



# **Johnston County Visitors Bureau**

## **Convention/Conference Center Business Plan**

July 2001

STRATEGIC ADVISORY GROUP LLC



July 31, 2001

Ms. Donna Bailey-Taylor, Executive Director  
Johnston County Visitors Bureau  
1115 Industrial Park Drive  
Smithfield, NC 27577

Dear Ms. Bailey-Taylor:

We have completed our engagement to help you assess the need for a Johnston County convention/conference center in accordance with our contract dated November 27, 2000.

The data included in this report has been extracted from information supplied to us during discussions with representatives from Johnston County and various other primary and secondary sources. We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. Moreover, estimates and analysis regarding the project are based on trends and assumptions and, therefore, there will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

Our report reflects events and circumstances, as they currently exist. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

We have enjoyed working on this project and our relationship with the project team. We look forward to providing you continued service in the future.

Strategic Advisory Group LLC

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## EXECUTIVE SUMMARY

### INTRODUCTION



**Regional Map**

Johnston County is strategically located just minutes southeast of Raleigh, the state capital. This central location, which includes interstates I-95 and I-40 bisecting the county, provides convenient access throughout the state and region. Johnston County is recognized as the fastest growing county in North Carolina and offers a variety of amenities such as the Carolina Outlet Center, a 450,000 square foot mall that attracts regional visitors.

The Johnston County Visitors Bureau (JCVB) is charged with enhancing tourism and visitation in Johnston County. Community leaders recognized that there are few large meeting facilities in Johnston County to host high impact events that attract out-of-town delegates, as well as local events. In its leadership role in the tourism industry, the JCVB engaged Strategic Advisory Group, LLC (SAG) to lead a three-day intensive work session. A variety of community leaders and meeting planners were interviewed and supply and demand indicators were analyzed. The result of this effort was an

indication that a medium-sized facility in Johnston County would be appropriate. SAG was subsequently engaged to complete this Business Plan document. This Business Plan includes analysis relevant in a traditional feasibility study, weaving the two together.

In order to understand the various objectives and perceptions regarding the proposed project, the consulting team conducted a series of community leader interviews with:

- Johnston County Commissioners and County staff
- The Johnston County Visitors Bureau Board and staff
- Johnston County Community College
- Chambers of Commerce from Benson, Clayton, Cleveland Springs, Four Oaks, Smithfield, Selma and Kenly
- Elected officials and staff from Benson, Clayton, Four Oaks, Smithfield, Selma and Kenly
- Area hotel owners and managers
- Other community leaders

Four clear messages were heard throughout these interviews:

1. There was a clear consensus among community leaders that Johnston County has a shortage of meeting space for larger functions.
2. The facility should be an economic impact driver for the community, attracting overnight visitors and their spending to the community.
3. The facility should serve local meeting needs.

- The hotel owners/operators believe the project should include public and private funding. They do not want the occupancy tax to be the sole source of funding.

**INDUSTRY OVERVIEW**

The meetings industry is a mature industry and reflects the diversification in the global economy. As such, historical and projected growth rates for the industry as a whole have been and are expected to be slightly above inflation. Overall, the industry is healthy and growing.

**MARKETING PLAN**

**Project Description**

The proposed facility is consistent with competitive facilities in the region and appropriate for the hospitality infrastructure in place in Johnston County. The proposed building program is summarized as follows:

	<i>Square Feet</i>
Multi-Purpose Room	10,000
Breakout Meeting Rooms	<u>7,000</u>
Total Function Space	17,000
Service and Support	<u>21,000</u>
Total Building	<u><u>38,000</u></u>

This proposed facility will be positioned as the largest meeting facility in the market and would host a new level of large events that currently don't meet in Johnston County. The new facility will provide new economic impact to area hotels, restaurants and other businesses in Johnston County.

**Overall Design Objective** – The Johnston County facility recommendation would provide the county with the most functional facility among its competitive set. This program recommendation would allow the facility to host

exhibits, general sessions, food functions and meetings of various sizes. Further, the design affords concurrent usage opportunities and provides the flexible space that quality groups require.

A convention/conference facility is a 30+-year asset and provisions should be made to accommodate a larger facility at some point in the future. With this in mind, a site large enough to accommodate a future expansion should be secured in this initial phase. It would be prudent to select a site that could accommodate an expansion three times the size of the phase one facility.

As Johnston County evolves in the long-term future and particularly if the proposed facility is built, a full service hotel may wish to enter this market. It would make sense that the proposed facility and a full service hotel could be co-located.

**Mission Statement**

A clearly articulated mission statement is imperative to the success of a convention/conference center. Based on the vision of the JCVB board and other community leaders, the facility's mission would be to attract overnight delegates from outside the County to generate room nights and spend dollars within the local community, as well as to provide a facility for local and corporate events.

**Facility Booking Policy**

The facility booking policy is the tool to implement the facility's defined mission. It is recommended that the proposed Johnston County facility have a stated booking policy to keep its management focused on the mission. The booking policy states that the facility can be reserved on a definite basis outside of a specified time frame (18 months and 12 months) only if the

pre-determined economic impact objectives (hotel room nights) can be met.

### Target Markets

Based on the booking policy designed to achieve the mission, the facility will target a wide variety of event types. It should be noted that with the lack of a full service headquarter hotel, this facility will not capture the high-end national, regional and state association meetings and other meetings that require a full service convention hotel. Target markets for the facility would include:

- State Association Conventions and Secondary Meetings
- SMERF (Social, Military, Education, Religious, Fraternal)
- Corporate
- Tradeshows
- Consumer Shows
- Local and Non-Profit Groups

### Competitive Facilities

The proposed Johnston County facility is positioned to compete for smaller events that would not require a full service hotel. As such, its primary competition would not include the large convention/civic centers or the large full service convention hotels around the state. Within this niche, several smaller communities similar to Johnston County offer similarly-sized facilities. The Johnston County facility will offer a superior space configuration among its competitive set. Further, Johnston County's competitive advantages, such as regional access, excellent shopping, etc., should provide the facility a strong chance for success.

Locally, there is a variety of smaller meeting facilities, but the proposed center is positioned to bring in a new level of large events and provide economic impact to all of these other local facilities.

### Demand Projections

Overall, the proposed Johnston County facility is anticipated to perform at a level consistent with the comparable facilities. Given an advantageous site selection, the meeting package would include a strategic location within the region and state, the best designed facility among its competitive set and quality amenities, such as hotels and shopping. The only disadvantage the facility will face is the lack of a full-service convention headquarter hotel. However, several of the comparable facilities operate in a less favorable environment.

