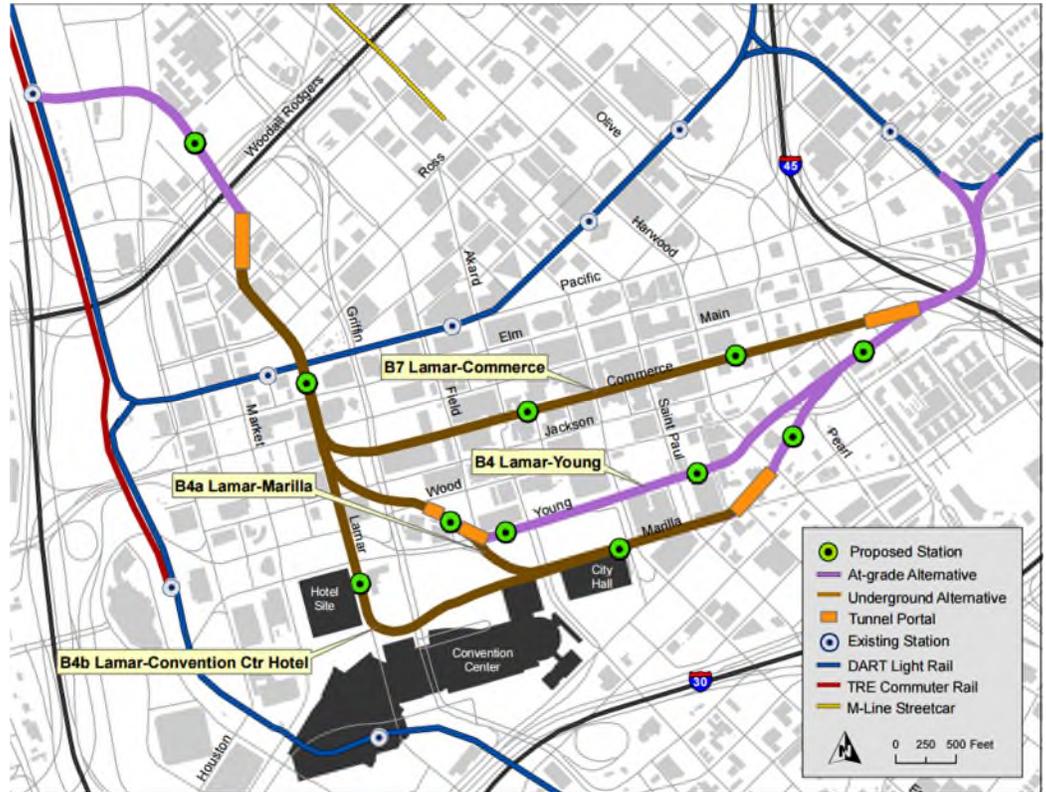
Marilla Street offers a connection to the Farmers Market through the Dallas City Hall Plaza. The corridor between City Hall and the Farmers Market needs improvement with streetscaping and land use development.

Signage on all pedestrian corridors should provide wayfinding to and from the KHBCC and encourage pedestrian use.

Public Transportation

Public transportation routes to adjacent entertainment districts could be enhanced. Options include implementation of plans for streetcar lines along Lamar Street to the north and south of the KHBCC with a stop within the venue. Improvements to the DART transit system in downtown Dallas are currently under consideration. Known as D2, several alignments have been proposed as shown in the figure below.

**FIGURE 7-3
PROPOSED ALIGNMENTS OF D2**



Source: www.dart.org/about/expansion/downtowndallasmaps.asp

While all alignments would enhance the Civic Center District, the proposed B4b Lamar-Convention Center Hotel route would offer the most direct connection to the Omni and the KBHCC.

**Residential
Development**

Continued efforts to encourage residential development in the Farmers Market, Main Street, West End, and Cedars/South Side Districts would also reap benefits for the convention center district. Increased residential density would encourage the development of restaurant, retail, and nightlife establishments.

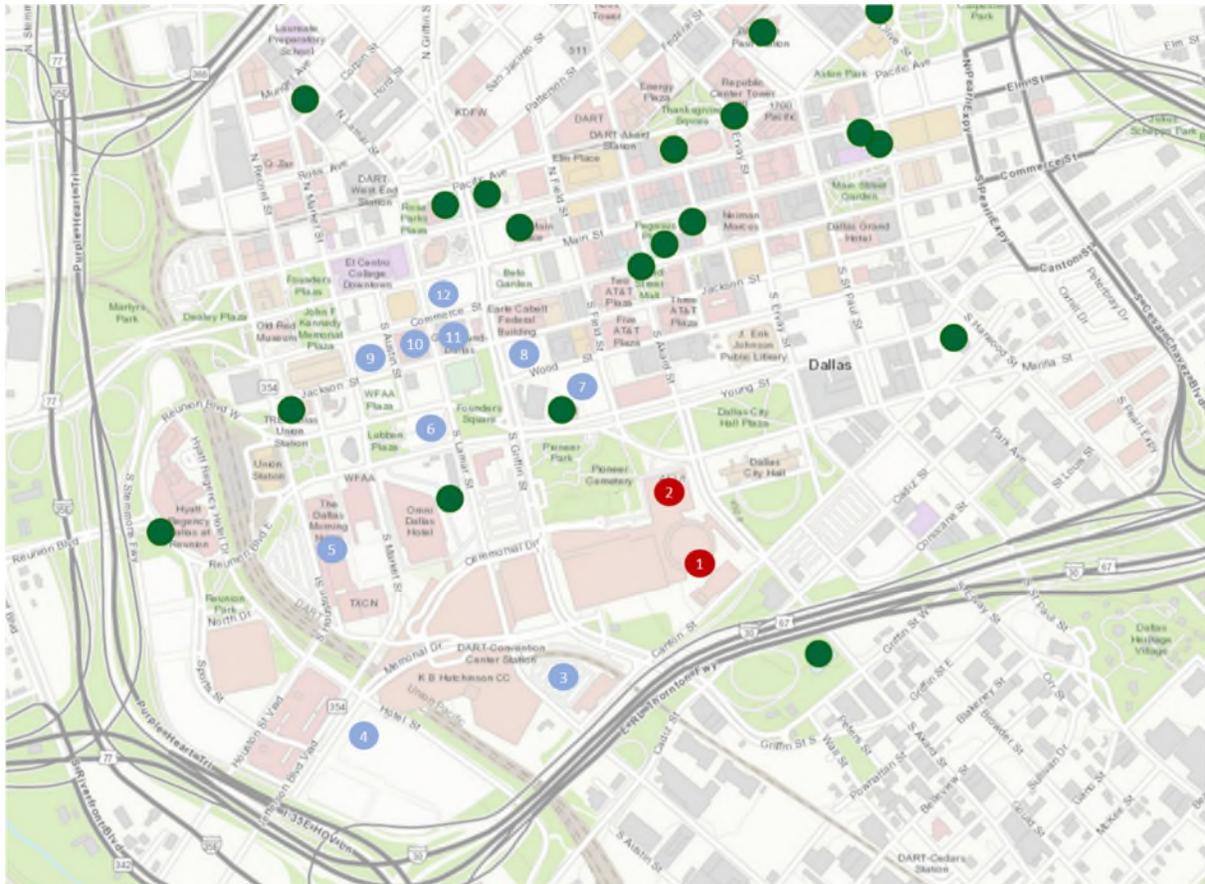
**Hotel Development
Recommendations**

Several hotel properties that participate in KBHCC room blocks are one to two miles from the venue. The benchmarking analysis in Section 5 of this report demonstrated that Dallas ranks 11th among 20 cities with respect to the number of hotel rooms within walking distance. Despite the development of the Omni Hotel, Dallas ranks 13th among 20 cities in the number of rooms adjacent or connected to its convention center.

Our hotel market analysis (see Section 8) forecasts that new hotel room supply entering the market over the next two years should be fully absorbed by 2021. With continued growth in demand, additional new supply is likely to enter the market. The City should seek to direct that new hotel supply development near the KBHCC. We project that the market would take two years to fully absorb an additional 1,000 rooms if they entered the market in 2022. This development could come in the form of a single large property or up to three smaller properties.

The figure below identifies the location of 12 sites that would be appropriate for hotel development that is supportive of the convention center.

**FIGURE 7-4
PREFERRED HOTEL SITES**



Sources: Esri and HVS

The green markers indicate the location of existing hotel properties. Red markers indicate primary hotel sites and blue markers show secondary hotel locations. No hotel development is currently proposed on any of these sites.

For each numbered site, the figure below identifies the owner, acreage, and assessed value of the land and indicates whether the site is improved with existing development.

**FIGURE 7-5
PREFERRED HOTEL SITES**

Map Ref.	Site Name	Land Area (Acres)	Assessed Value (\$ Millions)		Primary Owner
			Improvements	Land	
Primary Sites					
1-2	Convention Center	1.22	Yes	2.93	City of Dallas
Secondary Sites					
3	South Convention Center	4.14	Yes	\$8.1	CCH Lamar Partners 1 LP
4	KBHCC Marshalling Yard	14.08	No	\$24.5	City of Dallas
5	Dallas Morning News	8.04	Yes	\$14.0	Dallas Morning News
6	Founders Square Site	1.10	No	\$3.1	400 S Record Street LLC
7	Young Street Parking	1.93	No	\$4.6	Sante Fe IV Hotel LP
8	Founders Square East	1.11	No	\$3.1	Bunting Partner LP
9	West of Greyhound	0.92	No	\$2.6	AHC Dallas Properties LLC
10	Greyhound Bus Station	0.92	Yes	\$2.6	Greyhound Bus Lines, Inc
11	Founders Square North	0.92	No	\$2.6	Dallas Main LP
12	Northern Most Site	1.45	No	\$4.1	Dallas Main LP

Sources: Dallas County Assessor, Dallas Central Appraisal District, and HVS

- The Convention Center Sites (1-2) could provide the location for an anchor hotel for the KBHCC. Its development would require demolition and replacement of existing convention center meeting and administrative space or the arena and theater. In any case, these convention center, arena, and theater spaces need replacement or renovation.
- While adjacent to the KBHCC, the South Convention Center Site (3) is considered secondary because it faces the loading docks and lacks direct connection to the convention center district. Substantial KBHCC renovation would be necessary to make this an acceptable hotel development site.
- The KBHCC Marshaling Yard (4) has been identified as a potential site for a high-speed rail station. Development of this station as mixed-use project offers an opportunity for hotel development. In the absence of this development and without better connections to the rest of downtown

Dallas, this site has little promise. Given the complexities and timing of high-speed rail development, this site may not be available in the short term. Any reuse of the site would require relocation of the truck marshaling yards, which are critical to the successful operation of the KBHCC.

- The Dallas Morning News Site (5) is currently for sale. Adaptive reuse or redevelopment could support a large hotel development.
- All other secondary sites that we have identified would support smaller scale and most likely select service or boutique hotels. These sites (6 through 12) have the advantage of being located closer to the Main Street District and to commercial room night demand generators.

Our selection of potential sites is not comprehensive as many other sites may be considered for hotel development.

Incentivizing District Development

To direct hotel and other appropriate development to the convention center district, the City should consider using existing incentives and creating new incentives for the private development of hotel, retail, and entertainment land uses. Incentives should apply within an area bounded by Main Street on the north, St. Paul on the east, and the freeway loop on the west and south.

Under existing state law, hotel projects, including those associated with a convention and entertainment district could receive rebates on its city, state and county sales, hotel, and property taxes for various lengths of time. Similar incentives have been used in Dallas for the Omni Hotel, Houston for the Hilton Americas and Marriott Marquis headquarters hotels, Fort Worth for the Omni Hotel at the convention center, The Grand Hyatt Hotel at the convention center in San Antonio, and other projects throughout the state. Several conditions must be met to receive the rebate of hotel occupancy and sales taxes from the State. Among other conditions, projects must be within 1,000 feet of a government-owned convention center, and public ownership of the hotel or the site is required.

Existing Function Space Assessment

Currently, the KBHCC offers approximately 900,000 square feet of total function space. Function spaces include exhibit halls, ballrooms, meeting rooms, a 9,800-seat arena, and a 1,750-seat theater. The first component of the KBHCC complex, the arena, opened in 1957 as the Dallas Memorial Auditorium. Originally opened in the 1970s as an expansion of the Dallas Memorial Auditorium, the Dallas Convention Center has undergone three major expansions in 1984, 1994, and 2002. The 1994 expansion included the construction of a Dallas Area Rapid Transit (“DART”) station underneath the west exhibit halls. In 2013, the facility was renamed in honor of former U.S. Senator, Kay Bailey Hutchison. The following

observations regarding the suitability of existing function spaces influence our building program recommendations.

- Based on the comparable venue analysis and survey results, the seven exhibit halls at the KBHCC appear adequate to accommodate exhibition requirements of most national-based conventions and trade shows.
- Total ballroom capacity and individual capacity of each ballroom are significantly lower than many competing venues. Recent trends in the industry indicate a growing popularity of large, multipurpose ballroom spaces as exemplified by the new 54,000 square foot ballroom in San Antonio and a planned 80,000 square foot multipurpose space in Denver. In comparison, the KBHCC's largest ballroom space is just 27,000 square feet.
- While plentiful, a large proportion of the KBHCC's meeting rooms are small rooms containing less than 1,000 square feet. A lack of large, flexible meeting spaces is particularly evident in the Area A meeting rooms which were part of the original 1970s era construction of the venue. Meeting planner preference for larger rooms causes these rooms to have low annual occupancy rates.
- By current industry standard, the KBHCC arena contains dated patron amenities and lacks the necessary service access to efficiently accommodate events. In addition, the arena is non-compliant with the 1990 Americans with Disabilities Act ("ADA").
- The theater is currently home to the Black Academy of Arts & Letters, which hosts performances and other events in the theater and supporting meeting rooms. KBHCC events use the theater sparingly.

The following figure provides a summary of the KBHCC's existing function spaces.

**FIGURE 7-6
KBHCC EXISTING FUNCTION SPACES**

Event Space	Total Area (SF)	Capacities			
		Theatre	Banquet	Classroom	Exhibit Booths (10'x10')
Exhibit Halls	724,526				
Hall A	100,155	8,012	5,723	6,907	568
Hall B	100,155	8,012	5,723	6,907	553
Hall C	103,940	8,315	5,939	7,168	541
Hall D	113,238	9,059	6,471	7,810	610
Hall E	104,038	8,323	5,945	7,175	562
Hall F	203,000	16,240	11,600	14,000	1,130
Ballrooms	65,129				
Ballroom A	26,992	2,700	1,920	1,560	
Ballroom C	19,134	1,900	1,360	1,080	
Ballroom D	19,003	1,720	960	924	
Meeting Rooms					
Area A Meeting Rooms					
Level 1 (36 rooms)	16,799				
Level 2 (2 rooms)	3,528				
Level 3 (10 rooms)	12,102				
Area C Meeting Rooms					
Level 1 (16 rooms)	26,816				
Area D Meeting Rooms					
Level 1 (16 rooms)	27,012				
Level 2 (8 rooms)	12,521				
Total Meeting Space	98,778				
TOTAL FUNCTION SPACE	888,433				
OTHER FUNCTION SPACES					
Arena	21,290	9,816			
Theater		1,750			

Source: Kay H. Bailey Convention Center

Function Space Ratios

As described in Section 4 of this report, the convention center industry is moving towards the increased flexibility created by greater amounts of ballroom and meeting space. As new facilities are built, and older facilities undergo major renovations, the average ratio of meeting and ballroom space to exhibit space has been increasing. Completed in 2016, the Henry B. Gonzales Convention Center in San Antonio houses a meeting and ballroom to exhibit space ratio of 47%. Following the completion of planned improvements, the Colorado Convention Center in Denver will have a ratio of 44%.

KBHCC's ratio of ballroom and meeting space to exhibit space is currently 22%, one of the lowest in the comparable set of venues described in section 4 of this report and well below the average of 35%. Our program recommendations are aimed at creating the appropriate balance of function spaces to best support both large single events and multiple simultaneous events. Given no changes to the KBHCC's exhibition space, achieving a recommended ratio of 40% would require a total of 290,000 square feet of meeting and ballroom space or approximately 125,000 square feet of new meeting and ballroom space.

Service and Back-of-House Assessment

Service and back of house spaces include the main production kitchen, satellite pantries and catering kitchens, loading docks, marshaling areas, service corridors to function spaces, storage areas, equipment rooms, administrative and operations offices, and other miscellaneous support areas. Proper design and sufficient capacity in these areas are crucial to client satisfaction and the successful operation of a convention center. This analysis does not include a detailed review of back of house spaces and operations, but we have made the following observations about the KBHCC as related to the delivery of event services.

- Compared to several newer and renovated convention centers, the KBHCC's primary production kitchen is undersized.
- The production kitchen's location at the far east end of the KBHCC creates logistical difficulties when delivering meals throughout the venue.
- Meal delivery issues are exacerbated by the lack of service corridors throughout the facility. Food and beverage carts, audio/visual equipment, and event service personnel currently access function spaces through public lobbies and corridors. This is not consistent with current industry practices at most facilities.
- Loading docks and marshaling areas do not efficiently serve the KBHCC's seven large exhibit halls.

Facility Program Recommendations

The building program recommendations presented herein describe the floor areas of various types of function spaces as well as other important amenities for the proposed expansion. This building program should serve as a guide for subsequent physical planning aimed at providing the desired facility program elements.

HVS program recommendations would position the KBHCC to attract more national conventions, conferences, and tradeshow to Dallas, while not impeding the existing base of regular business at the facility. The development of new flexible, multipurpose ballrooms and additional meeting spaces would allow the KBHCC better serve conventions that require simultaneous use of exhibit, banquet, and meeting spaces. Renovation of older, dated breakout meeting spaces would create more desirable function spaces and improve occupancy in these areas.

Additional function spaces, new kitchens, and improved service access would also allow the facility to recapture events that have been turned away due to the KBHCC's inability to handle simultaneous events. Our building program recommendations include the following function spaces.

- Develop an 80,000-square foot of multipurpose ballroom. Incorporate a flexible wall system to allow use as banquet, assembly, and event space. The location of a new ballroom would have to be determined during a comprehensive concept planning process. In addition, through existing ballroom spaces, space renovations, and new construction, develop a 40,000-square foot ballroom and a 20,000-square foot ballroom.
- Level One A Meeting Rooms do not meet industry standards and need to be replaced. We recommend replacing 16,800 square feet of Level One A Meeting Rooms with 56,800 square feet of new space for a net increase of approximately 40,000 square feet of breakout meeting space. The location and configuration of a new meeting spaces would have to be determined during a comprehensive concept planning process. Construction of a mezzanine level could allow the new meeting space to be distributed throughout the convention center adjacent to the exhibit halls. Meeting rooms adjacent to the exhibit halls would improve the ability of the KBHCC to host simultaneous events.
- Older function spaces at the east end of the KBHCC, including Ballroom A, lower level meeting spaces, administrative offices, arena, and theater could be repurposed as new function spaces, back-of-house space, or used as a hotel development site.

A concept planning process conducted by a qualified architectural team should determine the best approach to achieving recommended the floor areas and improved functionality through the addition of new space and renovations of existing spaces. Expansion may require expanding the footprint of the KBHCC.

Past master planning efforts have identified potential expansion zones to the north and south of the existing venue. Any facility expansion to the south of the KBHCC should not reduce or impede loading docks and should seek to improve loading, marshaling, and other back of house activities.

The following figure presents the approximate floor areas of recommended expansion compared to existing function spaces at the KBHCC.

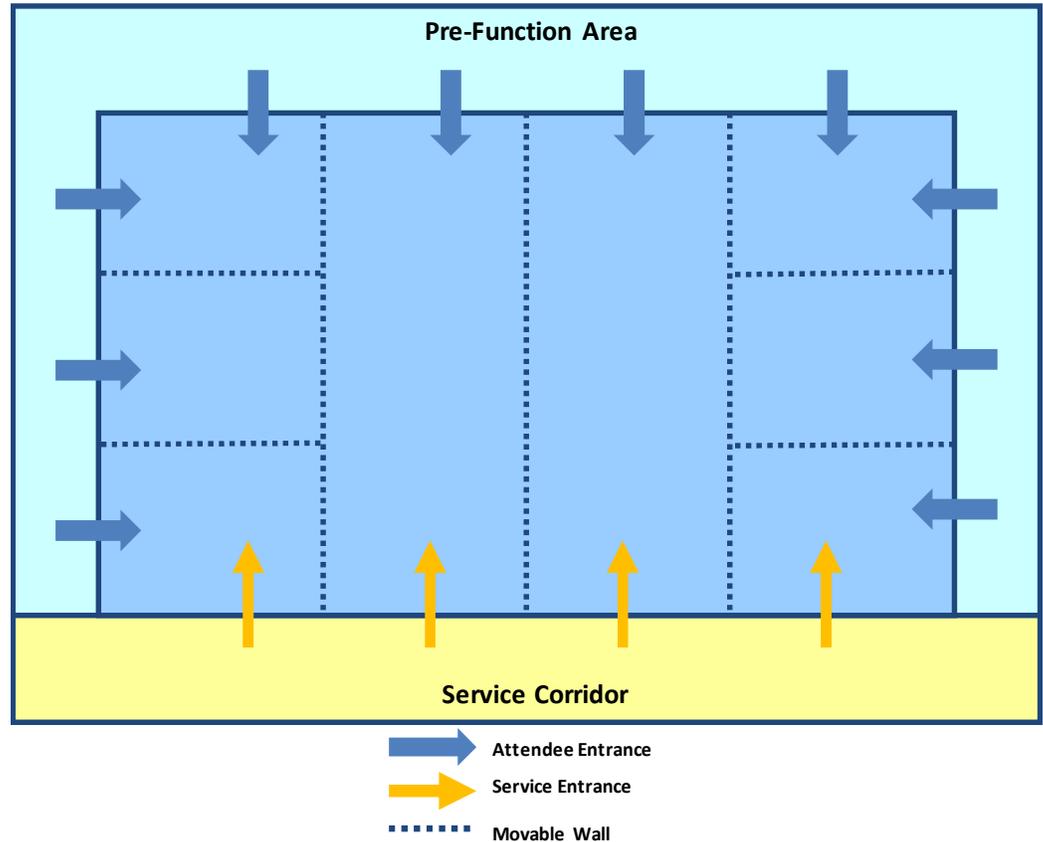
FIGURE 7-7
KBHCC BUILDING PROGRAM RECOMMENDATIONS

	Existing KBHCC	Recommended Expansion	Potential Reduction	Expanded KBHCC
Exhibit Space	724,526	0	0	724,526
Ballroom Space	65,059	101,000	26,922	139,137
Meeting Space	98,778	56,800	16,800	138,778
Total Function Space	1,018,481	359,800	97,566	1,280,715

Multipurpose Ballroom

Site constraints and other design issues would affect the final layout of the multipurpose ballroom. To allow for maximum flexibility as light exhibit, banquet, and meeting space, the multipurpose ballroom should be carpeted with durable wall finishes and ceilings heights suitable for exhibit and banquet events. Power and communications utilities should be provided in floor boxes. The multipurpose ballroom should have convenient access to a main lobby and other pre-function spaces which are either stand-alone or shared with other function spaces. Service access should be such that each division of the ballroom has independent rear access allowing an event to take place in one division while another is being serviced for a separate event. The following figure provides of conceptual plan of the proposed multipurpose ballroom.

**FIGURE 7-8
RECOMMENDED MULTIPURPOSE BALLROOM CONFIGURATION**



Ancillary and Support Spaces

In addition to the function and pre-function spaces described above, the gross floor area included in the proposed expansion of the KBHCC would include the following elements:

- Production Kitchen – The location and size of the KBHCC’s existing kitchen is undersized and logistically inconvenient for many events. Expansion should include the development of a new main production kitchen at the centrally located adjacent to the new ballroom or at the west end of the facility, perhaps through repurposing existing C100 meeting rooms.
- Service access - To the extent possible, service corridors should be incorporated into the facility design to provide non-public access to ballrooms and meeting rooms from kitchens, loading docks, mechanical rooms, and storage.

- Storage - Adequate and convenient equipment storage is important to the efficient operation of the facility. Construction of new storage areas should accompany facility expansion.

A more precise determination of the floor areas would require a concept plan created by a design firm that illustrates how the proposed venue alterations would fit on the site. The process of concept planning would likely require adjustments to the recommended floor areas.

Innovations in the meetings industry, including a greater reliance on paperless apps, social media, and other technology, create greater pressure on venues to provide sufficient Wi-Fi and broadband capacity. Event planners want venues to provide superior levels of customer service through registration, communication, and other event and attendee services. The KBHCC would be able to distinguish itself in the meeting industry by continuing to upgrade its building technology to meet and surpass the expectations of event planners. In addition to upgrading wireless and broadband capacity, we recommend upgrading attendee access and wayfinding through an electronic key system and electronic signage.

8. Demand Analysis

HVS based event demand projections for a renovated and expanded Kay Bailey Hutchison Convention Center (“KBCC”) on the following research and analysis:

- The building program recommendations presented in Section 7,
- Significant improvements to the district surrounding the KBCC and transportation linkages to other downtown districts,
- The introduction of 1,000 hotel rooms in the convention center district,
- Historical KBCC event and attendance data and lost business reports,
- The user survey results presented in Section 6,
- Comparable venue program and demand data, and
- Discussions with representatives of KBCC management and VisitDallas.

In developing the demand projections, HVS assumes that all recommendations throughout this report are completed by October 1, 2021. HVS estimates that event demand would stabilize in the third year of operation—fiscal year 2023/24. Demand projections also assume the continued presence of a highly qualified, professional sales and management team for the KBCC.

For the purpose of this analysis, event demand projections include those events that would take place in both the expanded and the existing meeting and convention spaces at the KBCC.

Historical Demand

The KBCC provided HVS with a summary of the venue’s historical event demand for fiscal years 2012 through 2016. This demand data included event name and sponsor, type of event, use dates, move in/out dates, and event spaces utilized. Based on this information HVS categorized events into standard event categories that will be used throughout the remainder of this report. The following figures present event trends for this period. Event and attendance figures do not include performances and events hosted by The Black Academy of Arts and Letters (“TBAAL”)

**FIGURE 8-1
HISTORICAL EVENTS BY TYPES**

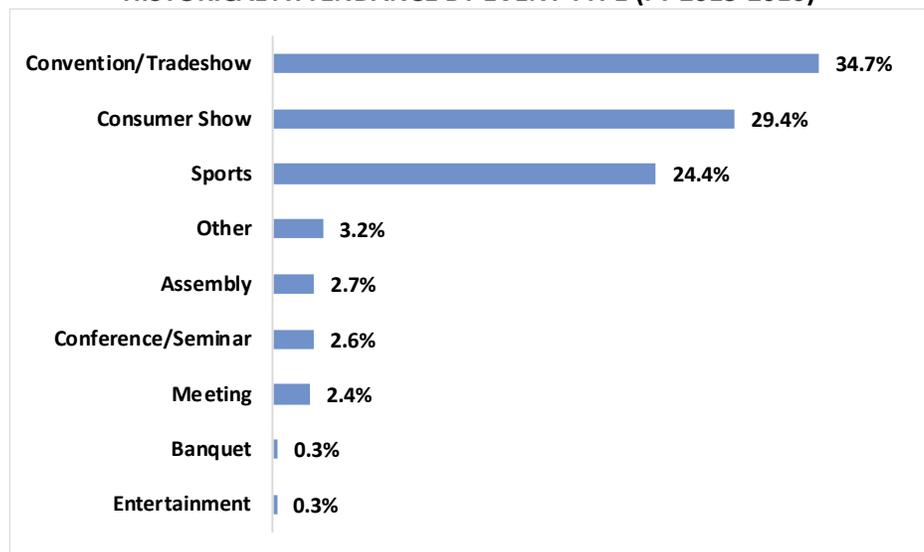
Event Type	2012/13	2015/16
Conventions & Tradeshows	29	31
Conferences	9	14
Consumer Shows	11	9
Sports/Competitions	8	17
Meetings	17	20
Banquets	5	6
Assemblies	5	3
Concerts & Entertainment	3	0
Other	2	6
TOTAL	89	106

Source: KHBCC

The number of events at the KHBCC has been relatively consistent over the past four years at around 100. The number of sports events and competitions has more than doubled since 2013, while the number of consumer shows and concerts have declined.