The facility is estimated to generate 295 events with 99,000 in attendance annually upon stabilization. A significant portion of this utilization would generate overnight stays in area hotels and new spending in area businesses.

## ORGANIZATIONAL AND OPERATIONAL PLAN

### Ownership

It is assumed that the facility will be developed, financed and owned by Johnston County.

### Oversight and Reporting Responsibilities

Management of the facility will be responsible to the owner of the facility, the Johnston County Board of Commissioners. In terms of oversight, the Board of Commissioners could choose direct county oversight (such as a department of the county) or oversight via a quasi-governmental body (such as an authority or an advisory board appointed by the Board of Commissioners).

## Management

Consistent with comparable facilities, the facility is recommended to be publicly managed. As such, staff would be employees of the county or the oversight body.

## Marketing

The JCVB is recommended to be the sales and marketing arm for the facility for high-impact events (events that book on a long-term basis and generate room nights). Shorter-term rentals, such as consumer shows and local events, would be handled by facility staff. To accomplish its mission, the JCVB would require an additional \$100,000 in 2001 dollars annually to appropriately market and sell the facility.

## FINANCIAL PLAN

### Development Scenarios

Two developmental scenarios were explored. Both scenarios assumed the county would issue general obligation bonds funded by a 3% increase in the Hotel Occupancy Tax. The first scenario assumed that the full 3% would be dedicated to the project and the facility would open in 2005.

The second scenario assumed that 1% of the Hotel Tax would be dedicated to the project for five years (with the other 2% going to local communities), at which time the full 3% would be dedicated to the project. Under this scenario, the facility would open in 2009.

Project costs, exclusive of land and financing costs, are estimated to be approximately \$6.4 million in 2003 and \$7.2 million in 2007 (years when the construction contract would be let).

Under either scenario, the assumed revenue sources were insufficient to cover the facility's

debt service, operational subsidy and marketing requirements. There are a variety of ways to fill this gap, such as finding other revenue sources or decreasing the facility program/cost. Community leadership must come together to find solutions in order for the project to be implemented.

### Case Study – Impact of Increasing the Hotel Tax

Three case studies of similar markets were performed to understand the impact of increasing the Hotel Tax. These included Craven County, the City of Hickory and the City of Statesville. Overall, the analysis did not support the notion that increasing the Hotel Tax had a detrimental impact on total hotel sales.

### Operating Revenues and Expenses

Consistent with comparable facilities, the proposed Johnston County facility would require an annual operational subsidy of approximately \$150,000 in 2001 dollars.

## SITE AREA ALTERNATIVES

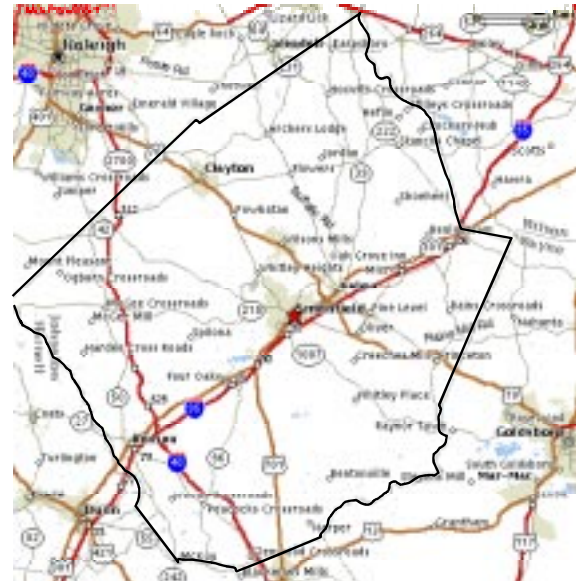
Site selection is probably the single-most important decision that will impact the ultimate attractiveness and success of the project. Eight prospective site areas were identified by the JCVB. It was beyond the scope of this engagement to evaluate specific sites.

In terms of site selection criteria, the baseline requirement is the size and configuration of the site. The phase one program recommended in this Business Plan would require eight to 11 acres. This accounts for the facility itself, exterior circulation areas and surface parking. Contemplating a longer-term master plan to triple the facility, an appropriate site would require from 15 to 20 acres, depending on configuration, existing roadways, etc.

## INTRODUCTION

*Regional Map*

Johnston County is strategically located just minutes southeast of Raleigh, the state capital. This central location, which includes interstates I-95 and I-40 bisecting the county, provides convenient access throughout the state and region. Johnston County is recognized as the fastest growing county in North Carolina and offers a variety of amenities such as the Carolina Outlet Center, a 450,000 square foot mall that attracts regional visitors.

*Johnston County (outlined)*

The Johnston County Visitors Bureau (JCVB) is charged with enhancing tourism and visitation in Johnston County. Community leaders recognized that there are few large meeting facilities in Johnston County to host high impact events that attract out-of-town delegates, as well as local events. In its leadership role in the tourism industry, the JCVB engaged Strategic Advisory Group, LLC (SAG) to lead a three-day intensive work session. A variety of community leaders and meeting planners were interviewed and supply and demand indicators were analyzed. The result of this effort was an indication that a medium-sized facility in Johnston County would be appropriate. SAG was subsequently engaged to complete this Business Plan document. This Business Plan includes analysis relevant in a traditional feasibility study, weaving the two together.

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- Area hotel owners and managers
- Other community leaders
- Crystal Coast Civic Center (Morehead City)
- Hickory Metro Trade Convention Center
- Sampson County Agri-Exposition Center (Clinton)
- Dunn Community Center
- Southeastern North Carolina Agricultural Center (Lumberton)
- New Bern Riverfront Convention Center
- Gateway Center (Rocky Mount)
- Nash Community College Business and Industry Center (Rocky Mount)
- Dennis A. Wicker Civic Center (Sanford)

Four clear messages were heard throughout these interviews:

1. There was a clear consensus among community leaders that Johnston County has a shortage of meeting space for larger functions.
2. The facility should be an economic impact driver for the community, attracting overnight visitors and their spending to the community.
3. The facility should serve local meeting needs.
4. The hotel owners/operators believe the project should include public and private funding. They do not want the occupancy tax to be the sole source of funding.

Other management interviews and site visits were conducted as well, including:

- Raleigh Convention and Civic Center
- Coast Line Convention Center (Wilmington)

As a backdrop and to provide a broad understanding of the industry, the following pages present the Industry Overview. The Marketing Plan begins after this introductory section.