Event attendance at the KHBCC averages around one million annual attendees. The following figure provides a summary of the percentage of attendees by type of event over the past several years.

**FIGURE 8-2
HISTORICAL ATTENDANCE BY EVENT TYPE (FY 2013-2016)**



Source: KHBCC

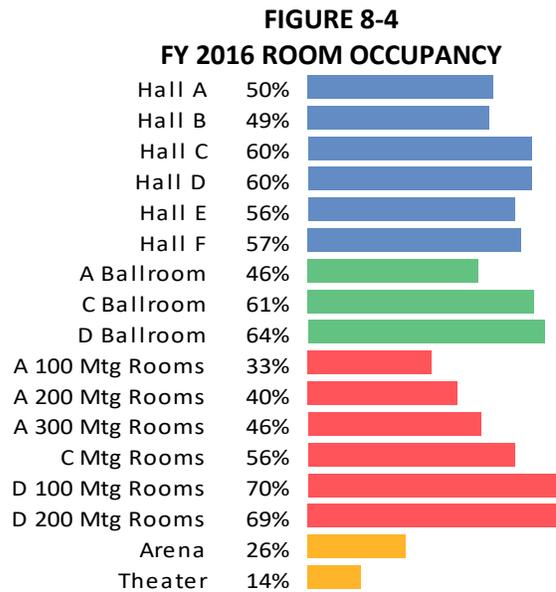
Conventions and trade shows provide the highest percentage of attendees, followed by consumer shows and sporting events. Other events, including local meetings, graduations, and stand-alone banquets, represent a small percentage of event attendees. HVS reviewed detailed event information on events that occurred at the facility during fiscal years 2015 and 2016. The following figure presents the detailed event and attendance history at the KHBCC for the most recent fiscal years.

**FIGURE 8-3
SUMMARY OF DEMAND HISTORY**

Event Type	2014/15	2015/16
Events		
Conventions & Tradeshow	22	31
Conferences	10	14
Consumer Shows	14	9
Sports/Competitions	17	17
Meetings	28	20
Banquets	5	6
Assemblies	7	3
Concerts & Entertainment	-	-
Other	5	6
Total	108	106
Average Attendance		
Conventions & Tradeshow	10,700	13,800
Conferences	2,300	2,500
Consumer Shows	26,800	33,600
Sports/Competitions	10,200	14,000
Meetings	1,200	800
Banquets	600	500
Assemblies	4,700	5,300
Concerts & Entertainment	-	-
Other	11,700	3,400
Total Attendance		
Conventions & Tradeshow	235,100	428,400
Conferences	22,500	34,400
Consumer Shows	375,000	302,500
Sports/Competitions	172,800	237,700
Meetings	34,200	16,200
Banquets	3,200	3,100
Assemblies	33,000	16,000
Concerts & Entertainment	-	-
Other	58,300	20,400
Total	934,100	1,058,700

Source: KHBCC, restated by HVS

Using the event and room utilization data provided by the KBHCC, HVS estimated an occupancy rate for each space during fiscal year 2016, the most recent complete year of data. We define occupancy rate as the number of days in use divided by the total potential use days in a year. The following figure presents the 2016 occupancy rates for each function space at the KBHCC.

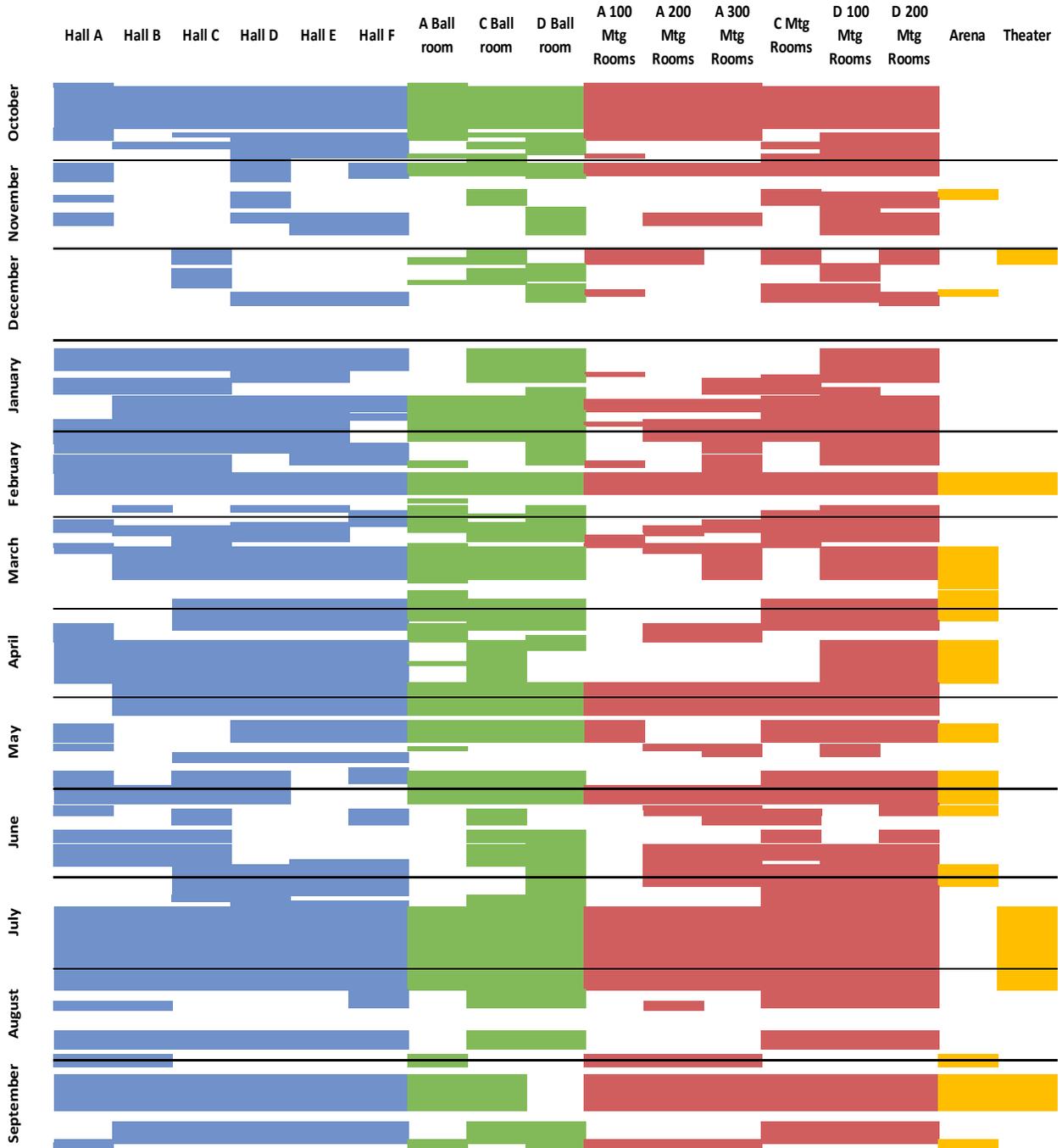


Source: KBHCC

Exhibit hall occupancy rates range between 49-60%, with the highest occupancy in the centrally located exhibit halls, C and D. Meeting and ballroom occupancies indicate significantly more utilization of newer spaces at the west end of the facility. The A ballroom and A 100 meeting rooms are some of the least used spaces in the KBHCC. With a 26% occupancy rate, the arena is primarily used for sports competitions and general session meetings. Business meetings account for roughly 14% occupancy in the Theater, which is primarily used for TBAAL performances and events. Room occupancy rates at the KBHCC are about average for large convention centers throughout the U.S. Exhibit hall and ballroom occupancy can reach 70% for extremely active venues. Overall meeting room occupancy tends to be slightly lower than exhibit and ballroom occupancy. As in the KBHCC, meeting room occupancy is the most inconsistent with preferred rooms reaching 70% and less desirable rooms falling well below 50%.

A review of daily usage reveals the seasonality of the KBHCC's demand profile as presented below.

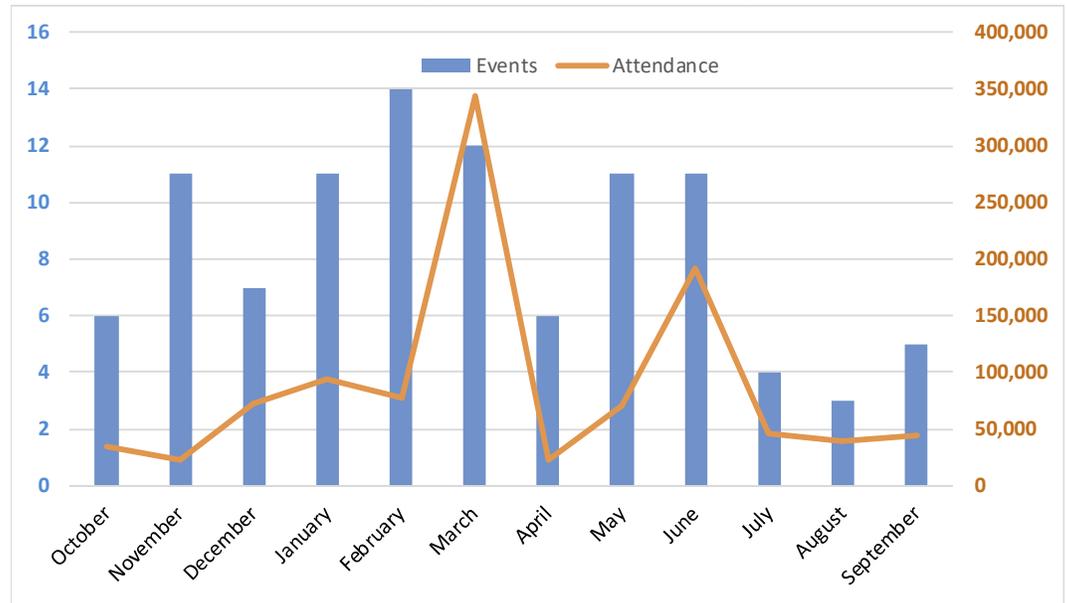
FIGURE 8-5
FY 2016 DAILY ROOM USE



Source: KBCC

The above figure indicates the greatest facility utilization during the months of October and July. The lowest facility utilization rates occur in November and December. Some large trade shows require long periods of event set-up, occupying the KBHCC’s exhibit spaces before and after events. Monthly room occupancy does not necessarily correlate with the number of events and attendance levels as shown in the figure below.

FIGURE 8-6
FY 2016 EVENTS AND ATTENDANCE BY MONTH



Source: KBHCC

Annual conventions, sporting events and consumer shows, such as the Dallas Safari Club, the NCA Cheerleading All-Stars, and the DFW Auto Show tend to drive up attendance levels during certain months. Other months are characterized by multiple smaller events, such as conferences and meetings.

Lost Business Analysis

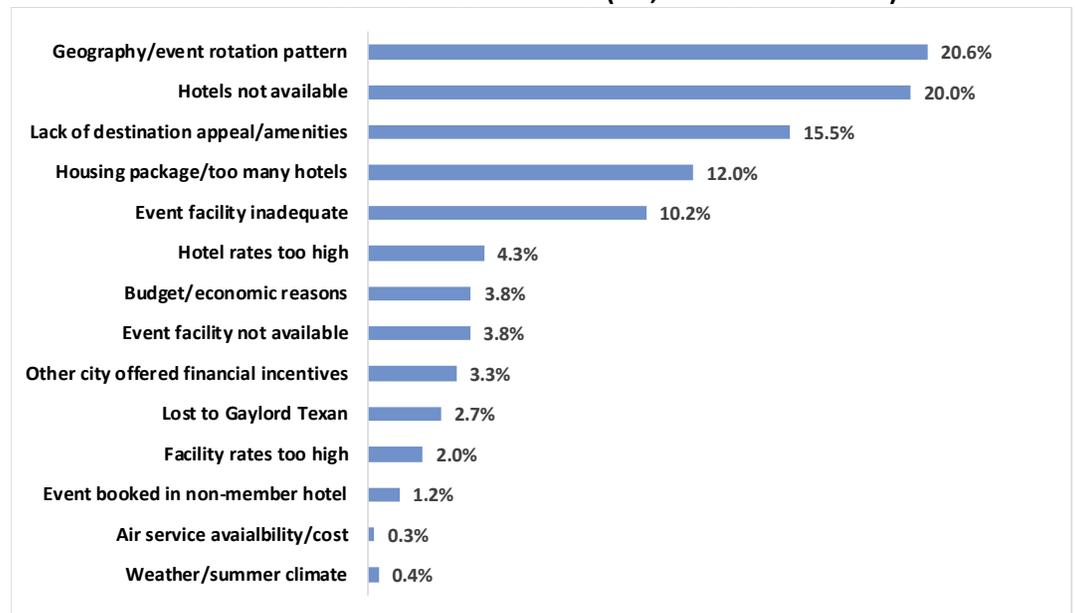
If recommendations are implemented, a primary source of new demand at the KBHCC will come from lost business that had considered Dallas but ultimately selected another destination. Any program and strategic recommendations should address these issues when possible.

VisitDallas provided HVS with a summary of lost business for events that would have occurred in Dallas from 2008 through 2028 but did not get booked for a variety of reasons. Over this period, VisitDallas reports over 8,400 lost events with approximately 17.4 million room nights. Of these events, approximately 40% would have generated more than 1,000 room nights in the market, suggesting that

they would require the KBHCC for their event function spaces. Smaller events would likely book local hotels for both event space and lodging needs.

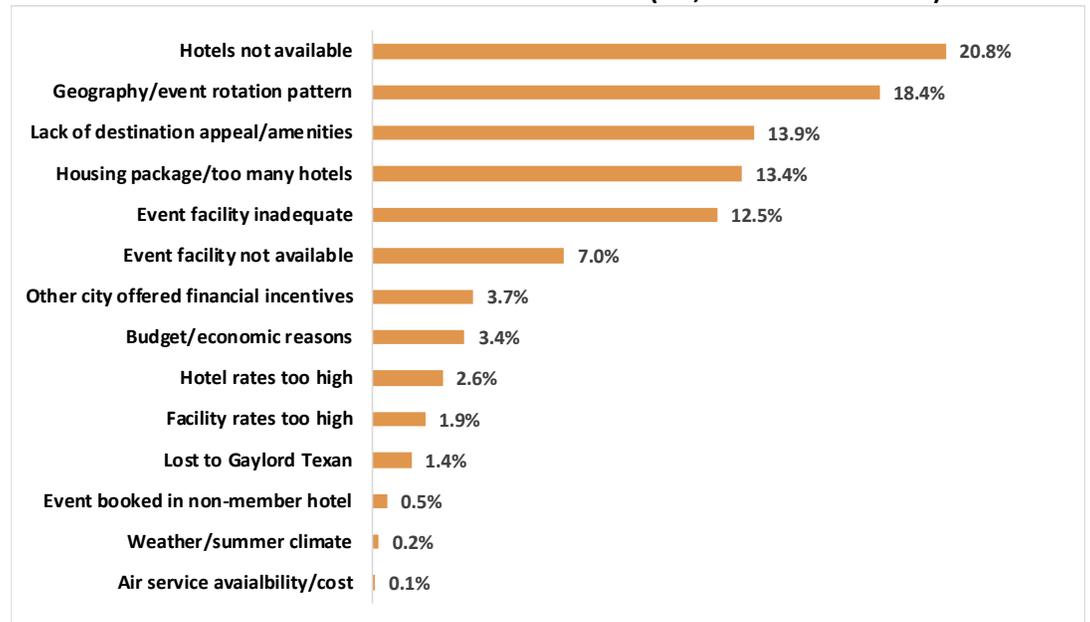
When evaluating lost events, VisitDallas tracks the primary reasons for each piece of lost business. VisitDallas was unable to ascertain specific reasons for lost business for around 15% of these lost events, while an additional 20% of lost events report a cancellation or other internal reasons for not booking in Dallas. For the remaining 65% of events, HVS reviewed lost event reports and coded events into major categories. The following figure presents the percentage of events lost by reason.

FIGURE 8-7
PRIMARY REASON FOR LOST EVENTS (> 1,000 ROOM NIGHTS)



Source: VisitDallas

FIGURE 8-8
PRIMARY REASON FOR LOST ROOM NIGHTS (> 1,000 ROOM NIGHTS)



Source: VisitDallas

The above analysis indicates that hotel availability-related reasons account for roughly 32% of lost events and 34% of lost room nights. In these cases, event planners have been unable to obtain a suitable number of rooms for their room block or considered the housing package inadequate due to too many hotel properties or other reason. Facility related reasons account for approximately 14% of lost events and 20% of lost room nights, including the lack of appropriate function spaces and scheduling conflicts.

To evaluate potential demand at an expanded KHBCC, HVS considered several recent years of lost events that would have required at least 1,000 peak room nights in the market.

The following figure presents the lost events that would have occurred from 2014 through 2018, and corresponding lost room nights by the year the event would have taken place.

**FIGURE 8-9
LOST EVENTS BY YEARS (2014-2018)**

	Total Events	Total Attendees	Average Attendees	Total Room Nights	Average Room Nights
2014	410	1,078,000	2,600	1,415,000	3,500
2015	419	914,000	2,200	1,790,000	4,300
2016	545	1,111,000	2,000	2,453,000	4,500
2017	607	1,193,000	2,000	2,691,000	4,400
2018	392	948,000	2,400	2,137,000	5,500

Source: VisitDallas

VisitDallas tracks all lost events, many of which have overlapping dates. Further analysis of lost business during 2014 and 2018 indicates that approximately 78% of lost events have overlapping dates. While multiple lost events may be able to be accommodated by an expanded KHBCC, it is more likely that only one additional event could book on the conflicting dates.

Considering 2017 as a representative year of lost business, VisitDallas' lost business data suggests that each event attracts around 2,000 attendees and would produce around 4,400 room nights in the market. Removing overlapping events produces approximately 130 unique events that the KHBCC could accommodate. Because events are lost for a variety of reasons, facility and district improvement would allow the KHBCC to recapture some, but not all, of these 130 lost events. The following figure presents the percentage of lost events for reasons that can be improved through the facility and district improvements discussed in this report.

**FIGURE 8-10
LOST EVENTS BY REASON (2014-2018)**

Primary Reason for Lost Business	Percentage of Total Lost Events	Percentage of Lost Attendees	Percentage of Lost Room Nights
Hotel package and availability	19.7%	22.1%	22.0%
Destination and amenities	9.6%	7.8%	8.9%
Facility capacity and availability	8.6%	9.9%	5.7%
Total	37.9%	39.8%	36.6%

Event planners indicate that an insufficient hotel package or hotel availability is the primary reason for not hosting at the KHBCC for approximately 20% of lost events. The development of nearby hotel properties in the convention center district could allow the KHBCC to capture some of these events. Ongoing additions to Dallas's tourism-related amenities and other district destination improvements would impact approximately 10% of lost events. Insufficient function space and

schedule conflicts cause another 9% of lost events. Improvement to the KHBCC would improve Dallas' ability to capture these events.

Demand Projections

HVS's analysis of historical and lost KHBCC demand, an analysis of comparable and competitive venues, and an in-depth user survey suggest that the proposed KHBCC expansion and proposed convention district improvements should allow Dallas to expand its convention and other group business from regional and national corporations and associations, state associations, and other groups. The KHBCC expansion should allow the venue to also expand utilization by its existing client base and attract a greater share of conventions and trade shows. Additional hotel supply in the convention center district would support these additional events' lodging needs, while other district improvements would create a more competitive and desirable destination.

In developing demand projections, HVS considered the ongoing improvements to convention centers and hotel developments in other markets that compete with the KHBCC for regional and national business. Prior to the proposed KHBCC expansion and hotel development, we project that event demand for conventions, trade shows, and other events at the KHBCC would remain consistent as competing improvements come online. We used average historical demand over the past three years to project demand for the expanded KHBCC from historical levels through stabilized demand.

HVS based demand projections on the completion of the expansion in fiscal year 2021/22. We estimate that incremental event demand would ramp up following the completion of the expansion and stabilize in 2023/24. For reference, we include demand projections for the scenario in which recommended expansion and other district improvement do not take place.

The figures below breaks out event projections by type of event. Total and average attendance figures represent individual event attendees. A brief description of event types follows.

FIGURE 8-11
SUMMARY OF DEMAND PROJECTIONS WITH EXPANSION

	Historical	2021/22	2022/23	2023/24
Events				
Conventions & Tradeshows	28	36	41	45
Conferences	12	17	21	25
Consumer Shows	9	9	9	9
Sports/Competitions	17	18	19	20
Meetings	24	24	24	24
Banquets	6	8	10	12
Assemblies	6	6	6	6
Concerts & Entertainment	1	1	1	1
Other	6	6	6	6
Total	109	125	137	148
Average Attendance				
Conventions & Tradeshows	12,400	11,100	11,100	11,100
Conferences	2,300	2,600	2,600	2,600
Consumer Shows	33,600	33,600	33,600	33,600
Sports/Competitions	14,000	14,000	14,000	14,000
Meetings	800	800	800	800
Banquets	500	500	500	500
Assemblies	5,300	5,300	5,300	5,300
Concerts & Entertainment	3,500	3,500	3,500	3,500
Other	3,400	3,400	3,400	3,400
Total Attendance				
Conventions & Tradeshows	348,200	399,600	455,100	499,500
Conferences	28,000	43,300	52,900	64,400
Consumer Shows	302,500	302,500	302,500	302,500
Sports/Competitions	237,700	251,600	265,600	279,600
Meetings	19,500	19,500	19,500	19,500
Banquets	3,100	4,100	5,100	6,100
Assemblies	32,000	32,000	32,000	32,000
Concerts & Entertainment	3,500	3,500	3,500	3,500
Other	20,400	20,400	20,400	20,400
Total	994,900	1,076,500	1,156,600	1,227,500

The following figure presents the event demand and attendance projections for a typical year under a “No Expansion” scenario.

FIGURE 8-12
SUMMARY OF DEMAND PROJECTIONS WITH NO EXPANSION

Events	
Conventions & Tradeshows	25
Conferences	12
Consumer Shows	9
Sports/Competitions	15
Meetings	24
Banquets	6
Assemblies	6
Concerts & Entertainment	1
Other	6
Total	104
Total Attendance	
Conventions & Tradeshows	310,900
Conferences	28,000
Consumer Shows	302,500
Sports/Competitions	209,700
Meetings	19,500
Banquets	3,100
Assemblies	32,000
Concerts & Entertainment	3,500
Other	20,400
Total	929,600

Event Types

HVS classified events in the following categories.

Conventions & Tradeshows—Conventions require a combination of exhibition, banquet, and meeting space. The source of conventions would be primarily national, regional, and state associations and corporations. This demand category also includes religious and other SMERF groups that would rotate to Dallas for their annual events. Conventions are typically multi-day events that require daily food service for their attendees. Tradeshows provide a means for wholesalers and retailers to transact business with industry buyers. As such, tradeshows are typically exhibit-oriented events in which people display and demonstrate products. Tradeshows require some meeting and meal space; however, they require much less space than conventions.

Conferences—Conferences are multi-day events like conventions. However, conferences typically have minimal exhibit requirements. Conferences require a

mix of banquet and breakout space set-up and occasional assembly space, but they do not require any exhibit hall set-up.

Consumer Shows—Consumer shows are ticketed public events that attract local and regional attendees, such as home and garden shows and car shows. These events require some meeting space for support and back of house uses. Food and beverage services would be limited to concessions.

Sports & Competitions—Sports and competitions events include sports tournaments, dance and cheerleading competitions, gaming events, and other competitions that may set up courts, mats, tables, and other playing surfaces in exhibit halls or ballrooms depending on space needs. Sports can attract national or state base of competitors and attendees.

Meetings—Meetings require breakout meeting space but would not use banquet or exhibit space. Food service is limited to coffee breaks, breakfasts, or luncheons in meeting rooms. A variety of groups host meetings and conferences, including, corporations, associations, civic organizations, religious groups, and government agencies. Meetings and conferences can take place in breakout meeting space. In addition to meals, ballrooms and multipurpose rooms can also handle larger meetings or several smaller simultaneous meetings as needed.

Banquets—Banquets are stand-alone social events, luncheons, and other meals typically booked by local corporations, social and civic organizations, and private clients. The flexibility of the ballroom and pre-function spaces would allow for a variety of banquet sizes and multiple simultaneous events.

Assemblies—Assemblies include graduations, religious services, and lectures. Produced by any type of organization, assemblies are always public events. Additionally, assemblies only require a plenary set-up.

Concerts & Entertainment— These include a host variety of concerts, comedy shows, and theatrical productions that attract a local base of attendees.

Other—Other events include civic and cultural events, including health screenings, cultural ceremonies and performances, and staging for races, parades, and other community events.

Room Night Estimates

HVS calculated the potential generation of room nights by the expanded KHBCC in conjunction with adjacent hotel development and convention district improvement. These room nights represent the total room nights generated in the Dallas market by the operations of the expanded KHBCC. The following figure presents the assumptions used to generate room night estimates. HVS based room

night assumptions on historical KHBC and VisitDallas data, and other industry research. The figure includes only those events that generate rooms nights in the market.

**FIGURE 8-13
ASSUMPTIONS FOR ROOM NIGHTS**

Type of Event	Pre-Expansion		Expansion	
	Length of Stay	Percent Lodgers	Length of Stay	Percent Lodgers
Conventions & Tradeshow	3.5	26%	3.5	31%
Conferences	2.0	60%	2.0	60%
Consumer Shows	1.0	2%	1.0	2%
Sports/Competitions	2.0	46%	2.0	46%
Meetings	1.0	35%	1.0	35%

The introduction of the expanded KHBC and hotel would result in a greater number of higher impact conventions and tradeshow in Dallas and a greater number of out-of-town visitors who require lodging. The following figure presents an estimate of historical room nights and the resulting incremental room nights generated after the proposed expansion and hotel development through a stabilized year of demand.

The following figure presents the resulting room night generation through year 2023/24, the first year of stabilized demand.

**FIGURE 8-14
ROOM NIGHT ESTIMATES**

Type	Historical	2021/22	2022/23	2023/24	2024/25
Conventions & Tradeshow	262,800	293,000	333,700	366,300	366,300
Conferences	23,600	34,600	42,300	51,500	51,500
Consumer Shows	3,000	3,000	3,000	3,000	3,000
Sports/Competitions	108,100	114,500	120,900	127,200	127,200
Meetings	5,500	5,500	5,500	5,500	5,500
Total	403,000	450,600	505,400	553,500	553,500

In a stabilized year, HVS estimates that the expanded KHBC would generate approximately 553,500 room nights in the local area market. Some of these room nights would result from contract blocks with groups and others would result from individual hotel reservations.

HVS intends for demand projections to show the expected levels of event numbers and attendance. Projections show smooth growth over time. However, event



demand and booking cycles do not always run smoothly. Unpredictable local and national economic factors can affect businesses. Event demand often moves in cycles based on rotation patterns and market conditions. Therefore, HVS recommends interpreting the demand projections as a mid-point of a range of possible outcomes and over a multi-year period, rather than relying on projections for any one specific year.