## INDUSTRY OVERVIEW

### Definitions

The following are definitions of event types that will be used throughout the report.

- Convention - An exhibit and meeting room-based meeting sponsored by a private group or association to exchange ideas and, more and more, as a forum to exhibit products relating to the industry. Example: State Nurses Association.
- Tradeshow - An exhibit-based meeting to bring together buyers and sellers of goods and services; trade only (public not invited). Example: Gem and Jewelry Tradeshow.
- Consumer show - Similar to a tradeshow, but geared toward the public. Example: the Home Show, the Boat Show, the Car Show, the Baseball Card Show, etc.
- Other meetings – For our purposes, meetings that do not require exhibit space. Example: corporate awards banquet or training, local meeting, etc.

### INTRODUCTION

Cities covet conventions and tradeshows for their economic impact. While most consumer shows draw from the local population base, conventions and tradeshows draw delegates from the region, the nation, and from all over the world. When delegates come to town they spend dollars in the community on hotels, rental cars, food, shopping and entertainment - new dollars to the community. The exhibitors spend a great deal as well. Today, the hospitality, travel and tourism industry is recognized as the world's largest industry and a dominant economic force.

Vendors and delegates attend conventions and tradeshows for three basic reasons:

- Product demonstrations (“kicking the tires”)
- Networking with clients and associates
- Education/training

Take for example, the American Dental Association annual convention. Dentistry-related professionals from around the world come together once a year to meet, see new products and acquire education. As in many professions, continuing education or recertification is required. Businesses who sell products and services in this field find the tradeshow portion of the meeting fertile ground to renew business relationships and court new customers. Delegates can come to a single event to see all the new products in dentistry, and they can learn the latest dental techniques from the brightest minds in the industry. It's a win-win event.

Conventions and tradeshows are considered a very cost-effective means to bring buyers and sellers together. So it is business that drives the convention and tradeshow industry.

As you read through this report, bear in mind some attributes that meeting planners and show managers look for when selecting a convention destination:

- Facilities - a hotel and/or convention center with enough exhibit and meeting space to meet their needs.
- Hotels - enough available hotel rooms for all their delegates and convention quality rooms close to the convention center; rate variety.
- Infrastructure - good air access, convenient transportation (particularly from the hotels to the convention center).

- Destination appeal - tourist attractions, resort atmosphere, weather, nightlife, restaurants, shopping, etc.
- Reasonable prices.

## VISION OF THE FUTURE

The convention and tradeshow industry is dependent on the health of our society and the business environment as a whole. Understanding the forces that will drive the future is important when considering the development of such a long-term asset as a convention center.

### Technology is the catalyst of the next age

Technological change is causing a profound shift in the way people view and interact with the world - our world is quickly becoming a true global community. The pace of technological change continues to escalate. Technologies will converge. You will never be out of touch. The lesson: these changes will enhance our lives, not change them. But there will always be the need to meet, touch and see.

### Larger, more open societies

World and U.S. populations will continue to grow. Enhanced by technology and free-flowing information, democracy will continue to flourish. Also through technology, groups will no longer be bound by the traditional limitations of geographic proximity, nationalism, cultural or ethnic commonality, religion, etc. Rather, individuals from around the world, from any cultural background, race or religion can communicate and thrive through today's and tomorrow's advanced communications tools.

The result: a larger number of free nations striving to succeed in the global marketplace. Unified groups around the globe. Less restrictive borders

for both expanded trade and travel. More demand for meetings worldwide.

### Business on a global scale

Another reason closed economies will open borders is that these closed economies simply can't compete with powerhouse free-market economies dealing in a global marketplace. It is a simple matter of economics. "Common markets," such as the North American Free Trade Agreement (NAFTA) and the European Community (EC), will continue to develop. Electronic commerce will be "every day." Corporate consolidations will continue as firms vie for strategic position on an international scale. Conversely, technology, global communications and express shipping will allow small start-up companies to compete internationally. Business opportunities today and tomorrow are bound only by the imagination and good-sense economics.

The lesson: a larger population base moving toward a higher standard of living, with technology opening opportunities around the world. Business should thrive. And it is business that creates demand for conventions and tradeshow.

### Expanding travel and trade

On everyone's mind is the question: "Will technology replace business or personal travel?" The answer is no. People require interaction and nothing will ever replace the personal touch. "Being there" will always have its place in society.

Air travel is projected to triple and more and more people desire and have the means to travel. To meet this demand, airports around the world are planning massive expansions. There is also a trend in combining pleasure with business on trips, and vice-versa. Where will they go? Premier destinations. The world's top destination cities will garner more than their fair share of business and leisure travelers. This trend bodes well for the

Chicago area, already recognized as a world-class city.

In summary, from a long-term perspective, the future of technology, society, business and travel should fuel continued growth in the meetings industry.

**INDUSTRY PERFORMANCE**

There are several different sources regarding meeting industry information. Presented here are industry trends prepared by *Meetings & Conventions Magazine's 2000 Meetings Market Study*, covering corporate meetings, association meetings and large association conventions, and *Tradeshaw Week's Data Book and Major Exhibit Hall Directory*, covering large tradeshows and conventions, consumer shows and combination shows.

**Meetings & Conventions Market**

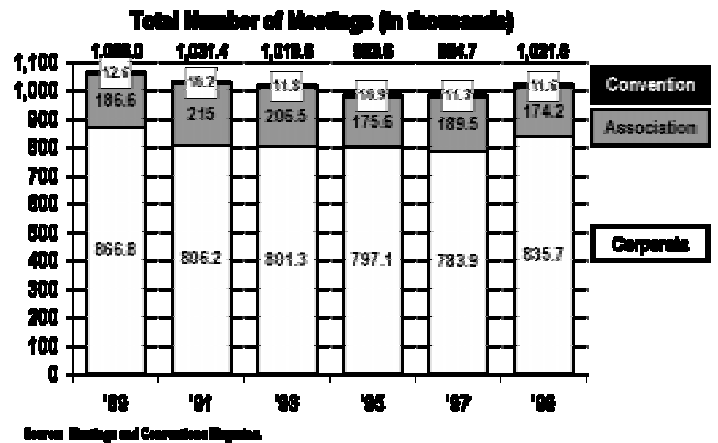
Based on *Meetings and Conventions Magazine's 2000 Meetings Market Study*, the U.S. meetings market is comprised of approximately one million events, including 835,000 corporate meetings, 175,000 smaller association meetings and 11,600 major conventions. While most meetings are small and occur in hotels, large association conventions average 1,060 in attendance.

**Corporate and Association Meetings**

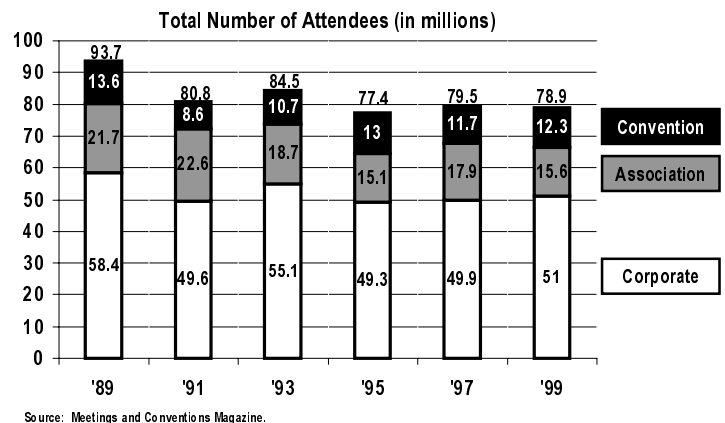
	<i>Number of Meetings</i>	<i>Total Attendance</i>	<i>Average Attendance</i>
Corporate	835,700	51,014,000	60
Association	174,200	15,599,000	90
Conventions	11,600	12,306,000	1,060
<b>Total</b>	<b>1,021,500</b>	<b>78,919,000</b>	

Source: Meetings & Conventions Magazine.

As illustrated in the next graph, 1999 reversed a 10-year downward trend in the number of corporate meetings and large conventions since their peak in the 1989 survey. Smaller association meetings began a new upward trend in 1997.



After peaking in 1989, attendance remains relatively flat since downward trends in the early 1990's. While not yet back to 1989 levels, note that attendance at large association conventions is significantly above the levels experienced in the recession of the early 1990's. Attendance at small association meetings has not seen strong recovery. Only time will tell if this marks a shift in the industry. Nevertheless, corporate meeting and association attendance of almost 80 million represents a significant industry.



Although mostly small in size, corporate meetings were the most pervasive and include a variety of meeting types. These meetings are the core of the hotel industry.

**Types of Corporate Meetings**

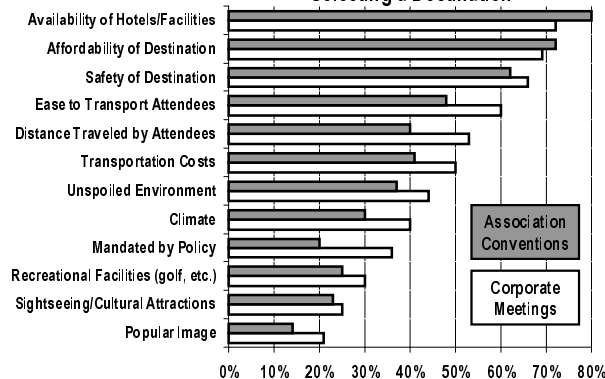
	Number of Meetings	Total Attendance	Average Attendance
Training/Educational Seminars	229,700	14,742,000	60
Sales/Marketing Meetings	185,200	11,849,000	60
Management Meetings	157,000	5,087,000	30
Professional/Technical Meetings	80,500	4,960,000	60
New Product Introductions	52,500	6,357,000	120
Group Incentive Meetings/Trips	61,400	5,516,000	90
Individual Incentive Meetings/Trips	43,800	1,065,000	20
Stockholder Meetings	15,000	490,000	30
Other Meetings	10,600	948,000	90
<b>Total</b>	<b>835,700</b>	<b>51,014,000</b>	

Source: Meetings & Conventions Magazine.

**Site Selection**

How do meeting planners select destinations for their corporate meetings and association conventions? The baseline requirements are the availability of meeting facilities (exhibit, banquet and/or meeting room space) and hotel rooms to serve the group. If this test is not met, other factors are rendered moot.

**Factors Considered Important in Selecting a Destination**



Source: Meetings and Conventions Magazine.

Once a destination was selected, what specific facilities were utilized? Given that most meetings

are relatively small, the vast majority of meeting planners said that they had utilized hotels. Convention centers were mentioned a considerable share. Note that 38% of meeting planners mentioned convention centers for their corporate meetings.

**Types of Facilities Mentioned by Meeting Planners**

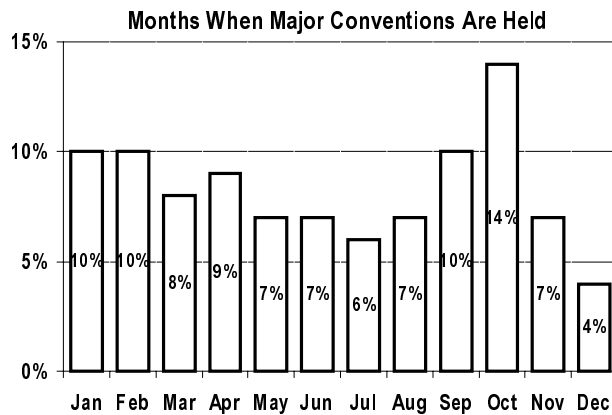
	Corporate Meetings	Association Meetings	All Association Conventions
Downtown Hotels	63%	65%	60%
Suburban Hotels	50%	35%	21%
Resort hotels (non-golf)	44%	25%	23%
Convention Centers	38%	20%	12%
Airport Hotels	28%	25%	11%
Golf Resorts	25%	18%	10%
Suite Hotels	18%	9%	10%
Conference Centers	17%	15%	3%
Gaming Facilities	13%	6%	3%
Other	7%	37%	5%

Note: Multiple answers were allowed.

Source: Meetings & Conventions Magazine.

In a more directed question regarding convention center usage for large association conventions, association-meeting planners said they utilized convention centers 24% of the time. For these major conventions that involved exhibits, convention centers housed the exhibits 45% of the time.

Spring and fall are traditional heavy months for the meeting industry. Today however, major conventions occur throughout the year:



Source: Meetings and Conventions Magazine.

Other Meetings & Conventions Magazine survey information:

- In terms of the geographic scope of associations, 30% were international, 30% were national, 23% were state, 9% were regional and 8% were local.
- The average daily room rate for corporate meetings in 1999 was \$132. Further, 25% of all corporate meetings paid more than \$150 per night for sleeping rooms.
- Association meetings paid slightly less on average: \$118 per night. For their major conventions, the average daily room rate was \$129.
- An average of 34% of delegates at major association conventions were accompanied by at least one guest.