9. Hotel Supply and Demand Analysis

The availability of supporting hotel supply will be a major factor in determining whether an expanded Kay Bailey Hutchison Convention Center (“KBHCC”) can successfully attract additional convention, tradeshow, and conference business. The proximity of the hotel supply is critical as event planners desire adequate room supply within walking distance of their event venue. The addition of an adjacent of a second connected headquarters hotel would enhance Dallas’s competitiveness in the convention market.

Methodology

This hotel market analysis assesses trends in lodging supply and demand to determine the likelihood that existing and future hotel supply would adequately support an expanded KBHCC.

To analyze the hotel market, HVS

- 1) analyzed the historical performance of a competitive set of hotels (“Competitive Hotels”),
- 2) estimated the amounts of induced and unaccommodated demand in the market,
- 3) researched potential changes in room supply, and
- 4) based on hotel market trends and economic and demographic indicators of future changes in hotel demand, projected the future performance of a competitive set of hotel properties.

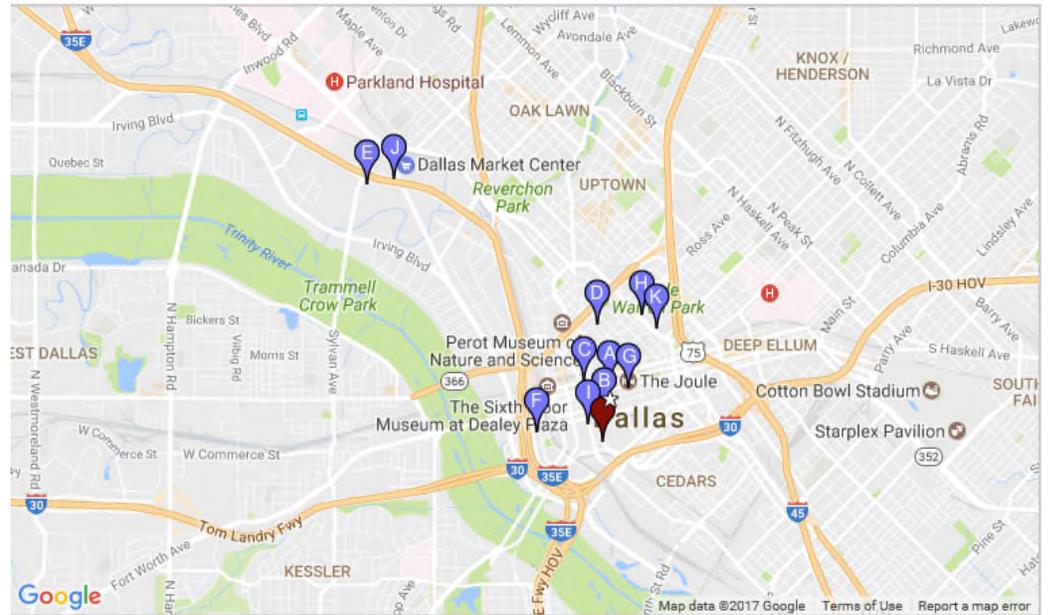
The projection results is an estimate of average daily room rates and occupancies for the Competitive Hotels for the next ten years.

Selection of the Competitive Hotels

To assess the Dallas hotel market that serves the KBHCC, we analyzed large- and medium-size downtown Dallas hotels and larger meeting-oriented hotels within a few miles of downtown that provide rooms for events at the KBHCC or host large in-house meeting and group events.

The following figure shows the hotels that provide significant numbers of hotel rooms for events at the KBHCC (referred to herein as the “Competitive Hotels”).

**FIGURE 9-1
COMPETITIVE HOTELS**



- | | | | |
|--|---|--|--|
| | Kay Bailey Hutchinson Convention Center | | Hyatt Regency Dallas (Primary) |
| | Adolphus Autograph Collection (Primary) | | Magnolia Hotel Dallas (Primary) |
| | Aloft Dallas Downtown (Primary) | | Marriott City Center (Primary) |
| | Crowne Plaza Downtown (Primary) | | Omni Dallas (Primary) |
| | Fairmont Dallas (Primary) | | Renaissance Dallas Market Center (Primary) |
| | Hilton Anatole (Primary) | | Sheraton Dallas (Primary) |

As shown in the following figure, the Competitive Hotels provide rooms for approximately 80% of the total room night demand generated by the KBHCC.

FIGURE 9-2
2010-2016
PERCENT OF KBHCC GENERATED ROOM NIGHT DEMAND

Hotel	% of Total Room Night Demand
Omni Dallas Hotel	21%
Hyatt Regency Dallas	15%
Sheraton Dallas Hotel	13%
Hilton Anatole	7%
Adolphus Hotel	4%
Crowne Plaza Dallas Downtown	3%
Aloft Dallas Downtown	3%
Fairmont Dallas	3%
Magnolia Hotel Dallas Downtown	2%
Renaissance Dallas Hotel	2%
Dallas Marriott City Center	2%

Sources: HVS & Visit Dallas

All the selected properties report operating performance data to Smith Travel Research (“STR”). HVS ordered a Custom Trend Report from STR for the period January 2005 to February 2017. The information provided by STR is aggregated in the Custom Trend Report. Because the reporting hotel submits data at least monthly, a Custom Trend Report is helpful in determining the seasonal patterns of occupancy and ADR.

Historical Supply and Demand Data

Current and historical market performances of potential competitors serve as the basis for determining the feasibility of developing new hotels. The figure below lists the Competitive Hotels from oldest to newest.

**FIGURE 9-3
COMPETITIVE HOTELS**

Name of Establishment	Chain Scale *	Open Date	Rooms
Autograph Collection The Adolphus	Upper Upscale Class	Jun 1912	407
Sheraton Hotel Dallas	Upper Upscale Class	Jun 1959	1,840
Fairmont Dallas	Luxury Class	Jun 1969	545
Crowne Plaza Dallas Downtown	Upscale Class	Sep 1969	293
Hyatt Regency Dallas	Upper Upscale Class	May 1978	1,120
Hilton Anatole	Upper Upscale Class	Jun 1979	1,606
Marriott Dallas City Center	Upper Upscale Class	Jun 1980	416
Renaissance Dallas Hotel	Upper Upscale Class	Jun 1983	514
Magnolia Hotel Dallas Downtown	Upper Upscale Class	Aug 1999	325
aloft Hotel Dallas Downtown	Upscale Class	Sep 2009	193
Omni Dallas Convention Center Hotel	Upper Upscale Class	Nov 2011	1,001
Total			8,260

*STR places hotel brands on a Chain Scale based on the previous year's annual system wide average daily rate.

Sources: STR and HVS

The following figure shows the breakdown of the Competitive Hotels by Chain Scale, as classified by STR.

**FIGURE 9-4
ALLOCATION OF COMPETITIVE HOTELS BY STR CHAIN SCALE**

Chain Scale	Hotels	Rooms	% of Competitive Hotels
Upper Upscale Class	9	7,522	91%
Luxury Class	1	545	7%
Upscale Class	1	193	2%
Total Competitive Hotels	2	8,260	

Source: STR

Most of the Competitive Hotels are in the Upper Upscale Class. These properties provide effective lodging for the many meetings and conventions, transient corporate, and leisure demand.

The following figure presents the twelve-year trend for available room nights, occupancy, average rate, and RevPAR.

FIGURE 9-5
HISTORICAL SUPPLY AND DEMAND TRENDS FOR THE COMPETITIVE HOTELS

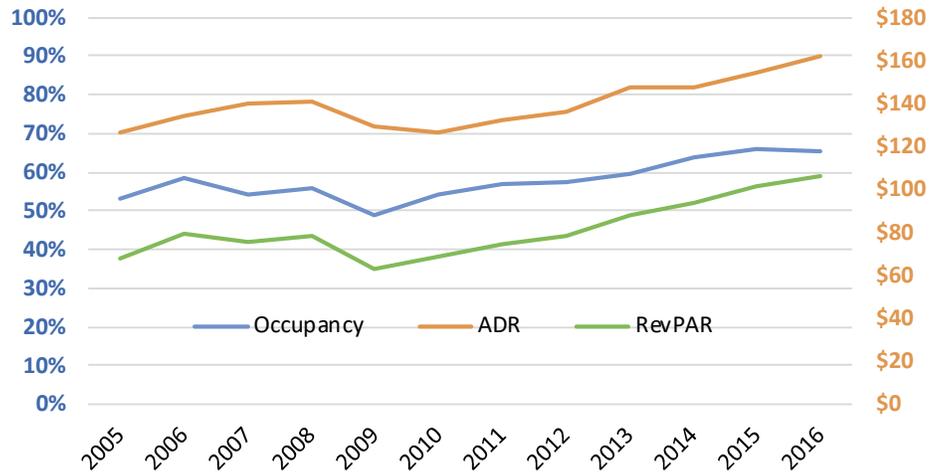
Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Change	Average Rate	Change	RevPAR	Change						
2005	7,081	2,584,565		1,377,365		53.3%		\$126.83		\$67.59							
2006	7,081	2,584,565		1,517,884		58.7%		134.52		79.00							
2007	7,081	2,584,565		1,399,803		54.2%		140.23		75.95							
2008	7,081	2,584,565		1,438,324		55.7%		140.53		78.20							
2009	7,146	2,608,111		1,269,752		48.7%		129.28		62.94							
2010	7,273	2,654,826		1,435,749		54.1%		126.51		68.42							
2011	7,441	2,716,012		1,539,724		56.7%		132.04		74.85							
2012	8,281	3,022,565		1,738,266		57.5%		136.35		78.41							
2013	8,281	3,022,565		1,798,579		59.5%		147.64		87.85							
2014	8,281	3,022,565		1,921,434		63.6%		147.96		94.06							
2015	8,277	3,021,105		1,993,860		66.0%		154.35		101.86							
2016	8,260	3,015,080		1,969,960		65.3%		162.29		106.03							
Average Annual Compounded Change: 2005-2016			1.4%				3.3%				1.9%			2.3%			4.2%

Source: STR

From 2005 to 2016, the Competitive Hotels experienced a 3.3% annual growth in room night demand. Supply grew at a slower annual rate of 1.4%, which caused an increase in the average occupancy rate of 1.9% on an annual basis. The Competitive Hotels showed strong growth in demand through 2006, but growth levels oscillated as the country entered the recession in the late-2000s. The Competitive Hotels were more resilient than the nation as a whole and has flourished after 2009, with six years of room night demand growth. Room night demand decreased in 2016 by -1.2%. For the first time in seven years, occupancy rates declined by -1.0% but remain above the average of the last 12 years.

The following figure shows the historical performance of occupancy, ADR, and RevPAR for the Competitive Hotels.

FIGURE 9-6
HISTORICAL OCCUPANCY, ADR, AND REVPAR FOR THE COMPETITIVE HOTELS



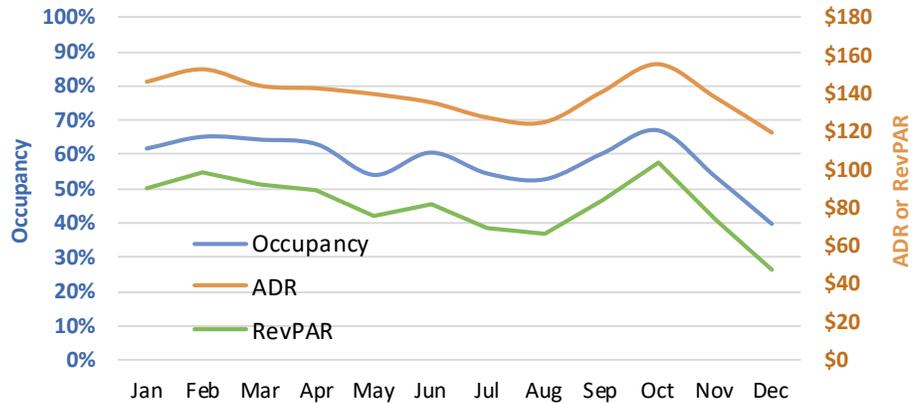
Source: STR

Due to the annual ADR growth of 2.3% for the Competitive Hotels along with rising occupancy, RevPAR grew 4.2%, on an annual basis. The average rate fluctuated over the past decade from \$127 to \$162, with 2016 representing the peak year. The entrance of new high-quality, select-service hotels and renovations to existing hotels allowed local hotel operators to increase average rates every year from 2011 through 2016. Property managers reported high mid-week ADR, due to corporate and meeting and group demand.

The opening of the aloft Hotel Dallas Downtown in 2009 and the Omni Dallas Convention Center Hotel in 2011 added 431,000 room nights in capacity from 2005 to 2016.

The figure below shows the monthly occupancy and average rate trends for the Competitive Hotels.

**FIGURE 9-7
AVERAGE PERFORMANCE 2005-2016
COMPETITIVE HOTELS SEASONALITY GRAPH**

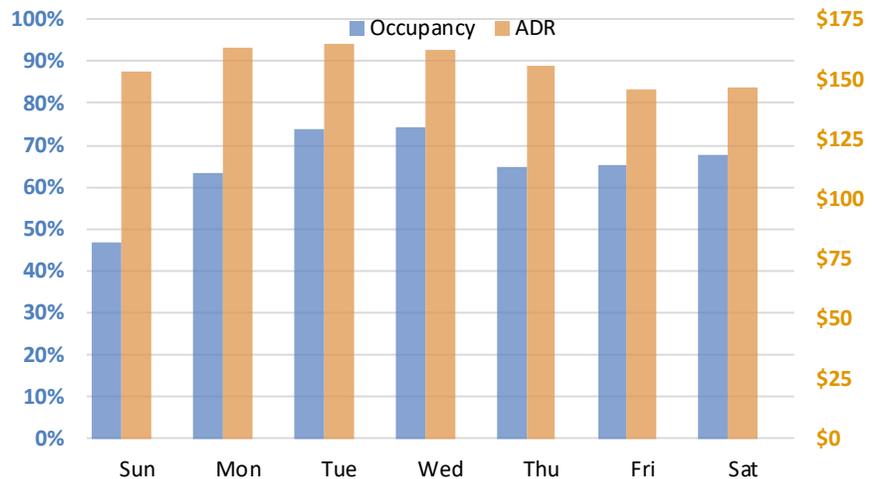


Source: STR

The market is strongest in the fall with an average RevPAR from 2005 to 2016 of \$103.53 in October and weakest in the winter at \$47.40 in December.

The following figure shows the strong mid-week demand with Tuesday's RevPAR of \$121.52 the weekly high, and the weekly low on Sundays with a RevPAR of \$71.56. The day-of-week RevPAR pattern is typical of hotels that focus on commercial and meeting & group demand.

**FIGURE 9-8
MARCH 2014 THROUGH FEBRUARY 2017 COMPETITIVE HOTELS
AVERAGE OCCUPANCY & ADR BY DAY OF WEEK**



Source: STR

Due to the extensive ballroom and meeting space offerings and strong corporate demand in the Competitive Hotels, occupancy and ADR peak on Tuesday and Wednesday nights. The Competitive Hotels show weak weekend demand from leisure travel. The following figure shows historical occupancy for the Competitive Hotels monthly by day-of-week.

FIGURE 9-9
OCCUPANCY – BY DAY-OF-WEEK AND MONTH

Month	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Month
Mar - 16	49.5%	71.7%	82.4%	74.8%	67.1%	72.8%	74.0%	70.8%
Apr - 16	60.3%	77.7%	89.0%	84.4%	77.4%	82.9%	80.8%	79.1%
May - 16	45.5%	68.6%	77.8%	79.0%	58.6%	56.8%	65.4%	64.5%
Jun - 16	41.1%	63.1%	80.0%	73.0%	62.7%	67.0%	68.4%	65.2%
Jul - 16	47.0%	66.7%	75.4%	74.0%	59.5%	51.7%	55.4%	60.4%
Aug - 16	38.5%	53.7%	66.0%	70.8%	59.7%	61.0%	56.5%	58.5%
Sep - 16	53.4%	65.0%	77.8%	80.6%	69.5%	76.4%	79.7%	71.8%
Oct - 16	49.6%	64.7%	83.4%	83.9%	66.1%	65.2%	71.0%	68.4%
Nov - 16	41.2%	56.0%	65.3%	72.8%	70.4%	69.9%	67.9%	63.7%
Dec - 16	33.6%	42.2%	43.7%	39.6%	40.4%	42.0%	53.7%	42.5%
Jan - 17	43.3%	62.2%	76.5%	82.0%	71.6%	63.1%	63.3%	65.5%
Feb - 17	54.0%	80.4%	89.7%	85.7%	70.0%	64.6%	67.4%	73.1%
Total Year	46.4%	64.2%	75.4%	74.9%	64.1%	64.4%	66.8%	65.2%

Below Average █
Average █
Above Average █

Source: STR

The Competitive Hotels shows definite patterns of demand, with higher summer and lower winter demand and high mid-week and lower Sunday demand. The occupancy rate on Tuesday and Wednesday exceeds 80% approximately 38% of the time.

The combination of high summer demand combined with already high mid-week demand allows properties to charge an ADR premium, as shown below.

FIGURE 9-10
ADR-- BY DAY-OF-WEEK AND MONTH

Month	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Month
Mar - 16	\$184	\$184	\$182	\$174	\$167	\$144	\$155	\$170
Apr - 16	165	180	179	174	166	154	161	168
May - 16	147	176	183	178	161	132	130	161
Jun - 16	150	163	167	161	152	153	151	157
Jul - 16	148	154	156	154	150	137	140	149
Aug - 16	134	146	148	147	148	139	135	143
Sep - 16	160	181	183	181	170	157	161	170
Oct - 16	173	180	196	192	178	175	161	180
Nov - 16	142	154	162	155	152	142	142	151
Dec - 16	128	137	138	137	135	132	137	135
Jan - 17	162	181	182	181	174	157	157	172
Feb - 17	176	190	190	185	179	157	162	179
Total Year	158	171	174	170	162	149	150	163

Below Average
Average
Above Average

Source: STR

This ADR premium is one of the factors allowing for the development of new hotels despite the high expense of development.

The Competitive Hotels experienced increased demand during six of twelve months in 2016, compared to 2015, as shown in the figure below.

FIGURE 9-11
MONTHLY DEMAND FOR COMPETITIVE HOTEL ROOMS 2015/2016

	2015	2016	Monthly % Change 2015 to 2016	2016 Monthly Occupancy
Jan	167,618	174,408	4.1%	68.1%
Feb	177,645	167,036	-6.0%	72.2%
Mar	190,105	181,212	-4.7%	70.8%
Apr	176,587	196,051	11.0%	79.1%
May	163,107	165,149	1.3%	64.5%
Jun	171,676	161,632	-5.9%	65.2%
Jul	158,065	154,720	-2.1%	60.4%
Aug	149,144	149,905	0.5%	58.5%
Sep	168,478	178,011	5.7%	71.8%
Oct	201,494	175,157	-13.1%	68.4%
Nov	153,880	157,929	2.6%	63.7%
Dec	116,061	108,750	-6.3%	42.5%
Demand	1,993,860	1,969,960	-1.2%	65.3%

Source: STR

Demand growth was stagnant in 2016. None-the-less, the market continues to show a historically strong occupancy level, providing the basis for future hotel development. A number of factors determine the timing of new hotel development separate from current market growth, including ADR, occupancy levels, cost and ability to develop new hotel rooms, financing costs, and anticipated future growth rates in demand and ADR.

Room Supply Changes

HVS used the Competitive Hotels for the basis of projecting the competitive hotel market focused on the commercial and meeting & group market segments. The Competitive Hotels are all weighted 100% competitive due to the significant volume of room nights provided for events at the KBHCC.

Based on information provided by the local officials, STR, local news sources, and the internal HVS database, HVS assumes 1,958 new weighted rooms, would enter the competitive market segment by 2022. The figure below shows the new hotels that may enter the market over the next few years.

**FIGURE 9-12
PROJECTED NEW SUPPLY**

Year	Hotel Name	Proposed Rooms	Competitive Weight	Weighted Room Count	Cumulative Weighted Room Count
Open	Lorenzo	237	100%	237	237
2017	Statler Hotel, Curio Collection by Hilton	159	40%	64	301
2017	Fairfield Inn /TownePlace Suites Evergreen St.	237	65%	154	455
2017	AC by Marriott/Residence Inn Commerce St.	249	45%	112	567
2018	Courtyard by Marriott Houston & Wood	167	100%	167	734
2018	Thompson Hotel	216	40%	86	820
2019	2000 Ross	227	30%	68	888
2019	Hall Arts Hotel	231	30%	69	958
2022	Proposed Convention Center District Hotel or Hotels	1,000	100%	1,000	1,958

The market may be able to increase supply at a faster rate if new projects induced demand into the market from new demand generators such as a large spa, a water park, extensive meeting space, or recreational facilities.

The 1,000 room shown opening in 2022 represents the need for additional hotel rooms in downtown Dallas as demand grows. Developers may choose to develop properties outside of the convention center district to meet the growing demand. Developers have many reasons for developing hotels including featuring the property in a mixed-use development, meeting an expanding or known need for rooms in a certain part of downtown, securing an available site, supporting existing properties, and many other reasons. The targeting of growth to a specific location such as the convention center district may require incentives.

Hotel Development in the convention center district

While discussion concerning an additional potential hotel or hotels near the KBHCC is ongoing, this property has not been planned or financed at the time of this analysis. We have included in this analysis a hypothetical 1000-room hotel or hotels in the convention center district as it would be important to the success of the expanded KBHCC. Based on the analysis presented here, we conclude the following.

- If the hotel market continues to grow, new hotel development beyond that which is already planned is likely to occur in downtown Dallas. The occupancy rate of the Competitive Hotels reaches 64.0% in the year prior to the estimated opening of 1,000 hotel rooms in the convention center district. This level of occupancy has historically indicated the Dallas competitive market can absorb additional supply.
- A hotel or hotels in the convention center district would be more likely to induce new demand into the market than other downtown hotel development.

- While the location of the convention center district hotel or hotels is currently at the periphery of the downtown area, the current entertainment and housing developments south of the KBHCC and the convention center district would make it a more desirable hotel development site.
- Direct and enclosed connection to the KBHCC would integrate the venues and allow them to co-host certain events.
- Structured parking may be necessary to support the hotel or hotels in the convention center district and the expanded KBHCC. A shared parking development and operating arrangement could foster the financial feasibility of a hotel project.
- A room block commitment agreement between KBHCC and the hotel or hotels in the convention center district would foster the assembly of the necessary room blocks for convention events. The hotel or hotels in the convention center district could provide a portion of committed rooms to KBHCC events and thereby induce new demand into the downtown Dallas market.
- The induced demand of 164,000 annual room nights from the expansion of the KBHCC would support the equivalent of 691 hotel rooms on an annual basis at an occupancy rate of 65%. The increase in demand would attract new hotels to the convention center district.
- Due to the importance of surrounding hotel rooms to both the convention center district and the success of the KBHCC, modest financial incentives may be needed to encourage development within the convention center district rather than other downtown sites.
- The market would provide significant support for the development of a hotel or hotels in the convention center district. A single additional headquarters hotel or several properties within in the convention center district could be developed.

Developers may choose to build in other downtown locations that could serve the KBHCC but would not help to create a vibrant convention center district. New hotels are often built to meet a specific corporate need for rooms on a consistent business, part of a mixed-use development, or site availability.

Segmentation and Market Growth Assumptions

HVS divided the overall market into three segments based on the nature of travel. Based on our knowledge of the local lodging market, we estimate the 2016 distribution of accommodated room night demand as shown in the figure below.

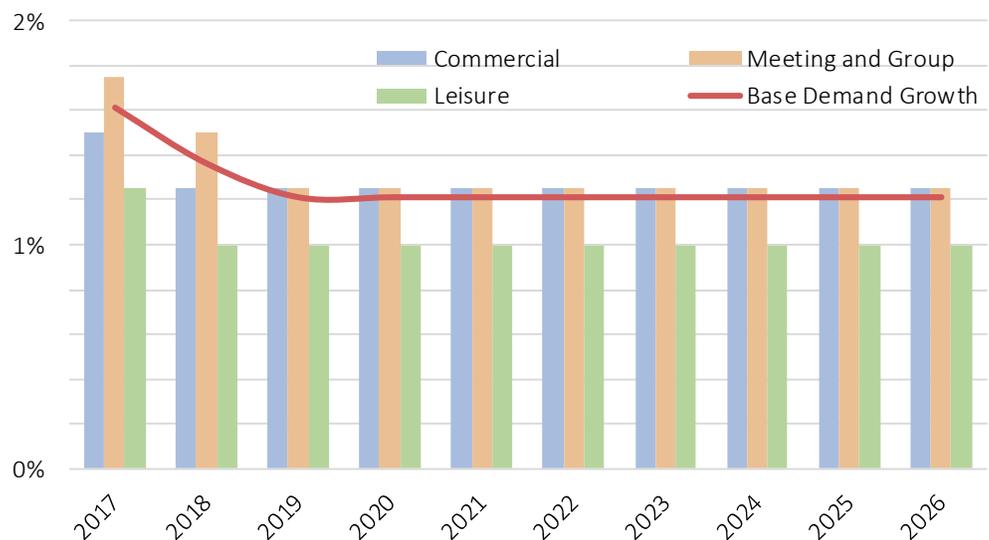
**FIGURE 9-13
COMPETITIVE HOTELS
2016 ACCOMMODATED ROOM NIGHT DEMAND**

Market Segment	Accommodated Demand	Percentage of Total
Meeting and Group	1,211,711	60%
Commercial	502,236	25%
Leisure	292,998	15%
Total	2,006,945	

Commercial demand (25%) includes individuals traveling for business purposes. Meeting and group events generate approximately (60%) of market demand. Leisure demand (15%) consists of individual travelers on vacation or visiting family and friends and results in mostly weekend demand.

Using the historical data and information obtained through interviews with hotel managers, HVS prepared an estimate of future base occupancy growth for the Competitive Hotels.

**FIGURE 9-14
COMPETITIVE HOTELS
AVERAGE ANNUAL BASE MARKET SEGMENT GROWTH RATES**



HVS projected change to the Competitive Hotels market by adding unaccommodated and induced demand, to the base market segment growth rates shown in the above figure.

Unaccommodated Demand

Unaccommodated demand refers to individuals who do not secure accommodations in the market because of unavailable rooms. These travelers must defer their trips, settle for less desirable accommodations, or stay in properties located outside the market area. Because this demand does not yield occupied room nights, estimates of historically accommodated room night demand do not include it. We must quantify this demand when making projections.

The historical high occupancy rates on Tuesday and Wednesday nights support the room night demand estimate for unaccommodated demand. The following figure presents our estimate of unaccommodated demand in the Competitive Hotels, all of which would occur in April.

FIGURE 9-15
COMPETITIVE HOTELS UNACCOMMODATED DEMAND ESTIMATE

Source	Room Nights
Commercial	2,499
Meeting & Group	6,030
Leisure	1,458
Total	9,987

Induced Demand

Induced demand represents the additional room nights the Dallas market could gain following the introduction of a new demand generator. Situations that could result in induced demand include the opening of a medical center, the opening or expansion of a convention center, or the addition of a new hotel with a distinct chain affiliation or unique facilities.

- When the proposed KBHCC expansion opens the end of 2021, the facility would induce 164,000 room nights per year into the meeting and group segment of the hotel market after a three-year stabilization period. A detailed description of the improvement for the KBHCC including the proposed expansion is contained in the building program recommendations presented in Section 7 of this report.
- The assumed opening of the hotel or hotels in the convention center district in 2022 would induce 46,000 room nights per year into the market after a three-year stabilization period.

The following figure summarizes our estimate of induced room night demand in the Competitive Hotels.

**FIGURE 9-16
COMPETITIVE HOTELS
CUMULATIVE INDUCED ROOM NIGHT DEMAND ESTIMATES**

Calendar Year	Commercial	Meeting and Group	Leisure	Total
2017	0	0	0	0
2018	0	0	0	0
2019	0	0	0	0
2020	0	0	0	0
2021	0	0	0	0
2022	8,000	88,388	4,800	101,188
2023	9,500	142,292	5,700	157,492
2024	10,000	194,000	6,000	210,000

Accordingly, we incorporated approximately 210,000 room nights into our demand analysis, by 2024.

**Forecast of Market
ADR and Occupancy**

Based on historical growth rates and our understanding of the Competitive Hotels, HVS assumed growth rates in room night demand for each market segment as shown in the figure below.

**FIGURE 9-17
AVERAGE ANNUAL COMPOUNDED MARKET SEGMENT GROWTH RATES**

Segment	2016	through	2026	CAGR*
Commercial	500,000		578,000	1.6%
Meeting and Group	1,206,000		1,569,000	3.0%
Leisure	292,000		329,000	1.3%
Total	1,998,000		2,476,000	2.4%

* Compound Annual Average Growth Rate from 2016 through 2026

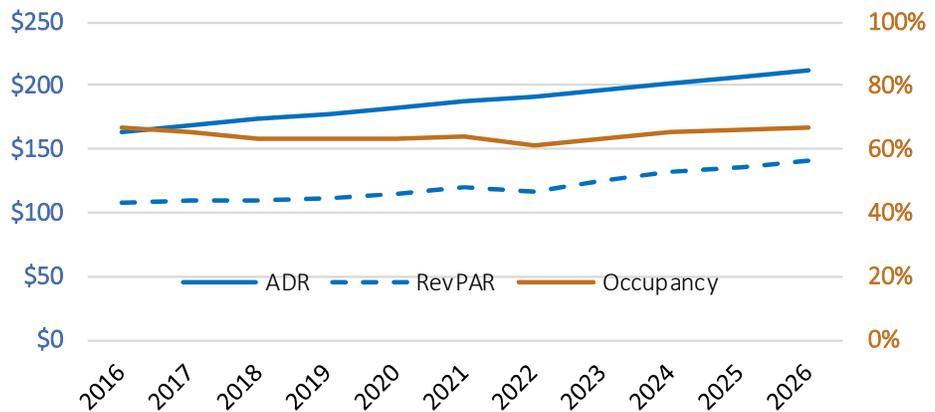
The following figure details our projection of lodging demand growth for the Competitive Hotels. It includes the total number of occupied room nights and any residual unaccommodated demand in the market, assuming the impact of the proposed expansion of the KBHCC.

FIGURE 9-18
COMPETITIVE HOTELS FORECASTED ROOM NIGHT DEMAND (000'S) & OCCUPANCY

Source of Demand	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Base Accommodated Room Night Demand	2,039	2,067	2,092	2,118	2,143	2,169	2,196	2,222	2,249	2,277
Previously Unaccommodated Demand	10	10	10	11	11	11	11	11	11	11
Induced Demand	0	0	0	0	0	101	157	210	210	210
Total Available Demand	2,049	2,077	2,102	2,129	2,154	2,281	2,364	2,443	2,470	2,498
(Less Residual Demand)	(10)	(10)	0	0	(1)	0	0	(3)	(5)	(11)
Total Accommodated Demand	2,039	2,067	2,102	2,129	2,153	2,281	2,364	2,440	2,465	2,487
Accommodated Demand Change	1.6%	1.4%	1.7%	1.2%	1.2%	6.0%	3.6%	3.2%	1.0%	0.9%
Available Room Night Change	3.5%	4.7%	2.2%	0.7%	0.0%	10.8%	0.0%	0.0%	0.0%	0.0%
Occupancy Competitive Hotels	65.3%	63.3%	63.0%	63.3%	64.0%	61.2%	63.4%	65.4%	66.1%	66.7%

The following figure presents the forecast of occupancy, ADR, and RevPAR over the next ten years.

FIGURE 9-19
COMPETITIVE HOTELS FORECAST OF OCCUPANCY, ADR & REVPAR



The forecast for the Competitive Hotels shows a decrease in occupancy in 2017 and 2018 but an increase in total demand as the new supply is absorbed by the market. Occupancy rates begin to increase in 2019 as room night demand continues to grow with the local economy and development of additional hotel room slows. Occupancy rates take another dip in 2022 when the hotel or hotels in the convention center district opens and then increase through 2026.

10. Financial Analysis

HVS uses a proprietary financial operating model to estimate revenues and expenses at conventions centers. This model quantifies the key variables and operating ratios that determine revenue potential and expenses levels. Unless otherwise indicated, the model assumes an annual inflation rate of 2.5% applies to both revenues and expenses.

The convention center industry does not use a standardized set of accounting principles for reporting financial performance. Convention center operators employ a variety of accounting methods. Financial statements from different convention centers organize revenues and expenses differently. However, a few major revenue and expense categories are common to most convention facilities. HVS developed a financial operating model that organizes financial operations according to these primary revenue and expense categories. Therefore, the financial operating projections presented below may be organized differently than the historical financial operating statements for the KBHCC.

Historical Financial Operations

HVS obtained data on historical KBHCC operations for the fiscal year 2013 through 2016 and restated that information into line items organized into two categories: 1) operating revenues and 2) operating expenses. HVS uses this same categorization of revenue and expense for its financial projections. Operating revenues and expenses include only those attributed to the operations of the KBHCC. The following figure presents the historical financial operations as restated by HVS. To provide a representation of convention center operations, we have removed operating expenses associated with payments to VisitDallas for destination marketing services. We also exclude non-operating revenues and expenses associated with hotel and beverage tax collections, debt service, miscellaneous revenues, and reimbursements.

FIGURE 10-1
SUMMARY OF HISTORICAL FINANCIAL OPERATIONS

	2012/13		2013/14		2014/15		2015/16	
	\$	% of Total						
DEPARTMENTAL REVENUE								
Facility Rental	5,497,475	23%	\$4,694,469	23%	\$7,927,440	32%	\$7,729,589	26%
Food & Beverage (Gross)	12,454,471	51%	\$10,201,760	49%	\$10,914,697	44%	\$13,791,916	47%
Event Services	3,253,489	13%	\$2,569,871	12%	\$3,069,032	12%	\$3,384,518	12%
IT Contract	540,296	2%	\$562,403	3%	\$561,117	2%	\$938,992	3%
Event Parking	1,491,191	6%	2,038,715	10%	1,781,426	7%	2,231,671	8%
Non-event Parking	495,624	2%	515,218	2%	469,420	2%	456,175	2%
Ancillary Rent	618,083	3%	174,767	1%	114,153	0%	806,896	3%
Other Operating	13,262	0%	16,010	0%	23,748	0%	50,029	0%
Total	\$24,363,891	100%	\$20,773,214	100%	\$24,861,035	100%	\$29,389,784	100%
OPERATING EXPENSES								
Salaries & Benefits	6,247,280	26%	\$6,246,411	30%	\$6,903,247	28%	\$7,286,118	25%
Food & Beverage Costs	8,739,547	36%	8,032,350	39%	8,602,803	35%	9,768,709	33%
Contractual Services	6,768,656	28%	7,817,335	38%	7,012,665	28%	9,785,673	33%
Administrative & General	481,330	2%	594,351	3%	613,004	2%	682,083	2%
Repair & Maintenance	2,515,394	10%	2,028,059	10%	3,028,379	12%	1,679,736	6%
Supplies & Equipment	406,543	2%	910,947	4%	754,178	3%	688,445	2%
Leases & Rentals	194,737	1%	157,050	1%	186,274	1%	176,849	1%
Utilities	3,516,613	14%	3,521,592	17%	3,630,111	15%	3,410,370	12%
Insurance	435,481	2%	561,910	3%	440,105	2%	585,973	2%
Reimbursements	1,006	0%	(93,316)	0%	(157,091)	-1%	(168,637)	-1%
Total	\$29,306,588	120%	\$29,776,689	143%	\$31,013,675	125%	\$33,895,320	115%
OPERATING INCOME (LOSS)	(\$4,942,697)	-20%	(\$9,003,476)	-43%	(\$6,152,640)	-25%	(\$4,505,536)	-15%

Source: KBHCC, Restated by HVS

Over the past four years, the KBHCC has incurred an operating losses ranging from \$4.5 to \$9 million. The KBHCC relies on hotel taxes, beverage taxes, and other non-operating revenues to support its operating loss, pay annual debt service, and fund capital transfers, and payments to VisitDallas.

For the purposes of this financial analysis, HVS assumes that the City of Dallas would continue to own and operate the KBHCC. The KBHCC revenues and expenses described in this section refer to all direct event and non-event revenues and expense line items attributed to KBHCC events as detailed in Section 8 of this report.

Operating Revenues

KBHCC revenue line items include facility rental, food and beverage sales, event services, IT contract revenue, parking, and other revenue sources. The model uses a series of revenue assumptions based on attendance, floor area utilization, or events. Attendance is measured by the unique number of attendees for a particular

event. Attendee days are the number of unique attendees multiplied by the number of event days attendees are present. Floor area utilization is measured in Gross Square Foot Days (“GSFD”)—the amount of floor area rented times the number of days it is rented including move-in and move-out days.

To formulate the revenue assumptions, HVS relied on historical operations data, demand projections presented in Section 8 of this report, industry information, knowledge of the performance of comparable venues, and information on price levels from local area sources. We adjusted the assumptions for inflation and other anticipated trends in price levels.

The figure below summarizes the pre-expansion revenue assumptions for the KBHCC by type of event. A brief description of each revenue item follows.

FIGURE 10-2
REVENUE ASSUMPTIONS

Type	Facility Rental	Food & Beverage (Gross)	Event Services	IT Contract	Event Parking
	per GSFD	per Attendee	per GSFD	per GSFD	per Attendee
Conventions & Tradeshows	\$0.05	\$22.00	\$0.03	\$0.01	\$2.15
Conferences	0.06	19.00	0.02	0.01	2.15
Consumer Shows	0.05	5.00	0.02	0.00	2.15
Sports/Competitions	0.05	7.50	0.02	0.00	2.15
Meetings	0.12	8.00	0.02	0.00	0.00
Banquets	0.08	31.00	0.03	0.00	0.00
Assemblies	0.05	5.00	0.01	0.00	2.15
Concerts & Entertainment	0.05	7.50	0.02	0.00	2.15
Other	0.05	0.00	0.01	0.00	0.00

Facility Rental—Facility rental revenue includes the revenue the KBHCC receives from clients that reserve one or more function areas in the facility. Despite having published rates, convention centers typically charge rental fees based on negotiated daily rental fees. The above rates are based on the average GSFD of each event type, consistent with historic KBHCC operations.

Food and Beverage—Most events that use the KBHCC’s function space will also arrange for food service for their attendees during their events. This food service includes catering which can range from coffee breaks associated with a meeting to a full dinner associated with a convention or banquet. Consumer shows, sporting events, and entertainment events may generate concessions revenue. Most conventions and conferences generate demand for multiple meals during the course of these multi-day events. Meetings and banquets generally include a single

meal or refreshment services. HVS projects estimated gross food and beverage revenues on a per attendee basis depending on the type of event. Events like conventions and tradeshow typically spend the most per attendee. Consumer shows, and sporting events have lower per capita spending. The per capita spending figures reflect the gross revenue collected by the KBHCC.

Event Services—Event Services include the fees charged to tenants for services that could include equipment rental, event supplies, event labor, utility charges, and security. Service charges vary by type of event. Some of these services may be included in the rental charges for using the facility, but others will be add-on service charges. The HVS model estimates event services revenues based on the average GSFD for each event type consistent with historical KBHCC operations.

IT Contract—IT contract revenues include commissions paid by Smart City Networks, the KBHCC's technology services provider. In February of 2017, the city approved a new 10-year contract with Smart City. The above commission rates are based on the average GSFD of each event type, consistent with historic KBHCC operations. Commissions collected by the KBHCC are around 30% of total gross revenues collected by Smart City.

Event Parking—Event parking includes the gross parking revenue collected at the KBHCC's parking garage from event attendees. We estimated revenues per delegate day for different event types which reflects the number of drivers and the number of attendees per vehicle.

In addition to the above event-related revenue categories also projected the following revenues.

Non-event Parking—Non-event parking includes revenue from contract and daily parking fees collected at the KBHCC garage.

Ancillary Rent—Ancillary rent includes rent collected from Amtrak, the Dallas Farmers Market, and other Ancillary developments.

Other Operating—Other operating revenues may include revenue from finance charges, marketing revenue, scrap metal sales, gift shop rental, and other miscellaneous sources.

Operating Expenses

HVS estimated operating expenses as a blend of fixed costs and variable percentage of operating revenues as summarized in the figure below. HVS based these fixed and variable assumptions on multiple years of historical revenue and expense data and other industry standards. The following figure presents a

summary of fixed and variable expenses attributed to the KBHCC operation. A brief description of each expense line item follows.

**FIGURE 10-3
EXPENSE ASSUMPTIONS**

Expenditure	Percentage Revenue	Fixed Expense prior to Expansion	Fixed Expense after Expansion
OPERATING EXPENSES			
Salaries & Benefits		7,286,000	8,197,000
Food & Beverage Costs	71.0% of Food & Beverage (Gross)		
Contractual Services	12.5% of Total Operating Rev	6,000,000	6,750,000
Administrative & General	2.0% of Total Operating Rev	100,000	112,500
Repair & Maintenance	3.0% of Total Operating Rev	800,000	900,000
Supplies & Equipment	1.5% of Total Operating Rev	250,000	281,250
Leases & Rentals	0.6% of Total Operating Rev		
Utilities	6.0% of Total Operating Rev	1,700,000	1,912,500
Insurance	1.0% of Total Operating Rev	300,000	337,500
Reimbursements	-0.6% of Total Operating Rev		

Salaries & Benefits—Based on existing staffing levels and KBHCC salary & benefit expenses, HVS estimated the salaries and associated benefits for permanent full and part-time employees dedicated to administration, marketing, building operations, and other functions. The proposed salary and benefit levels reflect maintaining the current organization structure at the KBHCC. Fixed staffing expenses in most departments would increase for the expanded facility.

Food & Beverage Costs—HVS assumes that the food and beverage operation would continue to be operated by an in-house food service operator. Costs of food service include the raw costs of food and beverages sold and the kitchen and catering supplies necessary for the operation. HVS used historical expense ratios of total food and beverage revenue as the basis for these costs.

Contractual Services—Contractual services include outsourced labor services, including custodial services, security, city forces, day labor, professional services and other miscellaneous services. The Fixed portion of contractual services would increase with the expanded facility.

Administrative & General—Office and administrative operations incur day-to-day facility expenses. Such expenses typically include office legal fees, office supplies, postage, printing, dues, and subscriptions. This category also includes training expenses, miscellaneous employee expenses, bad debt expenses, and costs incurred for accounting and financial services. The Fixed portion of administrative and general expenses would increase with the expanded facility.

Supplies & Equipment—This category includes items such as computers, office machines, furniture, consumables, chemicals, and linens that are required to support and maintain the operations of the facility. The Fixed portion of supplies and equipment expense would increase with the expanded facility.

Repair & Maintenance—This category includes both routine and one-time facility and vehicle maintenance expenses that are primarily the responsibility of in-house facility operations personnel. The Fixed portion of repair and maintenance expense would increase with the expanded facility.

Leases & Rentals—This category includes equipment rentals necessary for the operation of the facility. The Fixed portion of leases and rentals expense would increase with the expanded facility.

Utilities—Utilities include electricity, gas, water, and other charges. The fixed portion of utilities expense would increase with the expanded facility.

Insurance—Insurance costs include insurance premiums including liability insurance. Insurance costs would increase with the expanded facility.

Reimbursements—Reimbursements are collected from other organizations and offset operating expenses.

The following figure compares the financial operations for the expansion and historical operating scenarios. All figures are in 2017 dollars. We assume that the proposed expansion opens in October of 2021. Expansion figures represent the first stabilized year of demand in fiscal year 2023-24.

FIGURE 10-4
COMPARISON OF EXPANSION AND HISTORICAL SCENARIOS (2017 DOLLARS)

	Historical	Expansion	Change
Facility Rental	\$8,036,300	\$10,481,000	\$2,445,000
Food & Beverage (Gross)	14,327,200	16,355,000	2,028,000
Event Services	3,541,700	4,663,000	1,121,000
IT Contract	1,005,000	1,446,000	441,000
Event Parking	2,298,400	2,540,000	242,000
Non-event Parking	483,300	460,000	(23,000)
Ancillary Rent	847,900	807,000	(41,000)
Other Operating	52,500	50,000	(3,000)
Total	\$30,592,300	\$36,802,000	\$6,210,000
Salaries & Benefits	\$7,655,000	\$8,197,000	\$542,000
Food & Beverage Costs	10,172,300	11,612,000	1,440,000
Contractual Services	10,127,800	11,350,000	1,222,000
Administrative & General	716,900	849,000	132,000
Repair & Maintenance	1,758,300	2,004,000	246,000
Supplies & Equipment	721,500	833,000	112,000
Leases & Rentals	183,600	221,000	37,000
Utilities	3,621,600	4,121,000	499,000
Insurance	621,100	706,000	85,000
Marketing & Sales	0	0	0
Reimbursements	(183,600)	(221,000)	(37,000)
Total	\$35,394,500	\$39,672,000	\$4,277,500
OPERATING INCOME (LOSS)	(\$4,802,200)	(\$2,870,000)	\$1,932,500

Operating Pro Forma

The figure below presents the ten-year financial projections for the proposed KBHCC assuming the proposed expansion opens in October of 2021. The projections are in inflated dollars beginning October 1, 2017, four years prior to the completion of the proposed KBHCC expansion. Demand stabilizes in fiscal year 2023-24.

**FIGURE 10-5
10-YEAR FINANCIAL OPERATING PROJECTIONS (INFLATED DOLLARS)**

	2017/18	2018/19	2019/20	2020/21	Expansion				
					2021/22	2022/23	2023/24	2024/25	2025/26
DEPARTMENTAL REVENUE									
Facility Rental	\$7,789,600	\$7,984,300	\$8,183,900	\$8,388,500	\$10,319,300	\$11,742,100	\$13,089,900	\$13,417,200	\$13,752,600
Food & Beverage (Gross)	12,842,400	13,163,500	13,492,600	13,829,900	16,026,500	18,304,300	20,425,600	20,936,200	21,459,600
Event Services	3,403,400	3,488,400	3,575,700	3,665,000	4,562,300	5,216,000	5,823,500	5,969,100	6,118,300
IT Contract	938,600	962,000	986,100	1,010,700	1,349,000	1,586,500	1,805,800	1,850,900	1,897,200
Event Parking	2,203,900	2,259,000	2,315,500	2,373,400	2,638,800	2,912,000	3,172,500	3,251,800	3,333,100
Non-event Parking	495,400	507,800	520,400	533,500	546,800	560,500	574,500	588,800	603,600
Ancillary Rent	869,100	890,800	913,000	935,900	959,300	983,300	1,007,800	1,033,000	1,058,900
Other Operating	53,800	55,200	56,600	58,000	59,400	60,900	62,400	64,000	65,600
Total	\$28,596,200	\$29,311,100	\$30,043,800	\$30,794,900	\$36,461,400	\$41,365,500	\$45,962,000	\$47,111,000	\$48,288,800
OPERATING EXPENSES									
Salaries & Benefits	\$7,846,400	\$8,042,500	\$8,243,600	\$8,449,700	\$9,743,500	\$9,987,100	\$10,236,800	\$10,492,700	\$10,755,000
Food & Beverage Costs	9,118,100	9,346,100	9,579,700	9,819,200	11,378,800	12,996,000	14,502,200	14,864,700	15,236,300
Contractual Services	10,035,900	10,286,800	10,543,900	10,807,500	12,581,300	13,394,900	14,175,100	14,529,500	14,892,700
Administrative & General	679,600	696,600	714,000	731,900	863,000	964,400	1,059,700	1,086,200	1,113,400
Repair & Maintenance	1,719,400	1,762,400	1,806,400	1,851,600	2,163,700	2,337,500	2,502,800	2,565,400	2,629,500
Supplies & Equipment	698,200	715,600	733,500	751,800	881,200	963,200	1,040,700	1,066,700	1,093,400
Leases & Rentals	171,600	175,900	180,300	184,800	218,800	248,200	275,800	282,700	289,700
Utilities	3,546,500	3,635,100	3,726,000	3,819,200	4,461,000	4,812,100	5,146,200	5,274,800	5,406,700
Insurance	609,000	624,300	639,900	655,900	765,800	824,900	881,100	903,100	925,700
Reimbursements	(171,600)	(175,900)	(180,300)	(184,800)	(218,800)	(248,200)	(275,800)	(282,700)	(289,700)
Total	\$34,253,000	\$35,109,300	\$35,987,100	\$36,886,800	\$42,838,400	\$46,280,100	\$49,544,500	\$50,783,100	\$52,052,700
OPERATING INCOME (LOSS)	(\$5,656,900)	(\$5,798,300)	(\$5,943,200)	(\$6,091,800)	(\$6,376,900)	(\$4,914,600)	(\$3,582,500)	(\$3,672,100)	(\$3,763,900)

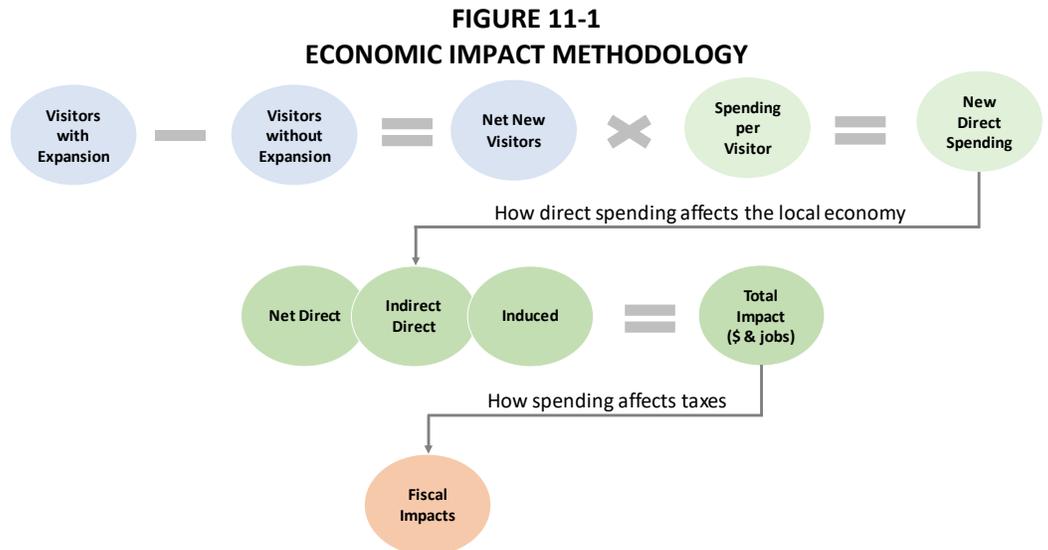
Prior to the expansion, we project stable operations with 2.5% inflationary increases in both revenues and expenses. Following the completion of improvements, a ramp-up period would yield a higher operating loss as increases in the costs of operating the larger facility outpace operating revenues. By a stabilized year of demand, annual operating loss would reach an inflated amount of around \$3.8 million.

HVS intends for financial projections to show the expected levels of revenues and expense. Projections show smooth growth over time; however, event demand and booking cycles are not always smooth. Unpredictable local and national economic factors can affect business. Event demand is often cyclical, based on rotation patterns and market conditions. Therefore, HVS recommends interpreting the financial projections as a mid-point of a range of possible outcomes and over a multi-year period rather than relying on projections for any one specific year.

11. Economic Impact

Based on the demand projections presented in this report, HVS identified the new spending that would occur in the local economy due to the proposed expansion of the Kay Bailey Hutchison Convention Center (“KBHCC”) and district improvements. HVS estimated the amounts of income and employment that new visitors, event organizers, and exhibitors would generate in the City of Dallas.

The following figure presents the methodology we use in determining the economic and fiscal benefits of the proposed expansion.



Direct, Indirect, and Induced Spending

Spending falls into three categories:

- **Direct spending** includes the new spending of event attendees and organizers. For example, an attendee’s expenditure on a restaurant meal is a direct spending impact. Direct spending includes only new spending that originates from outside Dallas. Spending by attendees who live within the market area is a transfer of income from one sector of the area’s economy to another; therefore, this analysis does not count spending by local residents as a new economic impact.
- **Indirect spending** follows from the business spending resulting from the initial direct spending. For example, an event attendee’s direct expenditure on

a restaurant meal causes the restaurant to purchase food and other items from suppliers. The portion of these restaurant purchases that remain within count as indirect impacts.

- **Induced spending** represents the change in local consumption due to the personal spending by employees whose incomes change from direct and indirect spending. For example, a waiter at a local restaurant may have more personal income as a result of an event attendee dining at the restaurant. The amount of the increased income that the waiter spends in the local economy is an induced impact.

To generate direct spending estimates, HVS applied assumptions about the amounts of new spending generated by KBHCC events. HVS used the IMPLAN input-output model of the local economy to estimate indirect and induced spending. The sum of direct, indirect, and induced spending estimates make up the total estimated spending impact of the proposed expansion of the KBHCC.

Some refer to indirect and induced impacts as multiplier effects. The relationship between direct spending and the multiplier effects vary based upon the specific size and characteristics of a local area's economy.

Sources of Direct Spending

HVS identified three sources of new direct spending impact:

- **Overnight Guests:** Visitors to who require overnight lodging, including convention delegates, meeting attendees, and attendees at other KBHCC events. Overnight delegate spending includes the spending on meals, shopping, local transportation, recreation and entertainment, and other goods and services while in town.
- **Daytrip Attendees:** Visitors to the KBHCC who do not require paid lodging. In most markets, day-trippers typically spend money on meals, shopping, local transportation, recreation and entertainment, and other goods and services while in town.
- **Event Organizers:** Individuals, associations, or other organizations that plan, sponsor, organize, and coordinate events that take place at KBHCC facilities. In addition to facility spending, event organizers also spend on lodging, meals, local transportation, facility rentals, equipment rentals, and other goods and services required to plan and organize a successful event.

Estimation of new spending of each of these sources involves three sets of assumptions: 1) the number of new visitors to the market, 2) the geographic location of their spending, and 3) the amounts typically spent by each of the sources.

New Visitors

HVS estimated the percentage of each visitor type that would come from outside the market rather than from the local area. The spending estimates only include new visitor spending because non-residents import income, whereas residents transfer income already in the market area.

- Overnight Guests – HVS assumes that 90% of overnight guests are new to Dallas. Some events would move to the KBHCC from other venues in the City. Some overnight guests may stay with friends and family or outside the market.
- Day Trips – Estimates are based on the percentage of the population for the market area as a percentage of the total drive time population defined as the Dallas-Fort Worth metropolitan area.
- Event Organizer spending on Attendees/Delegates – HVS based estimates on the percentage of attendees by events organized and exhibited by companies that would otherwise not hold or participate in an event in .

The product of the visitor forecasts and the percent of demand new to the market yields an estimate of the sources of impact shown in the table below. That is:

$$\text{Total Overnight Guests} \times \text{Percent New} = \text{New Overnight Stays}$$

$$\text{Total Day Trips} \times \text{Percent New} = \text{New Day Trips}$$

$$\text{Total Delegate Days} \times \text{Percent New} = \text{New Delegate Days}$$

The figure below shows the number of new visitors to the City of Dallas that generate new spending.