**Trade and Consumer Show Market**

The Tradeshow Week Data Book tracks approximately 4,300 U.S. (88%) and Canadian (12%) exhibit-based conventions, trade and consumer shows. This database includes events with at least 5,000 net square feet. On average, this might equate to a minimum of 10,000 to 15,000 square feet rented from the facility. About

half (51%) are conventions with exhibits and tradeshows. 35% are consumer shows and 14% are combination shows.

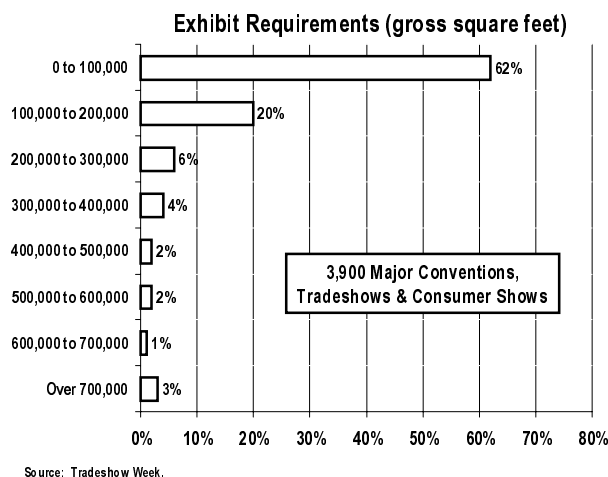
These events very much reflect a cross-section of business and the economy. Sectors represented include:

<u>Leading Industrial Classifications</u>	<u>Total Number of Shows</u>
1. Computers & Computer Applications	483
2. Medical & Health Care	460
3. Home Furnishings & Interior Design	405
4. Building & Construction	317
5. Sporting Goods & Recreation	301
6. Education	282
7. Apparel	279
8. Gifts	239
9. Associations	206
10. Landscape & Garden Supplies	192

Source: Tradeshow Week Data Book.

Note the small overlap in the data reflected in the number nine ranking of large association conventions.

The vast majority of shows have moderate exhibit needs. 62% require 100,000 gross square feet or less and another 20% require between 100,000 and 200,000 square feet.



A moderately sized convention center can accommodate the vast majority of events. Truly huge shows represent a small portion of the overall number of shows, but they do represent a significant amount of space rented. These huge shows have long move-in/move-out times. Significant economic impact occurs during show days – when delegates are in town - not move-in/move-out days.

Refer to the graph on the next page titled Tradeshow Supply and Demand Growth Index. Industry supply and demand is in equilibrium. Over the past 15 years, exhibit space supply and demand (net square feet rented) has kept pace at around 4.5% annually. Industry experts see continued strong demand growth and interviews with meeting planners support this claim. But many believe that demand for space could slow or flatten after ten years or so as the industry matures. Additionally, there may be a practical maximum size for large events - users already complain about the difficulty of traversing large shows in huge exhibit halls. But large events are expected to be around for a long time.

Attendance has seen growth in the 4% range. One important trend users cite is the increased demand from international attendees. The presence of the major shows with their marketing

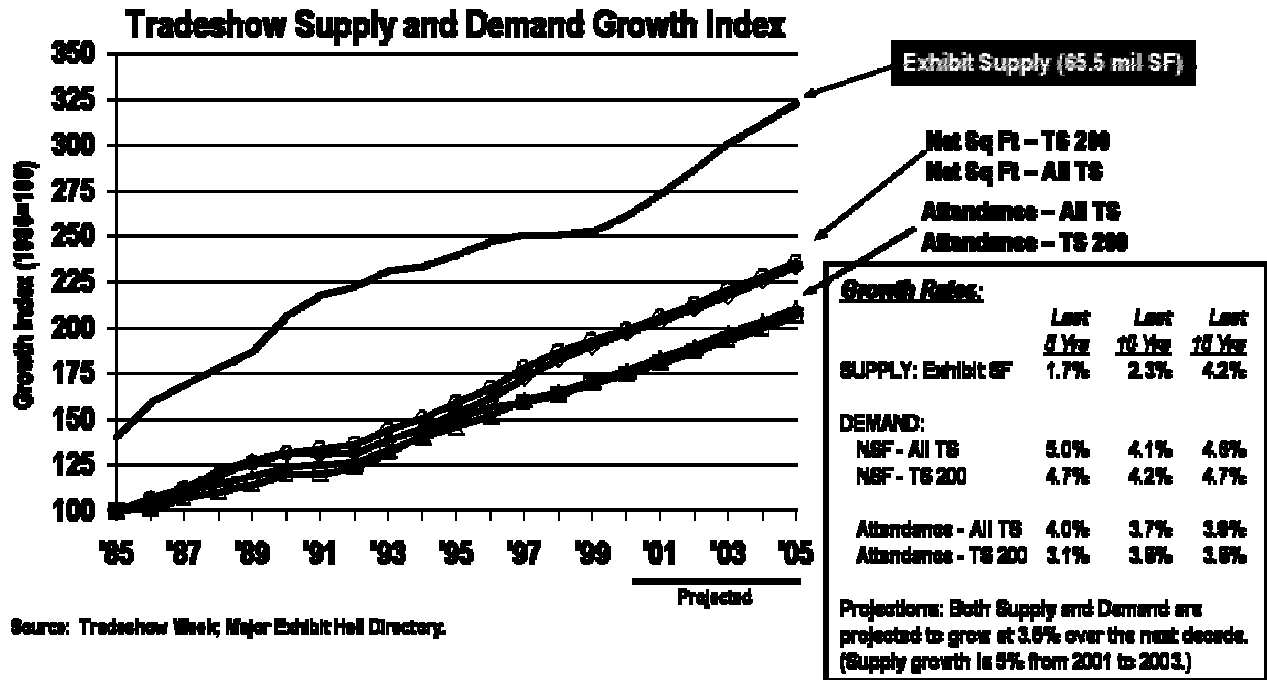
clout, combined with delegates finding value in attending, is fueling strong international attendee growth. Many of these international visitors bring family for a combined vacation. Popular destination cities will garner the lion's share of the convention and tradeshow business and host the best events. The future growth in square footage demand and attendance is expected to be in the 3.5% range over the next several years.

Based on known new facilities, expansions and renovations, exhibit halls are continuing to meet the pressures of demand by adding more space. This trend will continue over the short to medium term. The next few years are estimated to see supply growth notching up to 5%, then leveling off at an estimated 3.5% - in line with demand.