FIGURE 11-2
SOURCES OF NEW DIRECT SPENDING

Event Type	Overnight Visitor Days	Day Trips	Convention Delegate Days*
City of Dallas			
Conventions & Tradeshows	237,013	542,422	678,832
Conferences	39,368	67,457	98,420
Sports/Competitions	57,250	333,040	251,648
Total	333,631	942,919	1,028,900

*Used to estimate organizer and exhibitor spending.

Spending Parameters

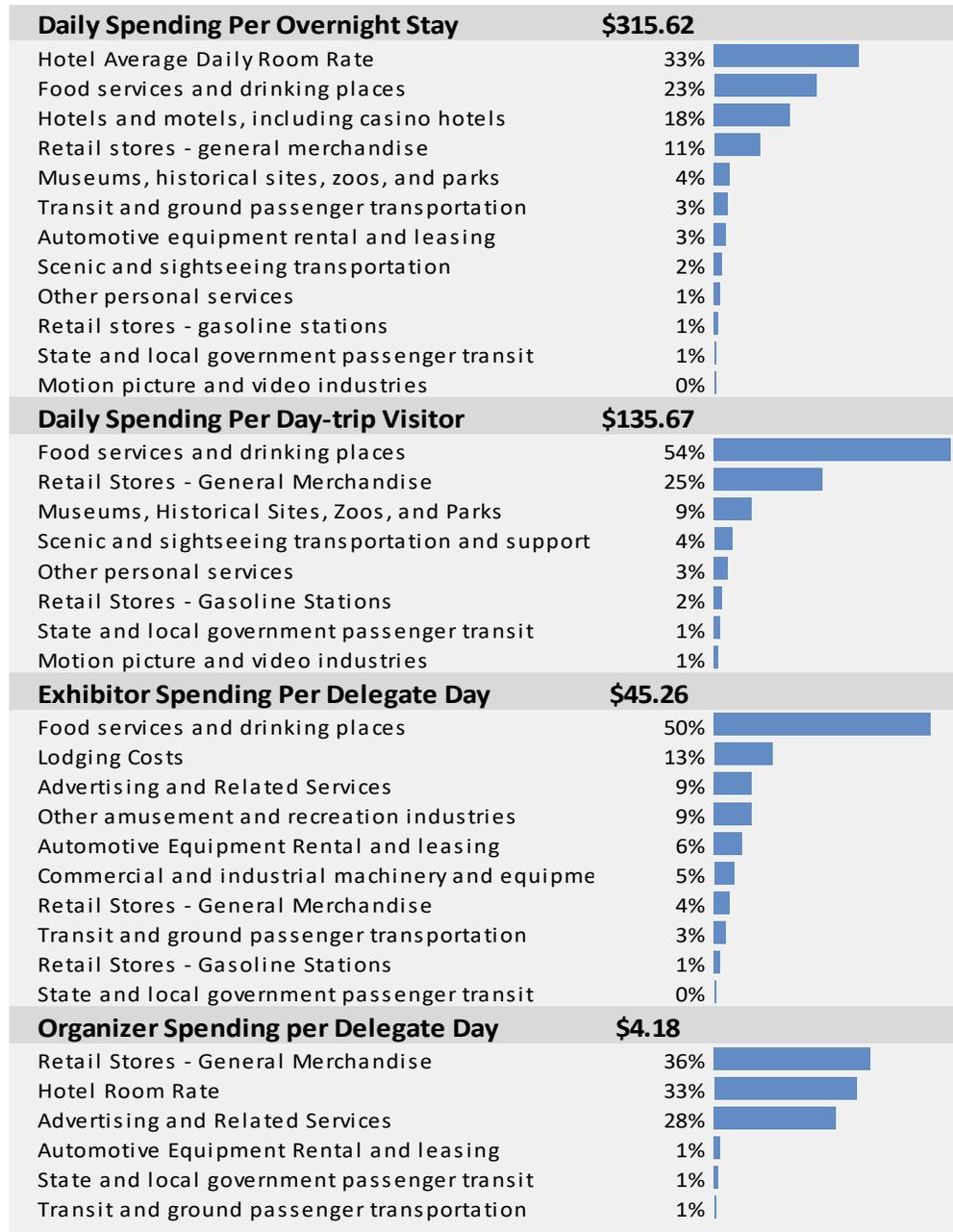
Delegates, attendees, and event organizers spend locally on lodging, meals, local transportation, facility rentals, vendor services, meeting room rentals, equipment rentals, and other goods and services.

Convention “Daily Spending Parameters” include the daily spending by individual overnight delegates, day-trippers, and event organizers. Adjusted DMAI data provides estimates of exhibitor and organizer spending per attendee day. Facility revenue estimates include event organizer and exhibitor spending on facility rental, facility services, and event food and beverage.

HVS compiled and evaluated data from several recent surveys which researched spending by individuals and families attending youth sporting events in several cities throughout the U.S. HVS aggregated this data and adjusted spending to more accurately reflect the probable level of spending in Dallas. Based on these sources, HVS estimated total spending by overnight attendees and day trippers.

All spending parameters are stated as the daily spending by individual overnight guests and day trippers in 2017 dollars. The following figures present the direct spending estimates for each spending category.

FIGURE 11-3
CONVENTION VISITOR SPENDING PARAMETERS



Sources: DMAI, CITI, STR, HVS

FIGURE 11-4
SPORTS EVENT VISITOR SPENDING PARAMETERS



Sources: Spending surveys, CITI, STR, HVS

Facility Revenue from Outside Spending

Event organizers and exhibitors create additional spending impacts through spending at the KBHCC through facility rentals, the purchase of event food and beverage services, and other spending at the venue. Using operating revenue histories, HVS estimated future spending by exhibitors and event organizers at the KBHCC including:

Facility Rental—Facility rental revenue includes the revenue the KBHCC receives from clients that reserve one or more function areas in the venue. Despite having published rates, facilities typically charge rental fees based on negotiated daily rental fees

Food and Beverage—Most events that use the KBHCC’s convention center’s function space would also arrange for food service for their attendees during their events. This food service includes catering, which can range from coffee breaks associated with a meeting to a full dinner associated with a convention or banquet. Consumer shows, theatre performances, and arena events may generate concession revenue. Most conventions and conferences generate demand for multiple meals during the course of these multi-day events. Meetings and banquets generally include a single meal or refreshment services. Events like conventions and conferences typically spend the most per attendee.

IT Services— IT Services include the fees charged to tenants for services that could include audio-visual services, equipment rental, utility charges, and event

labor charges. We estimated gross spending on IT services based on commissions collected by the KBHCC from its IT service provider.

Event Parking—Event parking revenue represents the gross parking charges collected at the KBHCC’s parking garage from event attendees.

Gross Direct Spending

HVS applied the previous sources of spending impacts and spending parameters to estimate gross direct spending for a stabilized year. See the figure below.

**FIGURE 11-5
NEW GROSS DIRECT SPENDING IN DALLAS**

Direct overnight visitor spending	=	333,631	overnight visitors	x	\$286.69	=	\$95.6	M	
Direct day trip spending	=	942,919	daytrip visitors	x	\$102.61	=	\$96.8		
Exhibitor Spending	=	678,832	attendees	x	\$45.26	=	\$30.7		
Organizer Spending	=	1,028,900	attendees	x	\$4.18	=	\$4.3		
							Gross Facility Revenue	=	<u>\$12.5</u>
							Total Gross Direct Spending	=	\$240.0

IMPLAN Impact Modeling

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

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

Annual Net Direct Spending

Not all of the gross direct spending counts as an economic impact because some of the spending does not generate income within the market. HVS adjusts gross direct spending to account for income that leaks out of the local economy by estimating retail margins and local purchase parentages. As a result, the realized

direct spending (“net direct spending”) is lower than the gross direct spending in the market area.

Retail Margins

Spending at retailers creates a smaller economic impact compared to spending in other industries. Retailers add value equal to the margin or price increase of the good above the original price paid to obtain the good. The IMPLAN model is product based, so HVS uses IMPLAN margin numbers to account for the discrepancy between retail purchaser prices and producer prices.

Local Purchase Percentage

To accurately measure spending impacts, HVS counts spending on products and services located in the market area. Some of the direct spending demand in the market area cannot be accommodated. For example, an event organizer may need to buy novelty items for all attendees, but find that the market area does not produce these items. This effect occurs for direct, indirect, and induced spending. HVS uses the IMPLAN SAM model values to track the percentage of a good purchased within the market area.

Indirect and Induced Spending

The relationship between direct spending and the multiplier effects can vary based on the specific size and characteristics of a local area’s economy. HVS enters the gross direct spending estimate into the IMPLAN input output model of the local economy to estimate the net direct, indirect and induced spending. HVS obtained the most recent available data from IMPLAN for the City of Dallas.

The following figures present the output of the IMPLAN model—the net new direct, indirect, and induced economic impacts and that are attributable to the proposed expansion of the KBHCC. HVS also used IMPLAN to estimate the jobs created based on the direct, indirect, and induced spending estimates.

Annual Net Spending Impacts

The figure below shows the annual net direct, indirect and induced spending generated in Dallas.

**FIGURE 11-6
ANNUAL ECONOMIC IMPACT ESTIMATES**

Impact (\$ millions)	City of Dallas
Spending Estimates	
Net Direct	\$183.5
Indirect	54.1
Induced	32.7
Total	\$270.3

Present Value of Net Spending

The proposed capital investment in the expansion of the KBHCC would likely be repaid over a 20-year period that coincides with the useful life of the asset. As a point of comparison with the capital investment, HVS calculated the present value of the net spending that it would generate over a 20-year period. We assumed a 5% discount rate that approximates weighted cost of public sector capital. Over a 20-year period, we estimate a present value of net spending impact of approximately \$2.7 billion dollars. The amounts of impact should be compared to the potential capital investment in the project.

Employment Impacts

HVS calculated the full-time equivalent jobs supported by the spending in each economic sector. The figure below summarizes the results.

**FIGURE 11-7
EMPLOYMENT IMPACT IN A STABILIZED YEAR**

Full-Time Equivalent Jobs	City of Dallas
Direct	1,320
Indirect	230
Induced	160
Total Permanent Jobs	1,710

By a stabilized year of operation, the project would support approximately 1,710 permanent full-time equivalent jobs.

Fiscal Impacts

Fiscal impacts include the public sector share of the economic impacts from tax collections on new spending. The previously discussed spending estimates provide a basis for estimating potential tax revenue, as will collect some of the spending through taxation.

The IMPLAN analysis results in direct, indirect, and induced spending classified into hundreds of detailed spending categories. HVS evaluated each of these spending categories to determine which taxes would apply to each type of spending output. HVS then used the appropriate tax rates to estimate the amount of tax revenue.

HVS applied these nominal tax rates to a detailed breakdown of spending and income categories that result from direct, indirect, and induced spending through operation of the KBHCC. HVS then estimated the potential annual revenue from each tax source as shown in the following figures.

**FIGURE 11-8
FISCAL IMPACTS IN A STABILIZED YEAR (2017 DOLLARS)**

Tax Category	Tax Base	Effective Tax Rate	Estimated Tax Revenue
Local Sales Tax - General Fund	\$180,149,591	1.00%	\$1,801,500
Local Sales Tax - DART	180,149,591	1.00%	1,801,500
Mixed Beverage Tax	18,542,760	8.25%	1,529,800
CVB Hotel Tax	49,787,900	2.33%	1,161,700
City Hotel Tax	49,787,938	4.67%	2,323,400
TBID Hotel Tax	49,787,938	1.60%	\$796,600
		Total	\$9,414,500

Incremental spending would generate approximately \$9.4 million in additional annual tax revenue to the City of Dallas in a stabilized year of operation.

The following figure summarizes recurring annual economic and fiscal impacts in a stabilized year.

**FIGURE 11-9
SUMMARY OF ANNUAL ECONOMIC AND FISCAL IMPACTS**

Summary of Impacts*	City of Dallas
Economic Impact (millions)	\$270.3
Fiscal Impact (millions)	\$9.41
Jobs	1,710
*In a stabilized year.	

Historical Impact and Comparison with Do-Nothing Scenario

HVS used historical operating data to estimate the economic and fiscal impacts generated by the operation of the KBHCC in its current configuration. We anticipate that planned and future improvements by competing convention centers would lead to declining demand from national based conventions, trade shows, and sports competitions. Based on forecasts of future demand in the KBHCC without the recommended improvements, we estimated economic and fiscal impacts under a “do nothing” scenario. The following figure presents a summary of total impacts for the existing, do-nothing, and expansion scenarios. All dollar values are stated in 2017 dollars.

**FIGURE 11-10
 COMPARISON OF ECONOMIC AND FISCAL IMPACTS**

Summary of Impacts*	Existing	Do Nothing	Expansion
Economic Impact (millions)	\$528	\$414	\$783
Fiscal Impact (millions)	\$17.8	\$13.9	\$23.3
Jobs	3,310	2,600	5,180

*Comparing the first year of stabilized demand after expansion

These economic and fiscal impact estimates are subject to the assumptions and limiting conditions described throughout the report. Numerous assumptions about future events and circumstances form the basis for these estimates. Although we consider these assumptions reasonable, we cannot provide assurances that the project will achieve the forecasted results. Actual events and circumstances are likely to differ from the assumptions in this report and some of those differences may be material. The readers should consider these estimates as a mid-point in a range or potential outcomes.

12 Approach to Financing and Strategies

Convention Center Financing

In the United States, cities usually finance the construction of convention facilities with tax-exempt public debt, which is repaid over a 20- to 30-year period. Cities justify public investment based on the potential economic impact of a project or because it represents the development of a community asset with broad support that would not be developed without public spending.

Projects that are relatively small or that municipalities finance with rapidly growing tax bases are sometimes paid for directly out of appropriated funds. However, this type of pay-as-you-go financing is not common for large projects. Oklahoma City was able to finance a new convention center along with other downtown projects, through a 1%, seven-year increase in the local sales tax. In Dallas, as in most cities, the difficulty of providing sufficient revenues to pay for the entire project during the construction period effectively eliminates the pay-as-you-go option.

The types of bonds used for projects depend on the size of the investment, lending rates, the creditworthiness of the borrowing entity, and the availability of revenue sources to repay the debt. The mix of revenue sources selected for particular projects depends on the comparative level of existing taxes or fees, as well as what is considered to be both fair and feasible under the unique political and economic circumstances of each development.

Most facilities have been funded through the issuance of long-term debt so that the payment of capital costs corresponds to the period over which the facility is used and public benefits are realized. Cities typically structure the debt in the form of bonds or other municipal debt instruments. One approach to reduce interest expense is to repay debt using specific taxes or general fund revenues, backed by the full faith and credit of the issuer. Due to the backup pledge of full faith and credit of the issuer, these are considered general obligation bonds.

Governments, authorities, or public benefit corporations may issue revenue bonds which are repaid from specific tax sources and do not have a general claim on public resources. For convention center projects, cities often use taxes or fees that derive from the activities or businesses that are most likely to use or otherwise benefit from the facility. Hotel room occupancy taxes, sales taxes, car rental fees, parking taxes, prepared meal taxes, airport access fees, and development fees are the revenue sources most commonly used to repay debt service for convention center revenue bonds. In addition, cities frequently use these tax sources to finance ongoing operating and marketing needs of the facility.

Bond Financing Strategies

In Dallas, as in most communities, a high level of commitment and a coordinated community-wide effort that includes city and county governments, and possibly the private sector, would be necessary to fund an expansion of the Kay H. Bailey Convention Center (“KHBCC”) successfully. The proposed renovations to the KHBCC would require the City to issue some type of long-term bonds to fund its development and construction. In addition to project funding requirements, costs of issuance could add as much as two percent to the total development costs for general obligation bonds. For revenue bonds, the need to borrow debt reserve funds could add another five to ten percent to the total issuance. Certain types of revenue bonds that rely on revenue sources that are generated by the project may require borrowing capitalized interest to fund debt service payments during and shortly after the construction period. Consequently, the amount of debt issued is almost always greater than development costs.

The primary types of convention center bond financing mechanisms are general obligation bonds and revenue bonds. While these forms of municipal debt come under many names and varieties, they are distinguished by the type of government pledge to bondholders for debt repayment.

General Obligation Bonds – General obligation bonds (“GO Bonds”) are backed by the full faith and credit of the issuer. The issuer commits all taxing authority to repay bondholders, including property taxes. GO Bonds are typically used to fund projects that provide for essential governmental services such as street, utility improvements, schools, and other common functions and capital investments of municipal governments. GO Bonds are rarely used for convention center projects. But, GO Bonds have been used by governments with high credit ratings and ample debt capacity because they provide the lowest possible cost of borrowing.

Revenue Bonds – Various taxes, fees, or other dedicated revenues could secure revenue bonds for the new convention center. Most of the recent convention center projects throughout the U.S. have used this financing structure and tailored it to fit the specific requirements of the issuing state or local government.

Municipal governments can pledge revenue from existing or new taxes and fees to support the repayment of debt. Bonds that are backed by such sources are called “revenue” bonds because the revenue from dedicated taxes and fees provides the source of debt repayment. Debt that relies on repayment from existing revenue sources is usually considered less risky than a debt repaid by a new tax or fee because the revenue source has a proven history of generating the necessary revenue. The interest rates paid on revenue bonds would vary depending on the reliability of the chosen revenue source. Interest rates will also vary from one municipality to another depending on their credit ratings and the level of credit support provided to the bondholders.

Revenue Source for Financing Debt

To increase the debt capacity of a given revenue source and to lower borrowing costs, a secondary general obligation pledge to bondholders may be used. A general obligation pledge provides an additional source of security for the bondholders if the dedicated revenue source falls short of debt service requirements.

If a city uses revenue bonds to finance a convention center project, the city must decide which revenue source or sources are appropriate and feasible for paying off the bonds. The following points describe revenue sources that have been used to finance the capital costs of convention center projects in the US.

Hotel Tax – Hotel taxes have the major advantage of primarily taxing out-of-town visitors rather than local residents. Convention centers in Orlando, Los Angeles, New Orleans, Atlanta, Charlotte, Houston, Indianapolis, Miami, Philadelphia, St. Louis, and San Francisco have their debt service paid totally or in part by dedicated hotel tax revenues. The total 15% tax burden on transient accommodations in Dallas is above average when compared to the tax burden on hotels throughout the country. Furthermore, the City lacks authority to raise the tax rate. The state hotel tax rate is 6%, the City levies at 7% and the Tourism Business Improvement District (“TBID”) adds another 2% to the tax burden on hotels with at least 100 rooms.

In addition to debt services, hotel tax revenues support the KHBCC’s ongoing costs of operations. HVS projections indicate that the increased demand and attendance levels at the expanded KHBCC would increase revenue generation from operations and decrease the overall annual subsidy. A lower operating deficit could free some lodging taxes for other uses.

Sales and Use Tax – A sales tax typically imposed on retail transactions based on a percentage of the value of the transaction. Sales taxes apply to retail sales of tangible personal property, albeit with exemptions or lower tax rates for certain items. A use tax is imposed on consumers of tangible personal property that purchased outside the taxing jurisdiction but consumed within the taxing jurisdiction. Sales and Use taxes generally apply to most leases of tangible personal property. Sales taxes provide strong credit structures because they are relatively predictable and tend to track inflation and economic growth. A general sales tax increase or expansion of the base could provide a strong incremental revenue stream. However, these taxes are often difficult to implement because they primarily tax local residents and require a referendum and/or state legislative approval. Sales taxes can generate large amounts of revenue but also burden the local economy. In some cases, municipalities have used a general sales tax increase over a fixed period to finance major capital projects such as stadiums and convention centers. This quick-pay method enables municipalities to generate the necessary revenue over a short period, but a general sales tax is a blunt taxing instrument that does not always provide a good match between who bears the burden of the tax and who benefits

from it. In addition, the sales tax rate in Dallas is 8.25%, consisting of a 6.25% state and 2% local tax.

Gross Receipts Taxes – Unlike a sales and use tax that is assessed only on the final consumer purchase of a product, a gross receipts tax (“GRT”) is assessed at every stage of production. Only five states, Delaware, Nevada, Ohio, Texas, and Washington, have statewide gross receipts tax. Debt repaid by a GRT would provide a strong credit and relatively low borrowing costs for the project. The use of GRT bonds is typically reserved for projects perceived to benefit the whole population, such as educational, environmental, transportation, or correctional facilities. Because convention centers often have a narrower group of users and people who benefit from these projects, GRT bonds are not often recommended as a financing vehicle. In lieu of financing an entire project through GRT bonds, some alternative uses of GRT debt might include: (i) restricting it to a portion of the project costs such as land acquisition, site preparation, and transportation access; (ii) creating a short-term means of paying for some or all construction costs until revenues triggered by the new facility are realized; and/or (iii) providing a guarantee to back-stop a new revenue source that is not initially creditworthy on its own or results in a lower bond rating without the backing of the gross receipts tax.

Prepared Meals Tax – Taxes on prepared meals (i.e., restaurants) have been used in several cities, outside of Texas, to support the costs of convention and sporting facilities. Like hotel taxes, they are directed toward beneficiaries of the project and, to some extent, non-residents. A subset of an overall sales tax, meals taxes can also generate substantial revenue. In some cases, it can be difficult to define the appropriate geographic boundaries within which such a tax should be applied.

Beverage Taxes – Beverage taxes are most frequently applied to the sale of alcoholic beverages. Dallas collects a mixed beverage tax of 8.25% on all on-premise wine, beer, and mixed alcoholic beverage sales. Some municipalities have imposed taxes on sweetened beverages. This source rarely generates sufficient revenue to support a debt issuance but may be used in combination with other revenue sources.

Auto Rental Taxes – Most municipalities with significant air access and associated auto rentals levy taxes on auto rentals in addition to sales taxes. Due to this combination of taxes, auto rentals are often taxed at the highest rate of any retail transaction. But auto rental taxes have a relatively narrow tax based and are typically used in combination with other tax sources. Like lodging taxes, they are imposed on visitors and the auto rental companies rather than on the local area population and are thus easier to enact.

Airport Access Fees – Fees may be charged to taxis, ride shares and other commercial vehicles for the privilege of entering the airport. Typically structured as an excise tax, this source typically has limited revenue generating capacity and may be used in combination with other taxes to finance a convention center.

Development Fees / Land Lease Income – Fees for the right to develop projects near the proposed convention center or elsewhere in the downtown area could conceivably be used to assist in funding the facility. These so-called linkage fees have been imposed in other cities where available land adjacent to a convention center is at a premium. Development fees or land lease income from hotels, parking decks, retail stores, and other uses that can benefit from being adjacent to a convention center are sometimes available to help fund project costs.

Tax Increment Financing – Tax increment financing (“TIF”) is a tool that allows a certain portion of the incremental increase in tax revenues from a project to be used for developments that will benefit that project. Projections are based on the incremental property tax value of the ancillary economic development projects that are triggered by a major new facility. The tax base of a defined area (the TIF District) surrounding the project is frozen, and any increases in the future tax base are used to repay TIF bonds. Depending on the size and scope of the TIF District, this concept may be useful as a means of offsetting a portion of the future debt service on convention center bonds or providing an additional backstop for another primary revenue source. TIF strategies can also be used to support ancillary hotel developments in some communities.

Economic Development Corporations (EDC) Funding – Since 1979 the Development Corporation Act has provided Texas cities with the means to finance expanding or new businesses through EDCs. This state legislation allows local government to levy sales taxes in increments of 0.125% to fund eligible project. The imposed sales tax may not be less than 0.125% and the total local sales tax cannot exceed 2%. Type A EDCs fund industrial development projects such as business infrastructure, manufacturing, research and development, fund military base realignment, job training classes and public transportation. The funding can be applied to land, buildings, equipment, facilities expenditures, and targeted infrastructure. With voter approval, Type A EDCs may fund projects eligible under Type B. Type B EDCs can fund professional and amateur sports and athletic facilities, tourism and entertainment facilities, convention facilities and public parks, related store, restaurant, concession, parking and transportation facilities, related street, water and sewer facilities, and affordable housing.

Next Steps

Given that the existing convention center operation and other ongoing development projects in Dallas claim many of the resources that are typically used for convention center financing, a comprehensive financing plan may require reliance on methods

which are not commonly used. Another option would be to seek legislation at the state level that would permit a higher legal limit to certain taxes such as the lodging tax.

A comprehensive financing plan to move the Convention Center project forward requires further research and discussion, which is beyond the scope of this study. The annual financing cost is highly dependent upon the specific structure of the financing plan, and additional analysis is required to develop a more detailed plan.

Case Studies – Convention Centers

A brief overview of financing methods and strategies used in other cities around the country can be useful to demonstrate a range of options that have been applied in different situations. HVS identified recent projects that serve as examples. The following brief case studies illustrate financing methods that other communities have used and represent various strategies to obtain the necessary financing.

HENRY B. GONZALES CONVENTION CENTER – SAN ANTONIO, TX



Originally opened in 1968, the Henry B. Gonzales Convention Center completed its largest expansion and renovation in January of 2016. The project added 75,000 square feet of exhibition space and brought the total to 515,000 square feet, 438,000 square feet of which is contiguous. A new 54,000 square foot ballroom is the largest in the state. In addition, the expansion added four meeting rooms and provides better integration with the surrounding downtown district and Hemisfair Park. In total, the footprint of the facility reached 1.6 million square feet.

The \$325 million project was the largest capital project in the City of San Antonio's history. Funding was provided by a 2% lodging tax increase and a subsequent \$550 million bond program that was approved by voters in 2012.

GEORGE R. BROWN CONVENTION CENTER – HOUSTON, TX

Originally opened in 1987, the George R. Brown Convention Center (“GRB”) completed its most recent renovation in 2016. In addition to a Grand Lobby that improved access to exhibit halls, the project added a 97,000-square foot pedestrian friendly outdoor plaza that connects the GRB to Discovery Green. The plaza contains restaurants and other visitor amenities. Opened to the public in 2008, Discovery Green is a 12-acre park in the heart of downtown Houston. Houston addressed its lack of proximate hotel rooms with a 1,000-room Marriott Marquis Hotel that opened in 2016. Eight other hotel properties will add an additional 2,500 rooms to Houston’s downtown hotel inventory. While function spaces remained virtually unchanged in this latest renovation, future plans call for a major expansion on adjacent parcels.

The \$175 million convention center renovation was funded by Houston First through hotel occupancy tax, convention center, and parking revenues. The renovation is part of \$1.5 billion worth of public and private development near GRB with the objective of making the area more appealing to residents and visitors. Other developments include an office building, parking deck, and several restaurants.

IRVING CONVENTION CENTER – IRVING, TX

Opened in January of 2011, the Irving Convention Center houses a 50,000-square foot exhibit hall, a 20,000-square foot ballroom, and 20 break out meeting rooms. The Silver LEED-certified building is adjacent to the Dallas-Fort Worth International Airport. A 12-story, 350-room Westin Hotel is currently planned to open during 2017. The proposed hotel will be adjacent to the Irving Convention Center and contain 16,000 square feet of meeting space. Also opening in 2017, the Music Factory, a \$165 million entertainment development which will include an 8,000-seat concert hall, restaurants, retail, and an outdoor plaza.

The \$133 million cost to develop and construct the Irving Convention Center was funded through a 2% lodging tax. In 2007, voters approved a 2% increase in the lodging tax to fund the entertainment development. Other funding sources for the future development include private investment, a tax on ticket sales, and parking fees.

GREATER COLUMBUS CONVENTION CENTER – COLUMBUS, OH



Originally opened in 1993, the Greater Columbus Convention Center completed a thorough renovation and expansion in the summer of 2017. The project added 36,000 square feet of exhibit space and 11,000 square feet of meeting space in addition to renovations of all existing exhibit, ballroom, and meeting spaces. Other improvements include upgrades to the adjacent Hyatt meeting and ballrooms spaces, a new food court, enhanced internet capabilities, a full renovation of the building exterior, and landscaping and signage improvements.

The \$140 million project was financed through lodging taxes collected by the Franklin County Convention Facilities Authority, including a 4% countywide hotel occupancy tax and an additional 0.9% citywide hotel occupancy tax.

ANAHEIM CONVENTION CENTER – ANAHEIM, CA

Originally opened in 1967, the Anaheim Convention center opened its most recent expansion and renovation in the fall of 2017. The project added 200,000 square feet of flexible function space to the 1.6 million square foot facility. Anaheim Convention Center North features exhibit space, meeting rooms, lobby, and a large outdoor balcony overlooking the Disneyland Resort.

The \$190 million project was funded as part of \$259 million in bonds issued by the City of Anaheim. Project debt will be serviced by additional sales and hotel taxes generated by new activity at the convention center. Any shortfalls will be funded from the City's general fund.

KENTUCKY INTERNATIONAL CONVENTION CENTER – LOUISVILLE, KY

Source: EP, HOK

Originally opened in 1997 as the Commonwealth Convention Center, Kentucky International Convention Center (“KICC”) began a major renovation in 2016. The project will completely overhaul the interior of the KICC which will remain closed until completion, anticipated for 2018. While maintaining the original building footprint, the renovated KICC will contain 200,000 square feet of contiguous exhibit space and a 40,000-square foot ballroom. Private development of 1,500 proximate hotel rooms is also expected.

The \$207 million project has two primary funding sources. The state issued \$56 million in general obligation bonds. The remaining \$151 million is funded through convention bureau issued revenue bonds to be paid from proceeds of hotel occupancy taxes. In 2015, Jefferson County’s Metro Council approved a 1% occupancy tax increase to help fund the project, bringing the total county lodging tax to 9.5%.

MOSCONE CENTER – SAN FRANCISCO, CA

Source: Skidmore, Owings & Merrill

The Moscone Center consists of three main halls. Moscone South (opened in 1981) and Moscone North (opened in 1991) are underground, below the Yerba Buena Gardens. The three-story Moscone West opened in 2003 and occupies a site across the street from the original halls. Construction on this latest expansion began in 2015 and is expected to be fully completed by the end of 2018. Moscone North and South were closed as of the spring of 2017 with portions reopening in the fall. Moscone West remains open during construction. When complete, Moscone will have 1.5 million square feet of space, including 500,000 square feet of contiguous exhibit space. Moscone North and South will be better connected via corridors below street level and a pair of pedestrian bridges. Other street-level improvements include pedestrian-friendly passages, streetscaping, and opportunities for retail and cultural development.

In 2013, the San Francisco Board of Supervisors approved the creation of the Moscone Expansion District (“MED”). Managed by the Tourism Improvement District, the MED is providing approximately two-thirds of the funds needed for the \$500 million expansion through hotel assessments. The City is funding the remaining one-third through its general fund.

WASHINGTON STATE CONVENTION CENTER – SEATTLE. WA

Source: LMN

Originally opened in 1988, the Washington State Convention Center is planning a 1.25 million square foot addition in downtown Seattle. The five-story addition is planned for a site diagonal to the existing venue. With both facilities operational, Seattle will more than double its current inventory of function space. The addition will contain 250,000 square feet of exhibit space, including a 100,000-square foot “flex hall.” The addition will also house a 70,000-square foot ballroom, 120,000 square feet of meeting space, and a 116,00-square foot vegetated roof.

The \$1.6 billion expansion will be located at the Convention Place transit station. Anticipated completion is in 2020. The revenue bond will be backed by existing lodging taxes. The project also relies on new taxes that haven’t materialized. Last session state lawmakers did not pass an expanded lodging tax on short-term rentals like Airbnb that would be dedicated to the Convention Center.

RIVERSIDE CONVENTION CENTER – RIVERSIDE, CA



Originally opened in 1976, the Riverside Convention Center's most recent expansion and renovation was completed in March of 2014. The \$43.6 million renovation project was part of a \$1.6 billion "Riverside Renaissance" which includes a variety of parks and recreation, public safety, arts and culture, transportation, and public utility projects.

In 2010, voters approved a 2% increase in the lodging tax, bringing the total lodging tax rate in Riverside to 13%. The city issued tax-exempt bonds with these additional funds to finance the convention center expansion.

SPOKANE CONVENTION CENTER – SPOKANE, WA

Originally opened in 1974, the Spokane Convention Center's most recent expansion and renovation was completed in January of 2015. The \$55 million expansion added 20,000 square feet of exhibition space and 12 new meetings rooms. Construction also included a sky bridge to the 700-room Davenport Grand Hotel and a parking garage. The expansion was awarded a LEED Silver Certification.

To fund the expansion and other development, voters approved a 10-year extension of existing Public Facility Development taxes, including a 0.1% sales tax and a 2% lodging tax. These taxes were originally used to fund the development of the Spokane Arena which opened in 1995.

13. Statement of Assumptions and Limiting Conditions

1. This report is to be used in whole and not in part.
2. No responsibility is assumed for matters of a legal nature.
3. We have not considered the presence of potentially hazardous materials on the proposed site, such as asbestos, urea formaldehyde foam insulation, PCBs, any form of toxic waste, polychlorinated biphenyls, pesticides, or lead-based paints.
4. All information, financial operating statements, estimates, and opinions obtained from parties not employed by HVS are assumed to be true and correct. We can assume no liability resulting from misinformation.
5. Unless noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the subject property.
6. We are not required to give testimony or attendance in court by reason of this analysis without previous arrangements, and only when our standard per-diem fees and travel costs are paid prior to the appearance.
7. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material presented in this report, it is recommended that the reader contact us.
8. We take no responsibility for any events or circumstances that take place subsequent to the date of our report.
9. The quality of a convention facility's on-site management has a direct effect on a facility's economic performance. The demand and financial forecasts presented in this analysis assume responsible ownership and competent management. Any departure from this assumption may have a significant impact on the projected operating results.
10. The impact analysis presented in this report is based upon assumptions, estimates, and evaluations of the market conditions in the local and national economy, which may be subject to sharp rises and declines. Over the projection period considered in our analysis, wages and other operating expenses may increase or decrease due to market volatility and economic forces outside the control of the facility's management.
11. We do not warrant that our estimates will be attained, but they have been developed on the basis of information obtained during the course of our market research and are intended to reflect reasonable expectations.

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

14. Certification

The undersigned hereby certify that, to the best of our knowledge and belief:

1. the statements of fact presented in this report are true and correct;
2. the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
3. we have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved;
4. HVS is not a municipal advisor and is not subject to the fiduciary duty set forth in section 15B(c)(1) of the Act (15 U.S.C. 78o-4(c)(1)) with respect to the municipal financial product or issuance of municipal securities.
5. we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
6. our engagement in this assignment was not contingent upon developing or reporting predetermined results;
7. our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
8. Thomas A Hazinski and Catherine Sarrett personally inspected the property described in this report.



Thomas Hazinski
Managing Director



Catherine Sarrett
Senior Project Manager

Attachment B – *2014 Planning Analysis for KBHCCD*

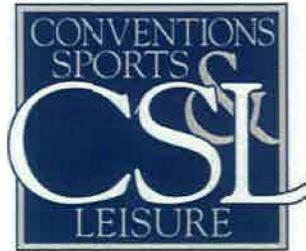
Planning Analysis for the Dallas KBH Convention Center



Presented to the:
Dallas Convention & Visitors Bureau
and the
City of Dallas



December 16, 2014



December 16, 2014

Mr. Darren Temple
Senior Vice President, Sales and Services
Dallas Convention & Visitors Bureau
325 North St. Paul Street, Suite 700
Dallas, Texas 75201

Dear Mr. Temple:

Conventions, Sports & Leisure (CSL) has completed an analysis of potential market, program and related business case issues associated with future investment in the Kay Bailey Hutchison Convention Center (KBHCC). This report outlines the key findings and recommendations generated as part of this analysis. Dallas Convention & Visitors Bureau (CVB) officials have provided significant input into event impacts associated with various KBHCC investment scenarios.

The analysis summarized herein is intended to assist CVB and City leadership in their understanding of various economic, financial and funding implications associated with potential future investment in the KBHCC. 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

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1.0 Introduction

The competitive landscape in the major market convention industry continues to change significantly. Cities that compete with Dallas are investing in enhanced and expanded centers, new headquarter hotels, and entertainment infrastructure designed to attract convention and leisure visitors. In Texas alone, \$325 million is being invested as part of the largest capital project in city history to expand and enhance the San Antonio convention Center. Two new 1,000 room headquarter hotels (JW Marriott & Fairmont) will open by 2016 in Austin, and master planning work is being contracted for to plan for enhancements to the Austin Convention Center. In addition, a new 1,000 Marriott Marquis hotel adjacent to the George R. Brown Convention Center in Houston has been approved. These significant investments are designed for two primary purposes:

1. Retain and expand the significant economic and tax revenue impacts generated by the convention industry.
2. Generate income for private sector businesses that benefit from and largely fund (through various taxes) convention and visitor industry investment.

The economic recession has had a dampening effect on convention activity nationally, however recent statistics indicate a modest and sustained increase (two to three percent annually) in national convention attendance levels.

The recent investment in developing the 1,000 room Omni Hotel has begun to address a major shortcoming of the convention hotel product in Dallas, helping to significantly increase convention related room night bookings. Interestingly, the greater success in attracting large national events such as the American Heart Association convention has also exposed various shortcomings in the KBHCC inventory of space. Focus groups with numerous national convention event planners have also identified areas that should be considered for improvement.

Recognizing that no product or service can remain static in a competitive environment, CSL was retained by the CVB to perform a Planning Analysis that seeks to identify improvement and enhancement opportunities for the KBHCC that will address current and expected future customer needs. The Analysis also presents the economic parameters of such improvement, focusing on general costs and associated impact, fiscal benefits and private sector revenue generation.

2.0 Review of Competitive and Comparable Markets & Facilities

We have analyzed various physical characteristics and resources of both competitive and comparable facilities and communities. These data are used to evaluate the relative size of key sellable areas and hotel inventory within major convention center markets.

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
- Historic industry space growth
- Facility space ratios
- Hotel room inventory

A total of 16 competitive and comparable markets and facilities were included in this analysis. Each has been reviewed in terms of event space, hotel room inventory and related metrics. Importantly, 10 of the facilities reviewed are considering, undergoing or have recently finished expansion projects. Several markets are also exploring headquarter hotel development.

This highlights the continued competitiveness of the industry. It also underscores the need to carefully plan for any future facility investment, focusing on market demand factors unique to Dallas and not just investing in space to maintain competitive position with other expanding centers. Recognizing that with only modest industry growth, on-going changes in technology used in centers, and evolving attendee demographics, it is critical that any future KBHCC investment target amenities that are ultimately supported from a market demand perspective.

Comparable & Competitive Centers	
Facility	City
Americas Center	St. Louis
Anaheim Convention Center	Anaheim
Austin Convention Center	Austin
Boston Convention & Exhibition Center	Boston
Colorado Convention Center	Denver
GRB Convention Center	Houston
Las Vegas Convention Center	Las Vegas
McCormick Place	Chicago
Moscone Center	San Francisco
Music City Convention Center	Nashville
New Orleans Convention Center	New Orleans
Orange County Convention Center	Orlando
Phoenix Convention Center	Phoenix
San Antonio Convention Center	San Antonio
San Diego Convention Center	San Diego

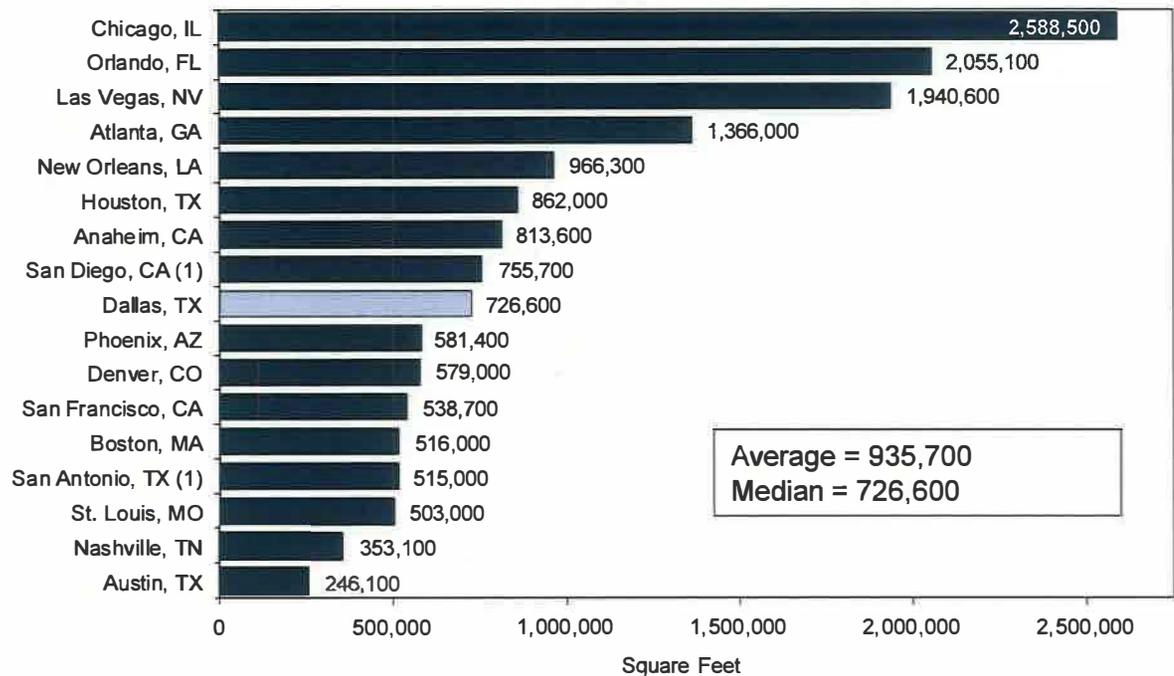
2.1 Sellable Space

The following exhibit presents the square footage of exhibit space at the KBHCC and the 16 facilities reviewed for this analysis.

As noted in the exhibit, the KBHCC offers prime exhibit space at the median of national centers reviewed. Heavy tradeshow oriented venues in Chicago, Orlando and Las Vegas offer significant space, all over two million square feet. The KBHCC caters to a mix of convention, trade, tiered marketing and other events that generally require a significant mix of exhibit, meeting, ballroom and general session space.

We have also analyzed meeting space availability in terms of total square footage, and as a ratio with respect to exhibit space. These data are summarized in the following exhibits.

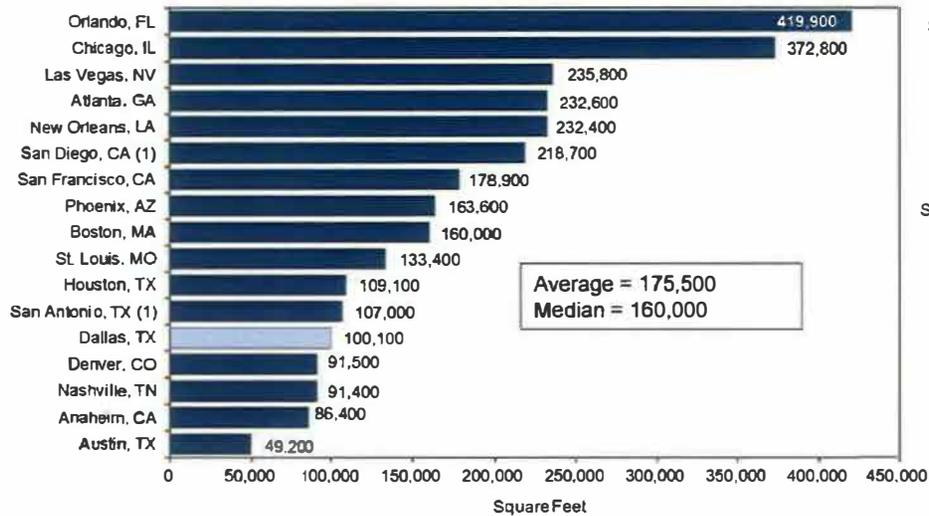
**Exhibit 1
Summary of Prime Exhibit Space**



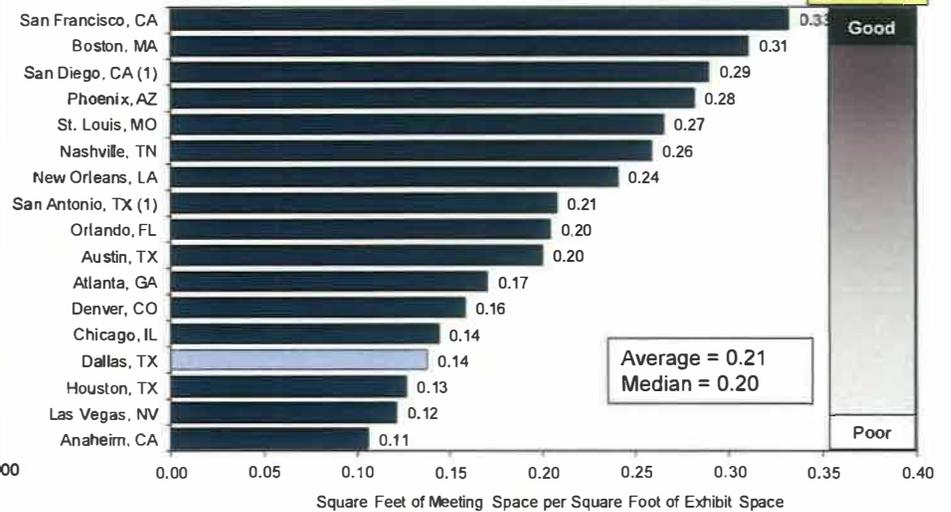
(1) Includes space that has been approved or is currently under construction.
Source: Facility floor plans and management, 2013



Exhibit 2
Summary of Meeting Space Totals and Exhibit Space Ratios
Comparable and Competitive Centers



(1) Includes space that is either planned or currently under construction.
 Source: Facility floor plans and management, 2013



(1) Includes space that is either planned or currently under construction.
 Source: Facility floor plans and management, 2013

The KBHCC meeting space ranks towards the bottom of the comparable/competitive facility set reviewed. Importantly, our past industry survey research has continually demonstrated that event planners rank the availability of meeting space as a top variable when evaluating and selecting an event destination. The low KBHCC ranking represents a competitive disadvantage.

We have also measured the ratio of meeting to exhibit space within the competitive and comparable facility set. The current KBHCC ratio of 0.14 square feet of meeting space for each square foot of exhibit space ranks low. In order to achieve a comparable/competitive facility average ratio (0.21), an additional 51,000 square feet of meeting space would be needed. We note that centers in markets such as San Francisco, Boston and San Diego operate with ratios above market average, allowing for a more effective capture of meeting-intensive events in the medical and technology industries. To achieve a meeting to exhibit space ratio of 0.24, an additional 74,000 square feet of KBHCC meeting space would be needed.



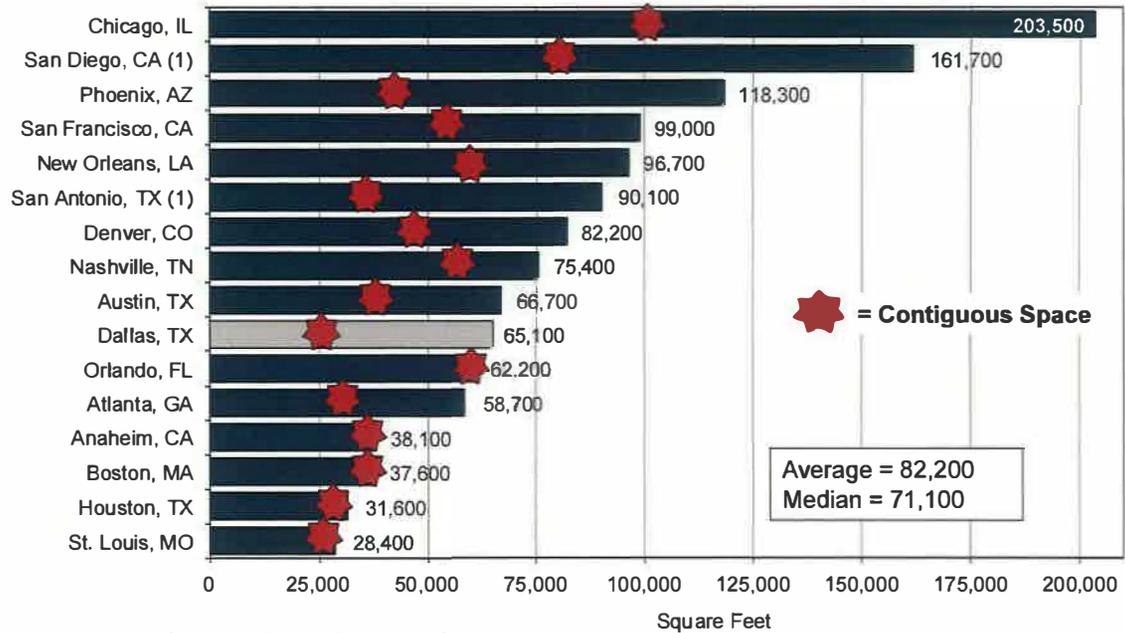
Ballroom space is very often used for a diversity of event functions, including general sessions, product demonstrations, poster sessions and food functions. Most recent convention center development and expansion projects have included contiguous ballrooms space of at least 50,000 square feet.

The total ballroom space offered at the KBHCC ranks somewhat low amongst the facilities reviewed. The average ballroom square footage amongst the centers reviewed is 82,200 compared to the 65,100 at the KBHCC.

However, the largest individual ballroom at the Center (Ballroom A) is only 27,000 square feet and is the smallest such space within the comparable and competitive facility set reviewed.

This represents a significant competitive disadvantage. Events that host food functions, general sessions, product demonstrations and other functions that require more than 27,000 square feet have to use portions of the exhibit hall. This adds to event production costs and reduces the available space for traditional exhibits.

Exhibit 3
Summary of Ballroom Space
Comparable and Competitive Centers

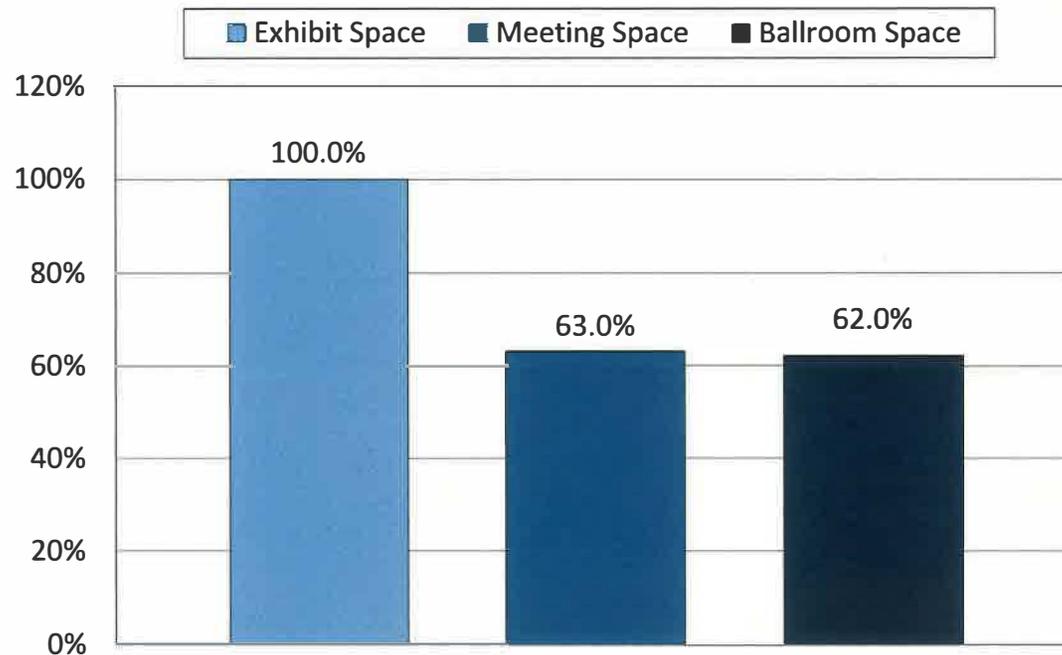


(1) Includes space that is either planned or currently under construction.
 Note: The Las Vegas Convention Center does not offer dedicated ballroom space.
 Source: Facility floor plans and management, 2013



The following chart highlights KBHCC exhibit, meeting and ballroom space in terms of the percentage of average among comparable and competitive venues reviewed.

Exhibit 4
Comparison of Key KBHCC Sellable Spaces
Percentage of Average Amongst Comparable & Competitive Facility Set



As noted in the adjacent exhibit, existing KBHCC exhibit space is generally equivalent to the comparable and competitive facility set median. However significant deficiencies exist in terms of KBHCC meeting space (63 percent of average) and largest contiguous ballroom space (62 percent of average).

These findings should not be relied on exclusively to finalize future KBHCC development planning. However, this research, when combined with event planner focus group, past industry survey research and the expertise of management, can provide an important foundational element on which recommendations can be based.

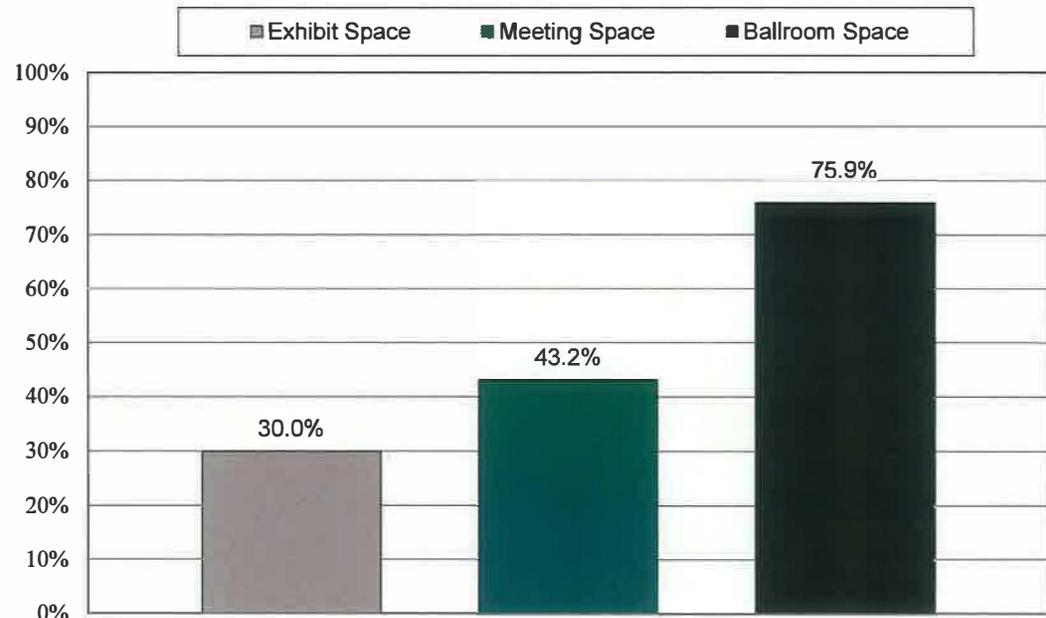
Source: CSL International, 2013

Finally, we have assembled data as to the square footage increases for exhibit, meeting and ballroom space at the 13 major convention center expansion projects that have taken place since 2006. The percentage increase in each of these building areas has been calculated and presented in the following exhibit.