Major cities are expanding to host not only the relatively limited number of 500,000+ square foot "mega" events, but to accommodate multiple 200,000 to 500,000 square foot events with more efficient move-in/out. Second tier cities want to host events in the 100,000 to 300,000 square foot range.

Overall, supply and demand should stay in equilibrium. Top destinations should have full buildings for the foreseeable future. The potential does exist for over-supply in second and third tier cities as more and more small buildings compete with hotels for state and regional business. Even today, occupancy in some buildings is less than desired. It will be important for these marginal cities to conduct thorough and realistic appraisals of their competitive position before adding significant space.

In summary, the industry is healthy and growing, and is expected to continue to grow for at least a decade. No real threats appear to be on the horizon.





**MARKETING PLAN**

The marketing plan section addresses the following, related to a proposed new, public assembly facility in Johnston County:

- Project Description
- Mission Statement
- Facility Booking Policy
- Target Markets
- Surveys of Meeting Planners
- Community Attributes
- Competitive Facilities

## PROJECT DESCRIPTION

The proposed facility is consistent with competitive facilities in the region and appropriate for the hospitality infrastructure in place in Johnston County. The building program is summarized as follows:

	<i>Square Feet</i>
Multi-Purpose Room	10,000
Breakout Meeting Rooms	<u>7,000</u>
Total Function Space	17,000
Service and Support	<u>21,000</u>
Total Building	<u><u>38,000</u></u>

This proposed facility will be positioned as the largest meeting facility in the market and would host a new level of large events that currently don't meet in Johnston County. The new facility will provide new economic impact to the area hotels, restaurants and other businesses in Johnston County.

**Multi-Purpose Room** – The 10,000 square foot multi-purpose room with 20 to 22 foot ceilings would be divisible into three to four smaller rooms and is planned to serve as both exhibit space, ballroom space and breakout meeting room space. It could also be utilized for large general session or spectator events, such as small concerts, speakers, etc. This room would be able to seat 650 to 750 for banquets and 1,000 to 1,400 for theater-style seating. Designing the multi-purpose room with the capability to be subdivided will allow the facility to host concurrent events. To suit this multi-purpose function, it is planned that the floor would be a hard surface (versus carpet) and utilities would be provided from services in the floors and walls. Several of the competitive facilities have carpeted ballroom floors and others have hard floors. The recommendation for hard floors was designed to 1) maintain the

multi-purpose functionality and 2) reduce costs. As discussed later, this room could be converted to a hotel-quality ballroom (with carpeted floors and higher finishes) either when market conditions warrant or as part of a subsequent expansion.

**Breakout Meeting Rooms** – The 7,000 square feet of meeting space is designed to host smaller breakout sessions of convention/conferences or stand-alone small meetings, such as board meetings, training seminars, etc. One design feature that could enhance flexibility is offering 5,000 of the 7,000 square feet in a single “junior ballroom”. This 5,000-foot room could be subdivided into several smaller rooms or used as a junior ballroom for food functions, general sessions, etc. The junior ballroom would be able to seat 330 to 385 for banquets and 500 to 700 for theater-style seating. No other facility in the competitive set offers this level of flexibility.

**Service and Support** – Service and support space, such as pre-function lobbies, storage, banquet kitchen, hallways, public restrooms, administration offices, etc. was estimated by multiplying total function space times 2.25. This service and support space factor would yield the ideal operational facility. Service and support space could be reduced, but at the cost of operational efficiency. This back-of-house service and support allocation would likely be sufficient space for the inclusion of JCVB office space.

**Overall Design Objective** – The Johnston County facility recommendation would provide the county with the most functional facility among its competitive set. This program recommendation would allow the facility to host exhibits, general sessions, food functions and meetings of various sizes. Further, the design affords concurrent usage opportunities and

provides the flexible space that quality groups require.

### **LONG-TERM MASTER PLAN CONSIDERATIONS**

The recommended facility is appropriate in light of regional competition and the hospitality infrastructure in place in Johnston County. A convention/conference facility is a 30+-year asset and provisions should be made to accommodate a larger facility at some point in the future. A specific master plan program recommendation is difficult to assess at this early stage and the feasibility of any future expansion should be studied once the facility has an operational history. With this in mind, a site large enough to accommodate a future expansion should be secured in this initial phase. It is estimated the site should accommodate at least two to three times the size of the phase one facility.

As Johnston County evolves in the long-term future and particularly if the proposed facility is built, a full service hotel may wish to enter this market. It would make sense that the proposed facility and a full service hotel could be co-located. One possible scenario is that the multi-purpose room could be renovated into hotel quality ballroom space and exhibit space could be added. Under any circumstance, a site for the proposed facility should be selected that would be an attractive full service hotel site in the future.

**MISSION STATEMENT**

A clearly articulated mission statement is imperative to the success of a convention/conference center. Based on the vision of the JCVB board and other community leaders, the facility’s mission would be to attract overnight delegates from outside the County to generate room nights and spend dollars within the local community, as well as to provide a facility for local and corporate events.

**FACILITY BOOKING POLICY**

The facility booking policy is the tool to implement the facility’s defined mission. Generally, only the major facilities in the region have booking policy guidelines in place. Most of the smaller facilities did not require a stated booking policy in order for their calendar to accommodate both high impact and local events. It is recommended that the proposed Johnston County facility have a stated booking policy to keep its management focused on the mission. Exceptions could be granted with approval from its oversight/governing body. The proposed booking policy is outlined below:

***The Johnston County Convention/Conference Center Booking Policy:***

	<u>Can Book Event as Definite</u>	<u>If Peak Night Rooms for Recurring Events are:</u>	<u>If Peak Night Rooms for One Time Events are:</u>
First Priority	Any time	300+	500+
Second Priority	Up to 18 Months Prior	100 - 300	100 - 500
Third Priority	Up to 12 Months Prior	0 - 100	0 - 100

Bookings are not definite until a contract is signed and the required deposit received.

Tentative dates may be held for convention/conference center use that do not fit the booking policy, but only with the understanding that they may be altered to accommodate a group that meets the policy.

The convention/conference center will not book similar events competing for a specific local market 30 days before and 30 days after the event.

Event peak room nights should be monitored by convention/conference center staff or designated agency to ensure quotas are being met. Room night quotas should be reviewed annually.

## TARGET MARKETS

Based on the booking policy designed to achieve the mission, the facility will target a wide variety of event types. These target markets were derived based upon industry analysis, discussions with local hospitality leaders, leaders in this industry around the state and region, interviews with a sample of potential users and experience with several facilities in North Carolina and the region. Events at other regional facilities were also analyzed as discussed later in this report.

It should be noted that with the lack of a full service headquarter hotel, this facility will not capture the “high-end” national, regional and state association meetings and other meetings. These meetings typically require at least one full service convention hotel and select top-tier destinations or resorts. However, the long-term vision should contemplate the addition of a full service headquarter hotel to compliment an expanded facility as the market warrants. Based on current market trends it is estimated that this possibility shouldn't be considered for a minimum of 10 years. The site selection process should yield a location that would be attractive to a full service hotel developer.

Target markets for the facility would include:

- State Association Conventions and Secondary Meetings
- SMERF (Social, Military, Education, Religious, Fraternal)
- Corporate
- Tradeshows
- Consumer Shows
- Local and Non-Profit Groups

## State Associations

Most large state association annual conventions would not utilize this facility due to the lack of a large, full service headquarter hotel. However, this facility would be ideal for smaller, more frequent events that associations host, such as board meetings, continuing educational programs, training seminars, regional meetings, etc.

This was confirmed through exploratory calls with meeting planners, as discussed later in this report. Primary competitors in this market, including New Bern, Sampson, Gateway Center and full service hotels in the region are attracting these types of events. Johnston County's central location within the state, suburban Raleigh (the state capitol) location and its proximity to Research Triangle Park in Durham would be appealing to state associations and government meeting planners.

## SMERF

SMERF events, also called Special Markets, represent a large part of the meetings industry. These events include religious meetings, weddings, teaching programs, military or family reunions, etc. These events vary in size and may or may not utilize exhibits. One general distinguishing factor is that they typically prefer lower priced hotels and lower cost facilities. Many also search for facilities with convenient regional access.

## Corporate

Corporate meetings represent the largest meeting segment in the world. Their facility requirements also vary in size and may or may not include exhibits. Event types include training seminars, product rollouts, sales and technical meetings, etc and may have a local, state and regional draw. The typical corporate meeting

would be of moderate size, would include food and beverage, but not include exhibits. Further, corporations are generally profitable for the facility because of their willingness to pay the published rates and their use of food and beverage.

### **Tradeshows**

A tradeshow is an exhibit-based event that brings buyers and sellers together and is opened to trade professionals only. It is widely recognized as the most cost effective means of generating new leads, demonstrating products to a rich target market and networking. Delegates often travel from out of town and stay in local hotels. The proposed facility will likely host several tradeshows each year, most of which will be consistent with the community attributes in Johnston County and eastern North Carolina. Such a niche might include agricultural tradeshows.

### **Consumer Shows**

A consumer show is an exhibit-based event that is opened to the public. It is typically a ticketed event (attendees might pay \$3 to \$5 for entrance) and is held on weekends. Consumer shows would generate the most attendance of any events at the center. However, since their attendees are local residents, they generate very few room nights. Examples include the antique show, home and garden show, car show, and more obscure shows like the comic book collectors, baseball card collector's show, etc. Consumer shows are generally very popular among local residents because it diversifies their entertainment alternatives, and they are also very profitable to the facility's bottom line. Consumer shows will likely be a strong segment at the facility.

### **Local and Non-Profit Groups**

During interviews with community leaders it was clear that there is a lack of large meeting facilities for local events. While local and civic groups generate few room nights, they are an important part of the social fabric in any community. It is anticipated that the proposed facility would host a variety of local and civic meetings.

### **CONCLUSION**

The proposed facility will host both large and small events from a variety of market segments. Johnston County's central location within the state and region should be attractive to both state and regional meeting planners. The proposed building program was designed to meet the needs of these target markets and to be consistent with the existing and planned infrastructure in Johnston County. The following sections provide the analysis for how these target markets were identified.

**SURVEYS OF MEETING PLANNERS**

Meeting planner interviews were an important part of gauging market interest and in programming the facility.

**Survey Participants**

Survey participants were gathered from a variety of sources including the Association Executives of North Carolina, Meeting Planners International, Society of Government Meeting Planners and local corporate planners. The list of meeting planners surveyed and their attendance is presented on the right side of this page.

The survey represented a mix of state associations, corporate and government events. A profile of market segment is presented below:

	<b>Group Type</b>	
	<b>Number</b>	
	<b>of Groups</b>	<b>Percent</b>
Association	17	42%
Corporate	12	30%
Government	11	28%
	<b>40</b>	<b>100%</b>

The vast majority of meetings were conventions with exhibits and conferences without exhibits. The events ranged in size from small corporate meetings to large association conventions. Given the hotel infrastructure in Johnston County, the facility would typically target events in the 100 to 1,000-delegate range.

<b>Meeting Planners Surveyed</b>		
<b>Association/Corporation Name</b>	<b>Would You Come?</b>	<b>Attendance</b>
NC Assn of County Commissioners	Definitely Yes	900
NC Assn of CPA's *	Definitely Yes	800
Alzheimers Assn of Eastern NC	Definitely Yes	400
NC Emergency Management	Definitely Yes	400
NC League of Municipalities *	Definitely Yes	200
Winn-Dixie	Definitely Yes	200
Blue Cross Blue Shield of NC *	Definitely Yes	150
Conestoga Wood Specialties *	Definitely Yes	120
UNC Institute of Government	Definitely Yes	100
Bayer Corporation *	Definitely Yes	60
NC Dept of Public Instruction *	Definitely Yes	50
Vocational Rehabilitation	Definitely Yes	40
Channel Master	Definitely Yes	30
Johnston County Schools *	Probably Yes	1,100
NC Recreation & Park Society	Probably Yes	750
NC Assn of Electric Coops	Probably Yes	500
Nat'l Assn of Social Workers-NC Chapter *	Probably Yes	400
The ARC of NC	Probably Yes	400
NC Motorcoach Assn	Probably Yes	330
NCSU - Inst. Of Transp. Research	Probably Yes	300
Four Oaks Bank & Trust *	Probably Yes	250
NC Assn of Insurance & Financial Advisors	Probably Yes	250
Fresenius Kabi *	Probably Yes	130
Johnston County Council of Aging	Probably Yes	130
NC Tire Dealers & Retread Assn *	Probably Yes	120
NC Society of Surgeons	Probably Yes	100
UNC Institute of Government	Probably Yes	85
Brogden Mills	Probably Yes	20
PGI Non-Wovens	Maybe	400
Youth Advocacy Involvement	Maybe	400
NC Assn of Educators *	Maybe	300
NC Nurses Assn	Maybe	275
NC Academy of Small Animal Medicine	Maybe	175
Cooperative Council of NC	Maybe	150
NC Chiropractic Assn	Probably No	250
Burroughs Wellcome Fund	Probably No	140
NC Hospital Assn	Probably No	100
NC Orthopaedic Assn	Probably No	85
Cisco Systems, Inc	Definitely No	Varies
FMI Corporation	Definitely No	Varies

\* Hosts multiple meetings of various sizes. Largest meeting is presented here.