Exhibit space has increased by an average of 30 percent among recent major market convention center expansions. Meeting space has seen a greater percentage increase at 43.2 percent. The increase in ballroom space has been very significant, with an average percentage increase of 75.9 percent. These data highlight several trends that should be considered with respect to future KBHCC investment.

- Ballrooms are no longer considered single-purpose food function areas, and are used for a wide diversity of functions resulting in added space needs.
- Association and corporate groups continue to find great value in offering breakout sessions. It is increasingly difficult to attract large exhibit space users without offering commensurate meeting space.
- Exhibit space needs within the industry have stabilized, and during the recent recession even receded somewhat. It will always be critical for the KBHCC to offer exhibit space sufficient to accommodate a significant share of the market unique to Dallas, however significant increases in exhibit space capacity may not be warranted for the foreseeable future.

Exhibit 5
Percentage Increases in Key Sellable Areas
Major Convention Center Expansions Since 2006



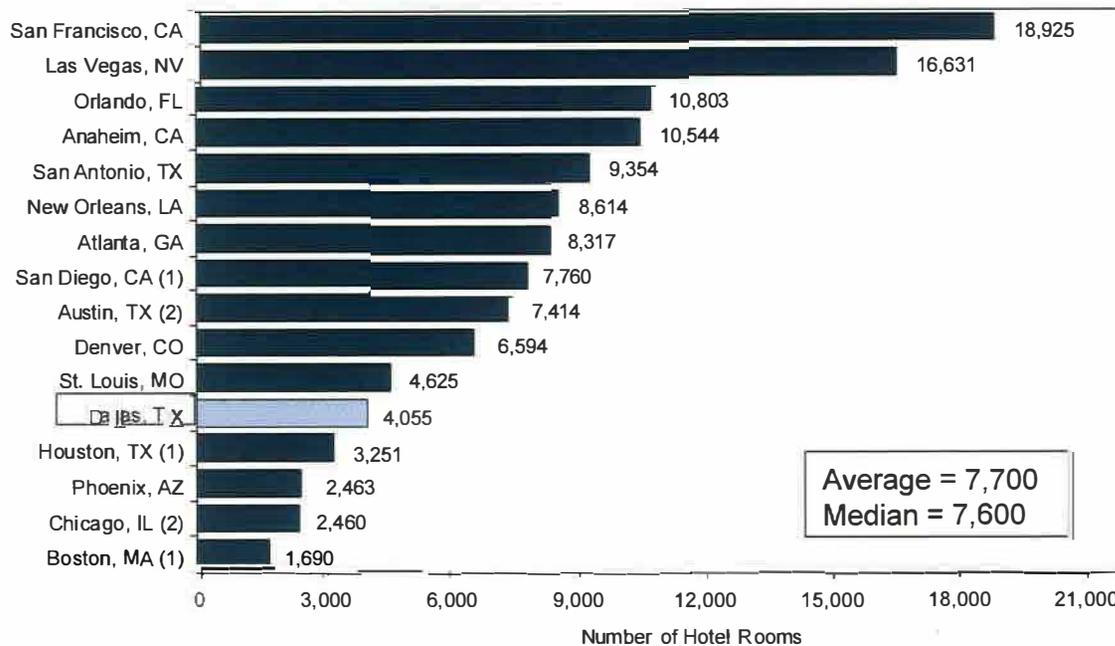
Note: Data include space levels among 13 major market convention center expansions taking place since 2006.
 Source: CSL International, 2013



2.2 Hotel Inventory

In addition to convention center space, event planners focus closely on available hotel room inventory when selecting a destination. Ideal hotel packages include a large adjacent or attached headquarter hotel, with significant room inventory within one-half mile of the center.

Exhibit 6
Summary of Hotel Inventory Within One-Half Mile of the Center
Comparable and Competitive Centers



(1) Developing or planning additional headquarter hotel inventory.
 (2) Includes planned headquarter hotel inventory.
 Source: CSL International, 2013

The recent opening of the 1,000-room Omni has improved the competitive position of the Dallas market. Even so, the 4,055 available rooms within one-half mile of the KBHCC ranks fairly low, and significantly below the median room count of 7,600.

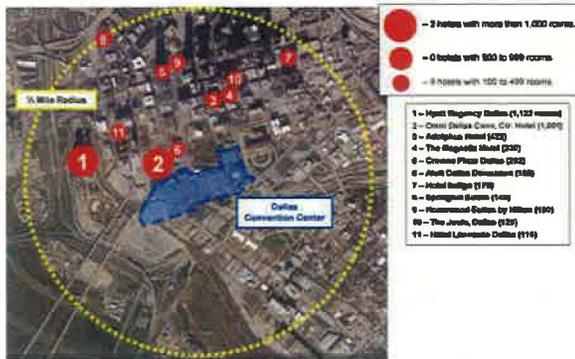
Although discussions are taking place with respect to private development of additional hotel inventory proximate to the KBHCC, careful consideration will have to be given to the available room inventory when evaluating the potential for adding conventions and tradeshow to the market.

Future development of KBHCC event space should also take into account the current and projected future hotel inventory. Center space additions may not generate significant added event activity without commensurate sleeping room additions.

In further considering the density of hotel inventory surrounding the convention center, we have developed aerial images of the hotel inventory within one-half mile of the KBHCC along with several competitive Texas convention centers.

Exhibit 7
Hotel Inventory Within One-Half Mile of the Center – Texas Markets

Dallas Convention Center

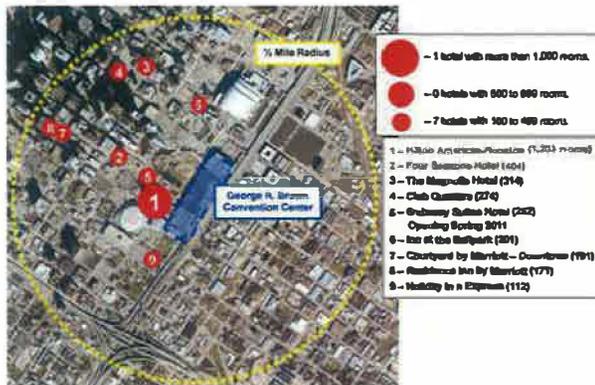


Austin Convention Center



As noted in the exhibit, the hotel inventory surrounding convention centers in Austin and San Antonio provide significant opportunities for planners to house event attendees. In Dallas, even with the new Omni, rooms within one-half mile of the center are comparatively limited. In Houston, conditions are similar to Dallas, however a new 1,000 room Marriott Marquis has been approved adjacent to the center, significantly improving the overall hotel package.

George R. Brown Convention Center (Houston)



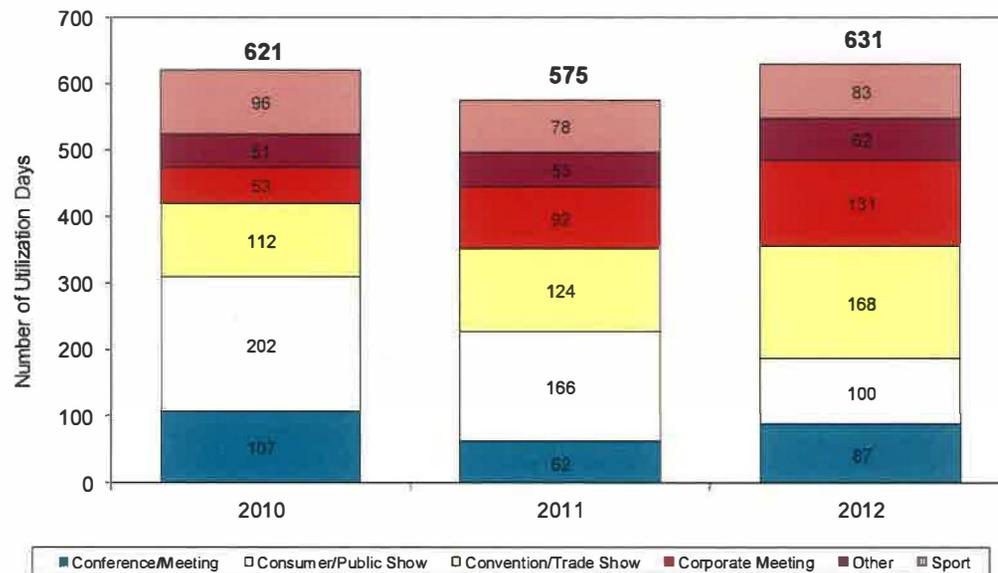
Henry B. Gonzalez Convention Center (San Antonio)



3.0 Review of Past KBHCC Utilization Statistics

When developing estimates for potential incremental event activity, it is useful to consider past utilization levels at the KBHCC. Particularly high occupancy can indicate difficulties in significantly increase future use, while low occupancy may indicate difficulties with the product that will negatively impact future utilization. This review focuses on utilization days, exhibit space occupancy and attendance trends.

Exhibit 8
Summary of KBHCC Utilization Day Totals
2010 to 2012



Note: Event types are based on facility management classifications.
 Source: CSL, facility management, 2013

Utilization Days

The adjacent exhibit presents utilization day data for the KBHCC over the past three years. Utilization days at a center include days during which an event is being hosted, plus move-in and move-out days. In many cases, multiple events are hosted on the same day.

KBHCC utilization days have remained fairly steady over the past three years (averaging 609), with a recent increase in convention and tradeshow, and corporate meeting use, corresponding to the opening of the Omni.

These increases have off-set losses in consumer show activity, which tends to draw attendees from the local area. The multi-use nature of the Center is highlighted by the significant use generated by a diverse set of event types.

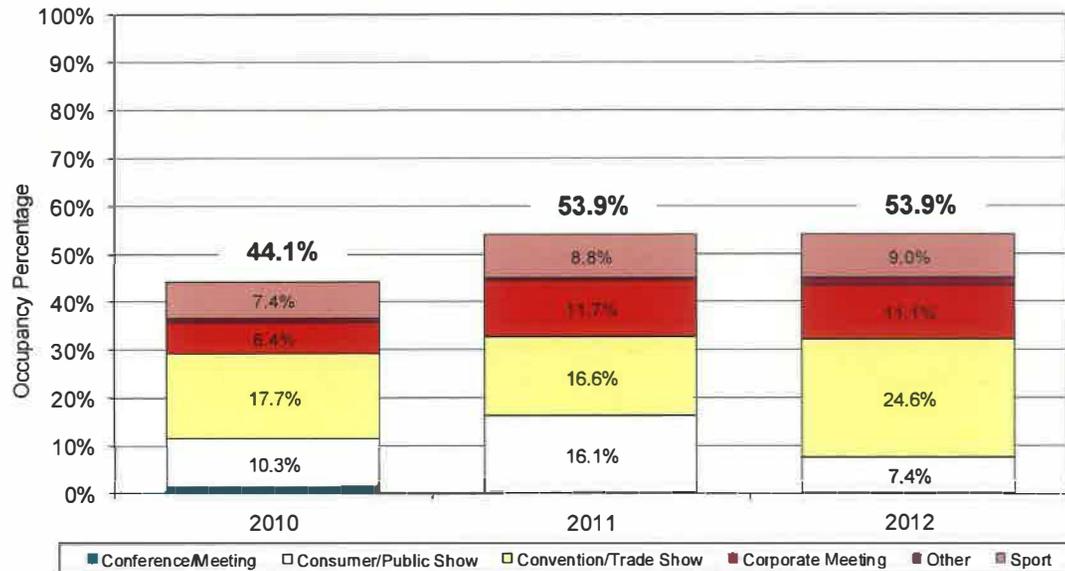


Exhibit Space Occupancy

Exhibit space occupancy percentages (measured by dividing the total amount of sold event space by the total amount of sellable space within the facility times 365), help measure potential capacity for additional event activity, or the degree to which usage of the facility has reached a maximum capacity.

The exhibit space 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, or that other deficiencies such as space quality or hotel inventory issues are impacting market capture.

Exhibit 9
Summary of KBHCC Utilization Day Totals
2010 to 2012



Note: Event types are based on facility management classifications.
 Source: CSL, facility management, 2013

At approximately 54 percent occupancy over the past two years, the KBHCC appears to offer sufficient exhibit space to accommodate the potential event market unique to Dallas. As will be shown later in the analysis, deficiencies in meeting and ballroom space may be depressing exhibit space occupancy.

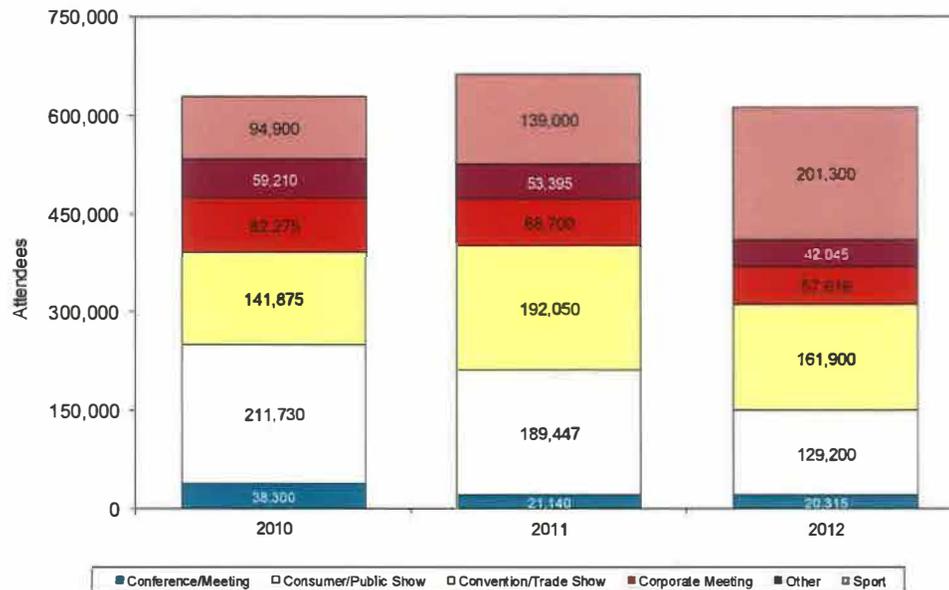


KBHCC exhibit space occupancy is generally higher for Halls A through D. Occupancy in Halls E and F drop somewhat. The lack of meeting space in the Hall E and F area of the complex may be limiting demand. The addition of the Omni Hotel and Ballroom D may help support increases in Hall E and F occupancy in the future. Consideration could also be given to re-purposing a portion of Hall F into multi-use space that is suitable to accommodating exhibits, general sessions and food functions. This would require use of slightly higher end wall treatment and ceiling structure, and potentially some form of permanent carpet. Two halls at the New Orleans Convention Center recently underwent a similar remodel, which has been well received by event planners.

Attendance Levels

Attendance levels by event type at the KBHCC have been evaluated for the past three years. Overall attendance at Center events has been generally consistent over the past three years, with a slight drop off in 2012.

**Exhibit 10
Summary of KBHCC Attendance Totals
2010 to 2012**



Convention/tradeshow attendance levels spiked in 2011, with somewhat lower levels in 2010 and 2012. This is likely a function of typical cyclical booking patterns. Attendance at sporting events increased significantly in 2012, while consumer show attendance (largely local in nature) decreased significantly. Modest decreases have been experienced in attendance over the past several years in corporate meeting and other events.

Note: Event types are based on facility management classifications. Certain events with what were considered outlying attendance figures were removed, such as the Dallas Auto Show, NBA All-Star Jam Session and NFL Experience.
Source: CSL, facility management, 2013



4.0 Space Demise ment Analysis

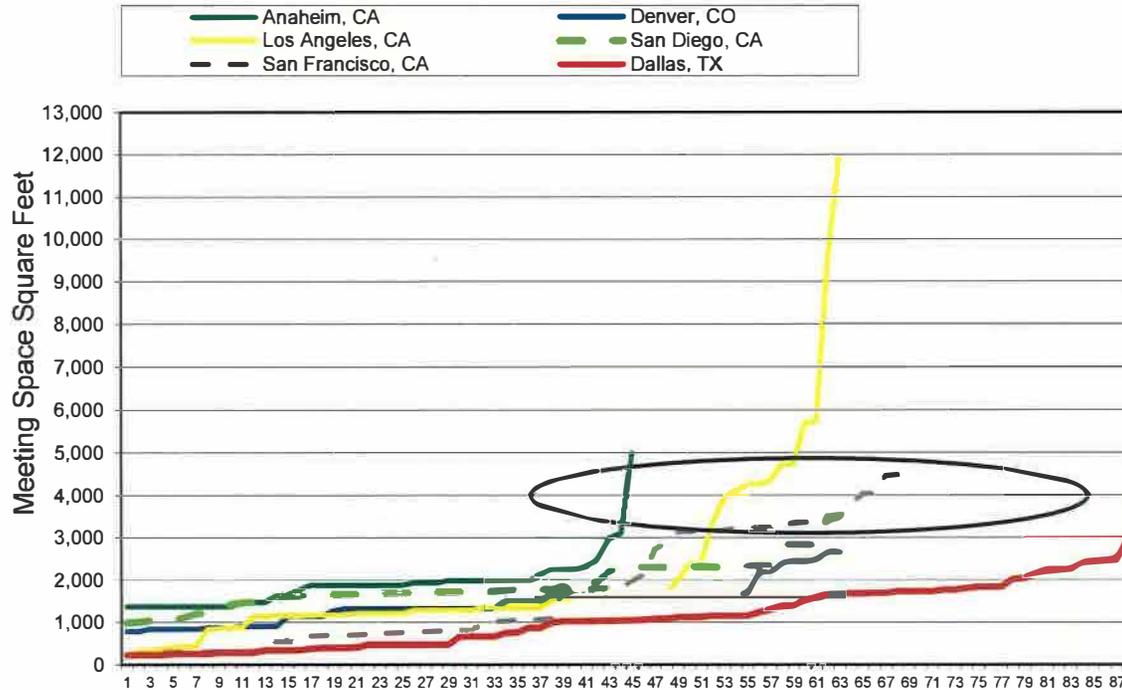
As part of our KBHCC future development analysis, we have studied various meeting and ballroom space demise ment issues and their impact on the ability to accommodate large national conventions and trades hows. Demise ment refers to the breakdown of meeting and ballroom space using movable walls. Current KBHCC meeting and ballroom space demise ment has been compared to a select set of competitive and comparable centers, and past CSL industry research has been used to create a meeting and ballroom space demand profile to compare against existing KBHCC space inventory.

Not only is it critical that sufficient total space be provided, it is also important that the space be designed to subdivide into useful components. A particular focus on this section of the analysis is therefore placed on the breakdown or demise ment of the meeting and ballrooms spaces. The specific steps undertaken as part of this analysis are described below.

1. Competitive/Comparable Facility Analysis – We conducted an inventory of meeting and ballroom space square footage, demise ment and configuration in competitive and comparable facilities. This type of analysis helps cast the future programming and design for KBHCC space in the context of what competitors are providing. A side by side comparison of meeting and ballroom space demise ment for the KBHCC and major market competitive venues was prepared.
2. Event Space Needs Analysis – We have incorporated our in-house database of meeting and ballroom space requirements among a broad cross-section of planners of national conventions and trades hows. The analysis compares existing KBHCC space with the requirements of the national event market, and allows for recommendations as to future Center space development.

We have developed an analysis that considers the distribution of meeting rooms when all divider walls are in place (“walls in place analysis”); and when all divider walls are stored (“walls stored analysis”). We compare statistics for the KBHCC against both competitive/comparable centers and our event market demand statistics.

Exhibit 11
Comparison of Meeting Space Demise
Walls In Place Analysis



Five comparably sized U.S. convention centers were reviewed in terms of their meeting space offerings, as compared to the current KBHCC.

The “Walls in Place” analysis shows the demise of meeting space assuming all movable walls are in place. The adjacent exhibit represents each individual room with square footage of space shown on the y-axis. For example, the Anaheim Convention Center has the fewest number of rooms (45), while the KBHCC has 88 rooms, the most amongst the facilities reviewed.

While the KBHCC offers a relatively high number of rooms, the room sizes are significantly smaller than the comparable venues reviewed, with a significant proportion of rooms (88 percent) below 2,000 square feet.

Many of the rooms provide less than 1,000 square feet, and many are even under 500 square feet. These rooms are not generally considered viable for most conventions.



**Exhibit 12
Comparison of Meeting Space Demiselement
Walls Stored Analysis**

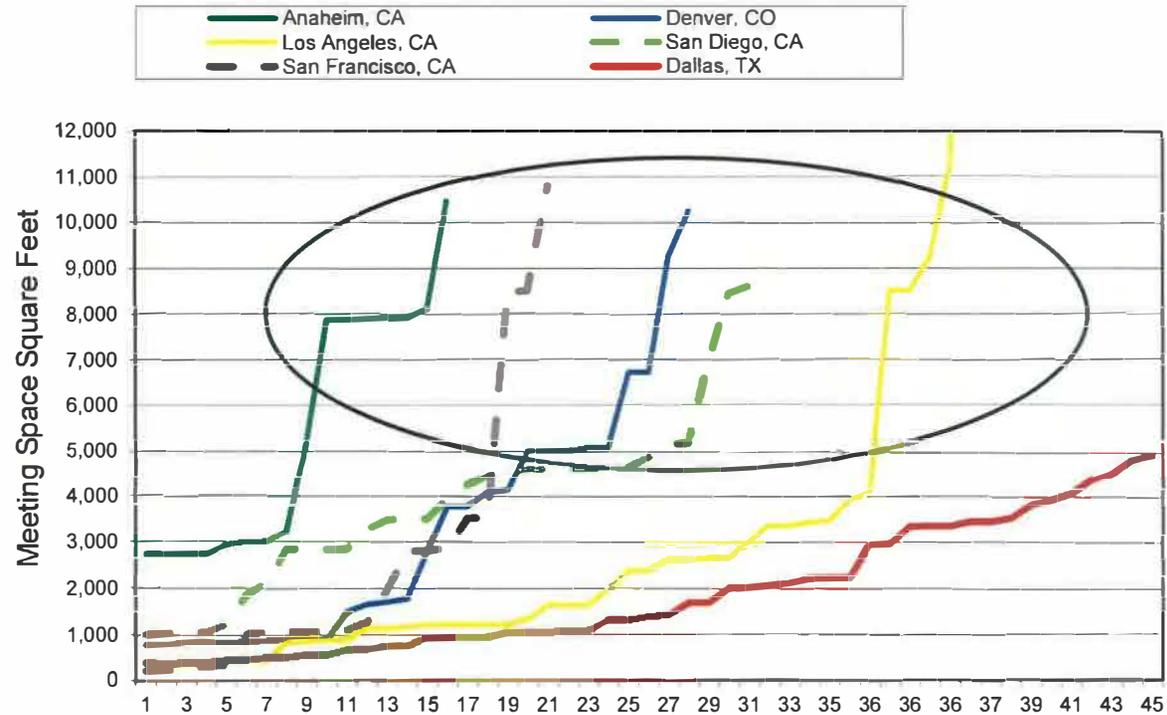
The adjacent exhibit presents available meeting space at the centers reviewed when all walls are stored.

As in the walls in place analysis, the KBHCC provides for the greatest number of rooms, however the distribution of room square footage provides for generally smaller spaces.

The existing KBHCC provides 35 percent of available meeting space (walls stored) in rooms under 1,000 square feet, and 57 percent in rooms under 2,000 square feet. Similarly, 100 percent of KBHCC rooms are under 5,000 square feet, severely limiting the ability to accommodate larger meetings.

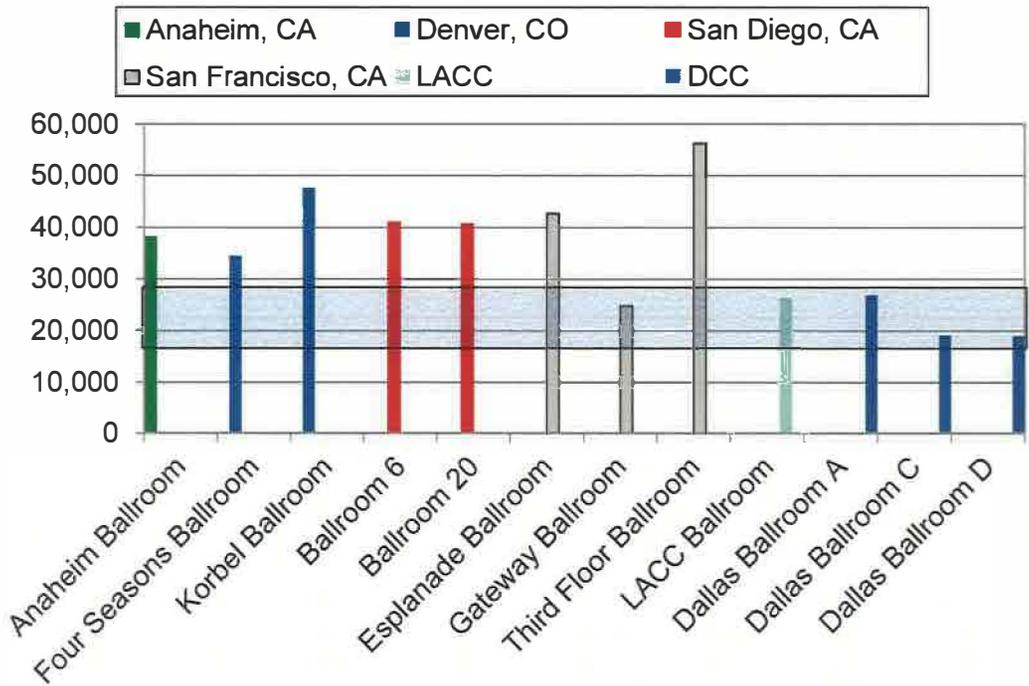
Many of the smaller rooms cannot be combined to form larger spaces, and are not highly marketable as break out meeting rooms. As a result, the KBHCC appears deficient in breakout meeting rooms that have the capacity to expand to between 5,000 and 10,000 square feet. Ballrooms space can be and has been used for larger meetings, however this limits the availability space for food functions and other ballroom activities

The extensive demisement of KBHCC meeting space does not conform to competitive facility configuration, and does not reflect trends in the industry towards larger individual meeting spaces.



We have also developed a summary of ballroom space at the selected centers, focusing on contiguous ballroom spaces. A summary of findings by center is presented in the following exhibit.

Exhibit 13
Comparison of Meeting Space Demiselement
Walls Stored Analysis



The three KBHCC ballrooms are significantly smaller than the largest spaces offered at the comparable centers reviewed. Only the Los Angeles Convention Center offers similarly limited space, and plans are underway to develop a new LACC ballroom that is similar in size to those at other large west coast convention centers.

The ballroom conditions under which the KBHCC must be sold represent a competitive disadvantage, particularly given the increasing demand for this type of space amongst event planners, and the responding trend in the industry towards the development of significantly larger ballroom spaces.



The demisement of individual ballrooms at the centers reviewed is described below.

KBHCC

The three KBHCC ballrooms are all relatively small, and are divisible into four separate sections each. At 27,000 square feet, the largest ballroom is significantly smaller than the largest space at competitive centers.

Anaheim Convention Center

The 38,058 square foot ballroom in Anaheim can be divided into five sections. These segments are similar in size, ranging from 7,560 to 7,688 square feet. Planning is underway for an additional 200,000 square feet of multiuse meeting and ballroom space.

Colorado Convention Center

There are two ballrooms available in Denver. The newer 47,700 square foot Korbel Ballroom offers significant divisibility, allowing a wide variety of needs to be met. The older 34,456 square foot Four Seasons Ballroom has less divisibility, but has much larger individual spaces available.

San Diego Convention Center

The San Diego Convention Center has two ballrooms, both with nearly 41,000 square feet available. Ballroom 6 has slightly more divisibility and smaller spaces available than Ballroom 20. Plans are underway for a significant addition of ballroom space (80,000 square feet of contiguous space).

Moscone Center

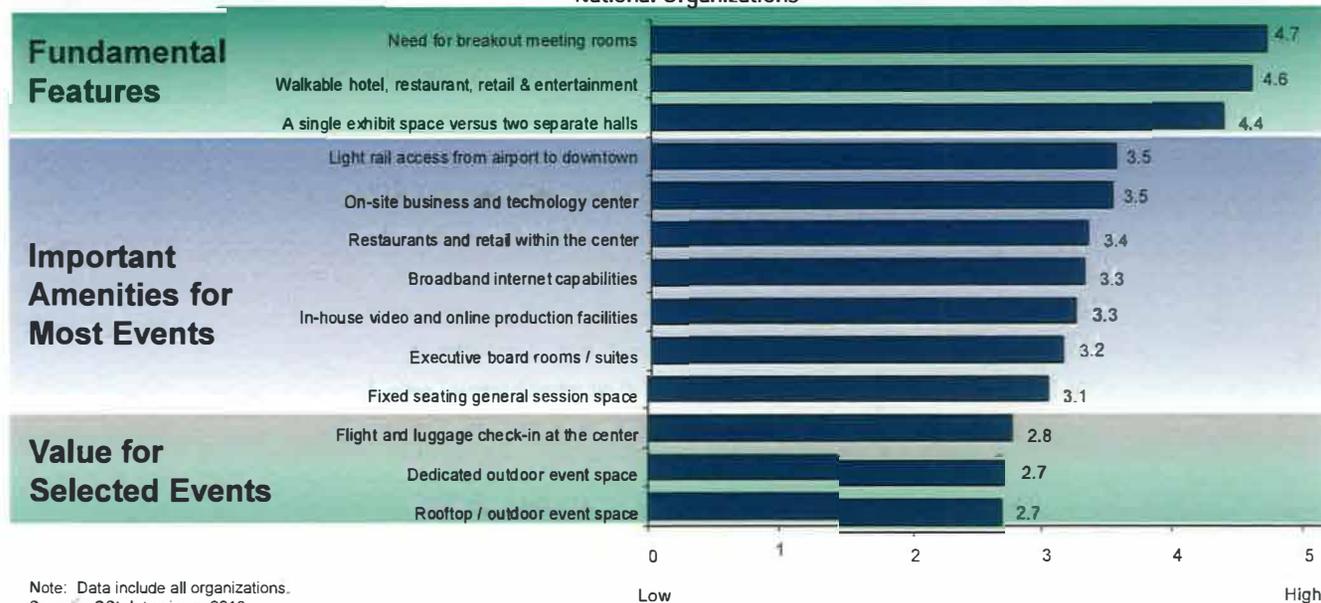
There are three ballrooms in the Moscone Center: Gateway Ballroom, Esplanade Ballroom, and the Third Floor Ballroom. The 99,716 square foot third level of Moscone West, when configured as a ballroom, can divide into 19 sections. The 42,675 square foot Esplanade Ballroom divides into ten segments.



5.0 Center and District Development Creativity

Event planners are increasingly looking beyond basic convention center elements when making site selection decisions. Issues such as a walkable convention, hotel and entertainment environment have become important success factors when competing for conventions and tradeshow. Recent CSL event planner research conducted in mid-2013 has ranked several center and destination features that are expected to increase in importance in future years, as presented in the following exhibit.

Exhibit 14
Rating of Convention Center and Destination Amenities –
National Organizations



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 and a walkable hotel/restaurant/retail/entertainment destination. The KBHCC is deficient in terms of meeting space as discussed previously. The walkability of the Center, hotel and entertainment

environment in Dallas, while improved, is still limited compared to numerous competitive destinations. A description of convention district features in several of these markets is presented below.

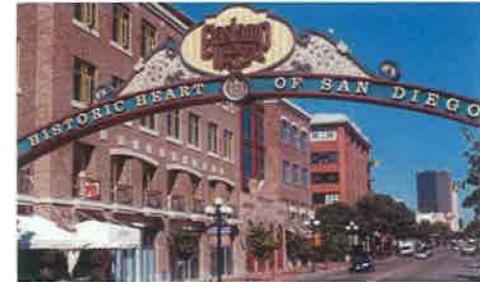


Henry B. Gonzalez Convention Center, San Antonio

San Antonio provides highly unique and authentic destination features (Riverwalk) that are integrated into the Center site area. In addition, the Hemisfair Park redevelopment will provide outdoor event space for Center events. The extensive hotel, restaurant, cultural, historic and other assets all within a convenient walking area represents a very significant competitive advantage.

San Diego Convention Center

The Gas Lamp district in San Diego is located adjacent to the Convention Center site. The district provides restaurant, retail and entertainment within a highly walkable environment with waterfront access. The site area also includes over 7,700 hotel rooms within one-half mile of the Center.



Colorado Convention Center, Denver

The 16th Street Mall is located two blocks from the Center, and offers free shuttle, outdoor cafes, retail opportunities, entertainment and other amenities along a one-mile stretch that is well suited to a desirable and walkable convention/entertainment experience. The Center expansion was developed with a very large-scale iconic sculpture which is now incorporated into destination marketing and branding material, and is even used by event planners to create unique event elements.

Anaheim Convention Center

A new 100,000 square foot outdoor event plaza was recently developed on the Anaheim Convention Center site. The space will be used for outdoor functions hosted by large conventions and tradeshows. Our event planner surveys and focus groups indicate that unique outdoor functions are increasingly considered a desirable feature.



6.0 Future KBHCC Program and Site Development Considerations

Based on the research presented herein, we have developed several recommendations focused on KBHCC need areas, particularly the meeting space, ballroom, future Arena use, site area and capital repair issues. These recommendations are summarized below.

Meeting and Ballroom Space

- KBHCC exhibit space is generally sufficient to accommodate a significant share of the potential national convention and tradeshow event market. It is unlikely that any significant increase in exhibit space will be required to accommodate event demand for the foreseeable future.
- An additional 50,000 square feet of meeting space is needed simply to achieve an average meeting to exhibit space ratio. Adding 75,000 square feet would begin to provide the KBHCC with a competitive advantage in attracting medical and technology events that typically require significant meeting space. The 75,000 square foot total should be considered a planning target for future KBHCC investment.
- The KBHCC provides an overabundance of smaller meeting rooms, many of which are sized at under 1,000 square feet. Deficiencies exist with respect to larger capacities. The added meeting space should allow for large, contiguous areas of approximately 10,000 square feet, with divisibility down to spaces of 2,000 and 4,000 square feet.
- A ballroom/multi-use space of at least 50,000 square feet should be provided for. This could involve the expansion of the existing 19,000 square foot Ballroom C, or development of new ballroom space in other areas of the complex. Developing added ballroom space within a central location on the KBHCC complex would provide for convenient access to all exhibit areas. The other existing smaller ballrooms could be used as large meeting areas and/or junior ballroom space.
- Consideration could be given to reconfiguring Hall F to allow for greater event flexibility (improved wall and ceiling treatment, potential for permanent carpet). This scenario can reduce costs for producing general sessions and food functions. Many event planners would likely respond well to such an investment, however events that require Hall F as raw exhibit space may find a higher-end space challenging for exhibits. Recent improvements to the Center in New Orleans illustrate this option.

Future Arena Positioning

- There are numerous markets in which fixed-seat arena venues exist adjacent to convention facilities. In some markets (Detroit, for example), the arena space has been completely reconfigured as flat floor, multi-use space. In other markets (Anaheim, for example), the fixed seating space has been maintained for general sessions.
- In Dallas, the existing arena, with a maximum capacity of approximately 9,800, is relatively highly occupied due in part to several large events that reserve the space over extended periods. The space is located at one end of the complex, and is therefore not ideally suited to

be renovated as primary ballroom space. A substantial repositioning of the space (as in Detroit) could cost in excess of \$100 million. The existing arena should be maintained in its current configuration until a more suitable sellable space component is identified, or an alternative public, private or public/private use for the site is determined to be viable.

Center Site Area Development

- Continued planning efforts that are focused on creating a walkable convention, restaurant, entertainment and cultural district surrounding the KBHCC should be undertaken. These can build on Lamar corridor planning efforts recently initiated. The recently announced restaurant development project to be located adjacent to the Omni could begin an important process of “reinventing” the area as a convention environment. City involvement in creating public/private partnership opportunities should also be considered.
- Planners seemed to respond well to the notion of outdoor space, particularly the concept of an indoor/outdoor event experience. During future architectural planning stages, consideration could be given to tying the Pioneer Square area into any new space development. This may require an enhanced ability to accommodate event functions and a well thought out linkage between the Square and the KBHCC.
- Future hotel development within one-half mile of the KBHCC should be encouraged. As the convention and entertainment corridor surrounding the KBHCC develops, outreach to private developers should be continued.

Future Capital Repair

- While various upgrades have been approved and funded, the existing KBHCC will require other significant capital initiatives. These requirements go well beyond standard maintenance, and include items such as:
 - Mechanical and electrical replacement of components that are up to 43 years old.
 - Replacing escalators and elevators that non-functioning and beyond useful life.
 - Public area upgrades, including meeting and exhibit space improvement. These are critical given recent competitive convention center investments.
 - Investment in FF&E. Current product is sub-standard, negatively impacting customer experience.
 - Audio/visual and telecommunication upgrades. Developing and changing technology demand on-going investment in order to remain competitive, and the KBHCC is falling behind.

- These upgrades alone will require investment of over \$100 million. Any major future KBHCC investment should address these capital repair and equipment issues.

Potential Cost Considerations

We have not retained architectural, engineering or cost estimating services for this project. Such services would appropriately be contracted for if a decision is made to move the project forward. However, we can provide broad order-of-magnitude cost estimates for the project, using added space estimates and general per-unit cost data.

For example, if we assume the development of a 50,000 square foot ballroom and 75,000 square feet of added meeting space, a total of 125,000 square feet of sellable space is developed. It is common for the back-of-house support space to roughly equal the sellable areas, yielding a total built square footage of approximately 250,000 square feet. Using a \$400 per-square-foot construction cost estimate (based on on-going conversations with national center architects), a total hard cost is calculated at \$100 million. This does not account for any unusual engineering issues that may arise. Applying a 25 percent factor for project soft costs yields a total project cost of approximately \$125 million.

Combining this estimate with KBHCC management's estimate of approximately \$100 million for needed Center upgrades, total costs to address current KBHCC deficiencies would reach \$225 million.

As noted, these estimates should not be relied on for detailed planning efforts, and are only provided to show order-of-magnitude project costs.

7.0 Business Conditions and Financing Overview For Potential KBHCC Investment

The purpose of this section is to provide an assessment of potential event, financial and economic impacts associated with potential future investment in the KBHCC. We have worked with Dallas CVB representatives to define past Center event activity, the potential incremental event capture assuming specified improvements are made to the program of space, and the negative impacts that could occur if no KBHCC improvements are made as competitive destinations continue to improve.

Event Impacts

Convention and tradeshow activity at the KBHCC has increased steadily over the past three years, from 13 events in 2010, 17 events in 2011 to 22 events in 2012. Corporate meetings have also increased steadily. The following chart presents these data, along with potential increases in event activity assuming KBHCC improvements are made. The ultimate realization of these event impacts is assumed to take place over a five-year period.

Exhibit 15
Historical and Potential Future KBHCC Event Estimates

	Historical		Potential Future		Percentage Increase...	
	2012	2011	2012	Incremental	Over 2012	Over 3-Yr. Avq.
Conventions & Tradeshows	13	17	22	7	34%	43%
Corporate Meetings	7	8	12	5	42%	56%
Conference/Meetings	44	32	40	20	50%	52%
Consumer/Public Shows	70	51	40		0%	0%
Sports	17	13	14		0%	0%

As presented above, a combination of limited industry growth and securing events from competitive markets is assumed to account for an additional seven conventions and tradeshows. Corporate events, which tend to use large amounts of meeting and ballroom space are assumed to increase by five events, with a more significant increase in smaller conferences and meetings. No change in consumer or sports events is assumed.

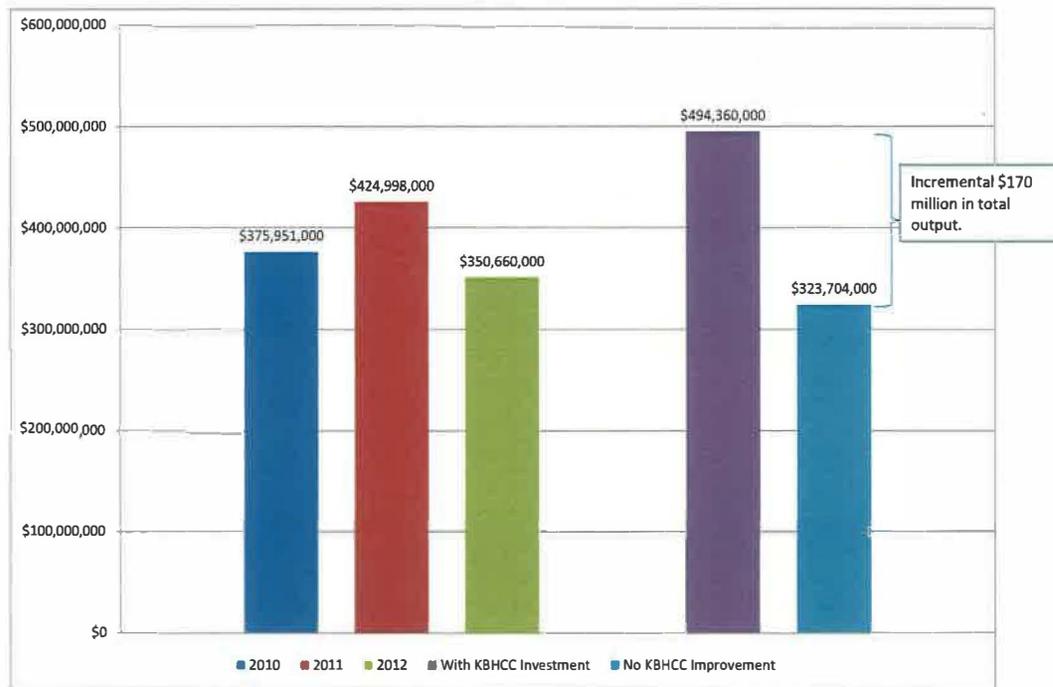
We have also worked with Dallas CVB staff to assess eventual loss of event activity assuming no improvements to the KBHCC are undertaken. As in any industry, some form of continued investment is required to address evolving customer demands and competitive pressures. The on-going convention center and headquarter hotel investment in San Antonio, Nashville, Houston, Austin and other markets will likely have a negative impact on KBHCC event activity over time. For purposes of this analysis, a 20 percent reduction in three-year average convention and tradeshow event levels is assumed, along with a 30 percent reduction in corporate meetings and conferences/meetings.



Economic Impacts

The addition or loss of event activity will have a direct effect on the convention related spending and tax revenues generated in Dallas. Based on the event activity defined above, we have developed estimates of associated total convention related economic output and fiscal impacts.

Exhibit 16
Total Economic Output – Historical and Potential Future Data
KBHCC



The adjacent exhibit presents KBHCC generated total output for each of the past three years, total output that could be generated with improvements to the KBHCC, and the reduced total output that the Center would generated assuming a loss of event activity under a “no improvement” scenario.

As noted in the exhibit, the KBHCC has generated between \$351 million and \$424 million in total output between 2010 and 2012. Total output includes the direct spending generated by event attendees, exhibitors and organizers; as well as impacts that take place as these expenditures flow through the overall economy.

With recommended improvements to the KBHCC facilities and site area, incremental event data developed in partnership with the CVB indicate a potential for total output of approximately \$494 million. We note that while a small portion of this incremental demand may originate from modest industry growth,

the majority will have to result from competitively securing events from other markets. Given investment taking place in many of these markets, the potential increase in impact is modest. However, with no KBHCC investment, it is reasonable to assume an eventual erosion of demand. The resulting difference between the potential for increases in total output and the negative impacts of a “do nothing” scenario are estimated at approximately \$170 million annually.



We have also calculated the tax revenue generated from hotel room sales for the city and state as a result of existing and potential future KBHCC convention activity. Through the occupancy tax, the state of Texas generates approximately \$5.7 million in revenue based on an average of the past three years of KBHCC event data. With assumed increases in event activity under an improved KBHCC scenario, these revenues would increase to \$7.4 million, and would decrease to \$4.8 million under a do-nothing scenario. For the City, three-year average data indicate that the combined occupancy and PID tax revenues approximate \$8.6 million. These would increase to approximately \$11.1 million under a KBHCC improvement scenario, and decrease to \$7.3 million under a do-nothing scenario.

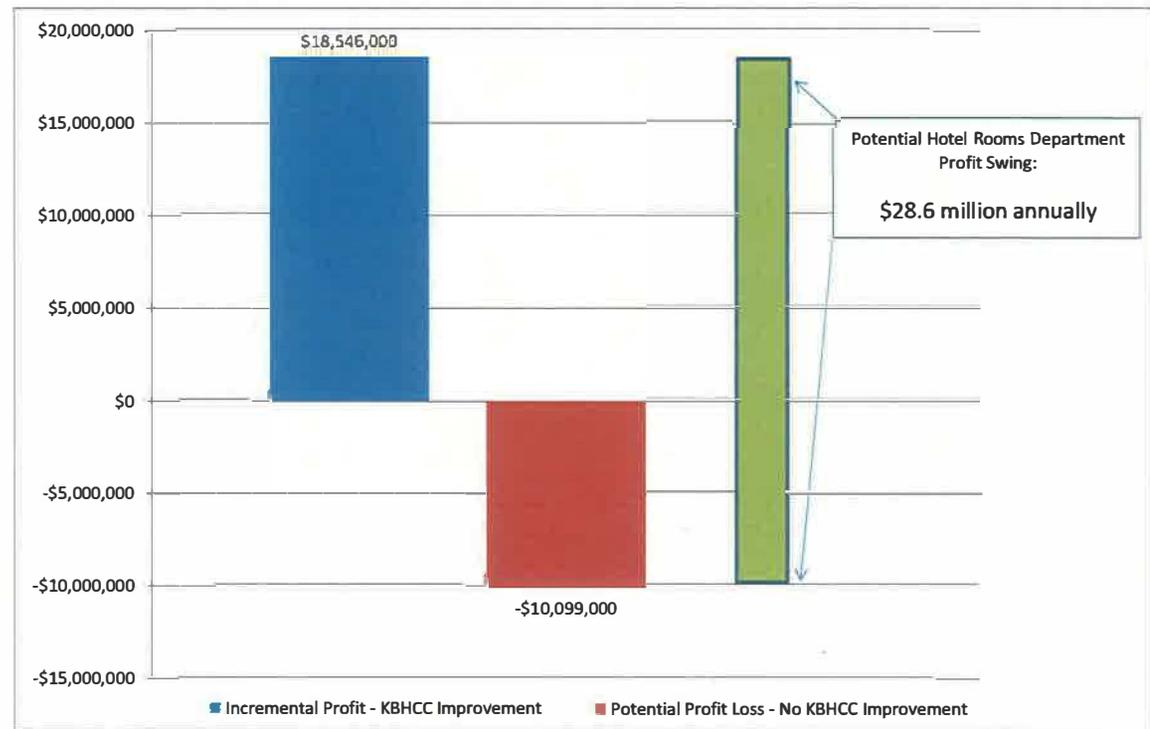
Business Impacts

In addition to broad community-wide impacts, convention business has a direct effect on the bottom-line financial performance of many visitor industry businesses. As part of this analysis, we have estimated the hotel rooms department profit generated as a result of incremental KBHCC event activity, as well as the potential loss in hotel profit assuming no improvements are made.

The analysis assumes an average group room rate of \$190, with a 70 percent rooms department margin. The adjacent exhibit presents a summary of the profit analysis.

With the potential incremental event activity associated with KBHCC improvements, an added \$18.6 million in hotel rooms department profit could be generated. Loss of event activity could reduce Dallas hotel

Exhibit 17
Rooms Department Profit Generated by KBHCC
With Improvement versus No Improvement



rooms profit by \$10.1 million. Taking these figures into account, the net impact is approximately \$28.6 million between an improvement and a do-nothing scenario. In other words, the hotel inventory in the Dallas area could “sacrifice” over \$28 million in profit if a no-investment approach is taken as opposed to addressing existing KBHCC shortcomings.

These estimates are developed to present order-of-magnitude financial implications of investment in the KBHCC, and do not consider other hotel profit centers, or profit centers for restaurant, retail, local transportation and other sectors.

Business Case and Funding Case Study Summary

The convention industry has a broad and significant impact on the Dallas economy. An average of \$384 million in total output has been generated annually over the past three years. The convention business attracted to Dallas has also generated an average of \$64.4 million in hotel rooms department profit between 2010 and 2012.

With KBHCC improvements, total economic output could increase by \$110 million annually, with a corresponding increase in hotel rooms department profit of \$18.5 million. Under a do-nothing scenario, competitive markets will begin to erode convention activity in the Dallas market, resulting in a potential loss of \$60 in total output and \$10.1 million in rooms profit.

These impacts are significant, but more than that, they highlight the mutual public and private sector benefit generated from convention activity. Most major centers around the country are funded, operated and marketed using some form of hotel tax revenue. The public sector aggregates these funds through various dedicated tax structures, and often times contributes revenue from other public sources.

This type of mutual impact and funding architecture could be used to continue future investment in the KBHCC and surrounding area. To assist in identifying potential revenue sources and funding mechanisms, we have developed several national convention center funding case studies.

Nashville Convention Center

Recently opened, the \$585 million Music City Center provides a 353,000 square foot exhibit hall, a 57,000 square foot grand ballroom and 85,000 sf of meeting space. In 2010, the Center Authority issued \$623 million of tourism revenue bonds to finance Center construction. The bond proceeds financed the cost of design, land acquisition, and development (a \$415 million construction budget).



The bonds are payable primarily from tourism-related revenues and incremental sales tax revenues generated in connection with the Music City Center. The specific funding sources are identified below:

- Two percent of the existing 5 percent hotel/motel tax. These funds were originally used for debt service and operating the old convention center, for which debt was retired in 2007.
- An additional 1 percent hotel/motel tax.
- \$2 Convention Center fee per-room/per-night, countywide on all hotels/motels.
- One percent city-wide rental car tax.

Henry B. Gonzalez Convention Center – San Antonio



The Convention Center is currently undergoing a \$325 million expansion. The project includes 260,000 square feet of new exhibition space (increasing contiguous exhibit space from 426,000 square feet to 515,000); a new 54,000-square-foot ballroom; and meeting, pre-function, and back-of-house space.

Financing for the expansion comes from \$544 million in public-facility corporation lease-revenue bonds, with \$325 million funding the project and the balance used to refinance existing hotel occupancy tax debt. Once new construction is completed in late 2015, the oldest portion of the convention center, on the west side of the complex, will be demolished.

Boston Convention & Exhibition Center

State debt was issued for development of the BCEC and convention related projects in Springfield and Worcester. Revenues supporting issuance include the following:

- 2.75 percent of the total fee of hotel rooms in Boston, Cambridge, Springfield, and Worcester.
- All excise taxes imposed on hotel rooms inside Boston, but outside a defined convention district, and in Cambridge opened on or after July 1, 1997.
- \$10 surcharge on car rentals within Boston.
- \$2 per day surcharge on parking at facilities built in conjunction with any of the projects authorized by the convention center projects in Boston, Springfield, and Worcester.
- 5 percent of the purchase price on water and land-based sight-seeing tours, tourist venues, entertainment cruises, or tours located within or originating within the Commonwealth of Massachusetts.
- All receipts by meal and beverage taxes within the defined convention district at establishments opened on or after July 1, 1997.
- All excise tax receipts imposed on hotel/motel rooms in the defined convention district.



San Diego Convention Center



The Convention Center will undergo an estimated \$520 million expansion, expected to begin in late 2014. The project will include an additional 225,000 square feet of exhibit space, creating the largest contiguous exhibit hall on the West Coast; an 80,000-square-foot ballroom; a five-acre rooftop park; and a 500-room addition to the Hilton San Diego Bayfront Hotel.

The San Diego City Council approved a self-imposed hotel property tax — covered by a surcharge on room rates — that would pay out approximately \$30 million per year until the expansion is paid for.

Moscone Center – San Francisco



The Moscone Center will undergo an estimated \$500 million expansion, expected to begin late 2014. The project will result in 140,000 square feet of additional exhibition space, 28,000 additional square feet of meeting space, 87,000 square feet of multipurpose space, and 178,000 square feet of support space.

The project is a partnership in which hotel assessments from the Moscone Expansion District (a defied area benefitting from conventions) will provide two thirds of the funding for costs of the expansion project. The other third will come from a continuation of funding from the City's General Fund.

Potential Sources for KBHCC Funding

As previously noted, it is common for the public sector to partner with the local hospitality community to identify a significant share of overall project funding. These funding sources are generally tied to the sectors of the economy that benefit most – hotel, restaurant, local transportation, entertainment and related areas. A summary of the potential sources of funding that could be considered for future KBHCC investment is presented below. Significant further research will be needed to assess revenue potential, legislative and referendum issues, allocation and/or reallocation of existing funds, and related issues.

Hotel Taxes

These can be assessed on a simple city-wide basis, or under several alternative methods such as percentage of room sales, fixed fee per room, increased rate for hotels of a certain size or within a certain district. Reallocation of existing collections has also been used for project funding in other markets. The current total tax on rooms in Dallas is 15.0 percent, inclusive of a 2 percent public improvement district tax (PID) passed for hotels over 100 rooms, with revenue used largely for destination sales and marketing efforts.

The total tax on hotel room sales for several other markets are summarized below.

Boston	17.45 percent
Houston	17.0 percent
Indianapolis	17.0 percent
San Antonio	16.75 percent
Nashville	15.25 percent

As noted above, there are several markets nationally that charge over 15 percent on rooms sales. In Dallas, any increase in rate would require state legislation. Based on recent collection levels, every 1 percent increase in city-wide rate would generate approximately \$5.7 million in annual revenue. Applying an increase in rate to hotels within a specific area versus city-wide would reduce collection totals.

Restaurant Taxes

As with hotel revenue, restaurant taxes can be assessed in a number of ways, including on a city-wide basis, within a district, on restaurants with a minimum gross revenue (helping to avoid small/fast food restaurants), on restaurants that serve alcohol, etc. There is an existing 8.25 percent tax on restaurant sales, however revenue from only one percentage point is allocated to the City, with the rest going to the state or transit authority. Any increase in restaurant tax rates would require state enabling legislation.

Car Rental Taxes

A 5 percent tax assessed to fund the American Airlines Center recently expired. This tax is not applied to rentals at DFW Airport. Extending the tax may require voter referendum, and given the exclusion of the Airport, may not generate a significant level of project funding capacity.



Other Sources

There are a variety of other revenue sources used to fund convention centers around the country. These include the following.

- Taxi cab fee – As with car rental charges, it is important to assess pick-ups at the airport. However, city officials in Dallas note that any revenue generated from activity on Airport property must be retained for Airport projects.
- A parking tax or fee on spaces within the city or within a specific district - Parking sales in Dallas are currently subject to City sales tax. Increases in tax rate would not likely generate significant funding, unless the rate were increased significantly.
- Ticket tax on some or all of sight-seeing tours, entertainment, sporting events, and other ticketed events - This would likely require state legislation to enact.
- A general fund appropriation can be made, either in the form of an up-front payment, or annual payments that are used to retire debt - The City general fund currently provides a backstop for existing KBHCC debt payments. City officials indicate that added general fund commitments are not likely to be approved.

As noted above, much more research into these types of financing options will need to be conducted should a decision be made to pursue the project further.