The events surveyed required up to approximately 30,000 square feet of exhibit space. However, the majority of the events required less than 10,000 square feet for exhibits. In addition to the exhibit space, these groups also required space for meal functions and breakout meetings. Approximately two-thirds of the groups surveyed required no exhibit space (conferences). Overall, the type of space recommended was the best mix of exhibit, ballroom and breakout space to meet meeting planners' needs.

**Level of Interest**

When asked, “How likely would you be to utilize a stand-alone convention/conference facility in Johnston County that met your needs functionally, and given the existing hotel supply in the area?” responses were favorable. The following table presents the results:

	<i>Would Meet in Johnston County</i>	
	<i>Number</i>	
	<u><i>of Groups</i></u>	<u><i>Percent</i></u>
Definitely Would	13	32%
Probably Would	15	38%
Might or Might Not	6	15%
Probably Would Not	4	10%
Definitely Would Not	2	5%
	40	100%

70% answered “Definitely Would” or “Probably Would”, which is a strongly positive indication of interest. Adding the 15% who answered “Might or Might Not”, the total percentage of meeting planners who expressed interest in utilizing the facility increases to 85%. Only two of the meeting planners said they “Definitely Would Not” utilize the facility.

The remainder of this section focuses on “interested meeting planners”, the 85% who expressed interest in utilizing the facility.

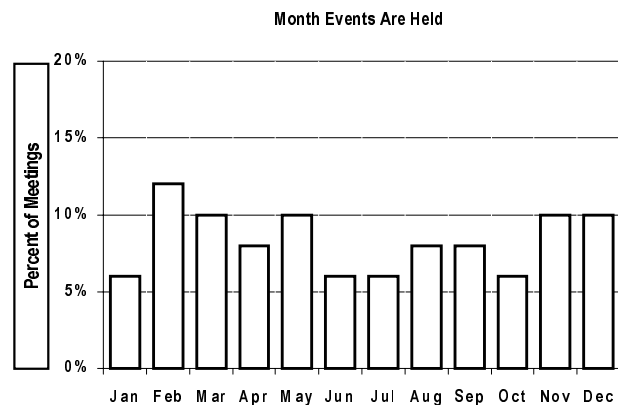
**Interested Meeting Planners**

The positive meeting planner responses (those who answered “Definitely Yes”, “Probably Yes” or “Might or Might Not”) represented 88 meetings that had a variety of facility requirements. The following paragraphs analyze their requirements.

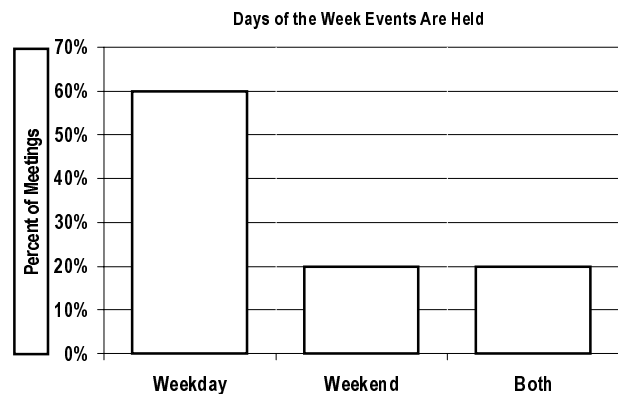
**When They Meet**

Conventions typically occur in the spring and fall months. Other types of meetings occur

throughout the year. As illustrated in the following graph, the surveyed events meet throughout the year. This new meeting activity would help to mitigate seasonality hospitality patterns in the county.



In terms of weekdays, the surveyed events occurred both during the week (Monday through Thursday), during the weekend (Friday through Sunday) or they overlapped.





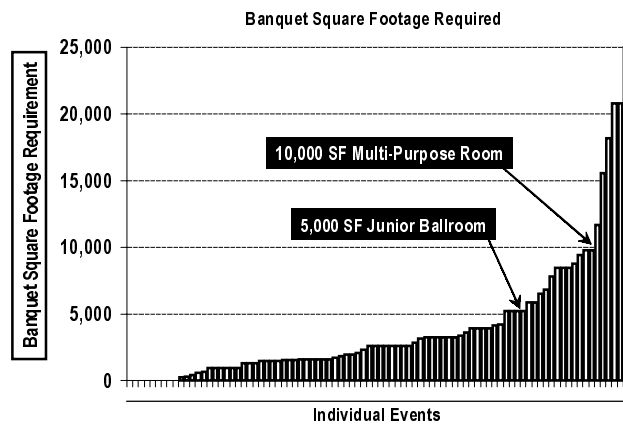
**Exhibit Requirements**

From an exhibit space perspective, 95% of the events targeted for this survey require less than 10,000 square feet, the amount proposed for the Johnston County facility’s multi-purpose room. 69% require no exhibit space (conferences).

<u>Square Feet</u>	<u>Number of Groups</u>	<u>Percent</u>
None	61	69%
1,000 to 4,999	17	20%
5,000 to 9,999	5	6%
10,000 to 14,999	1	1%
15,000 to 19,999	2	2%
20,000 or More	2	2%
	<u>88</u>	<u>100%</u>

**Banquet Seating Requirements**

As the graph below illustrates, the vast majority of events can host their banquets in the Junior Ballroom. Larger events can utilize the Multi-Purpose Room.



**Breakout Meeting Room Requirements**

From a breakout meeting room perspective 81% of the respondents can be accommodated in up to four rooms. Only a few breakout rooms will be required because in the short-term, this facility will not be hosting large, meeting room intensive conventions.

<u>Breakouts Required</u>	<u>Number of Groups</u>	<u>Percent</u>
0 to 4	71	81%
5 to 9	11	12%
10 or More	6	7%
	<u>88</u>	<u>100%</u>

**Analysis of Negative Responses**

Meeting planners that said they would not host their events in Johnston County cited the following reasons:

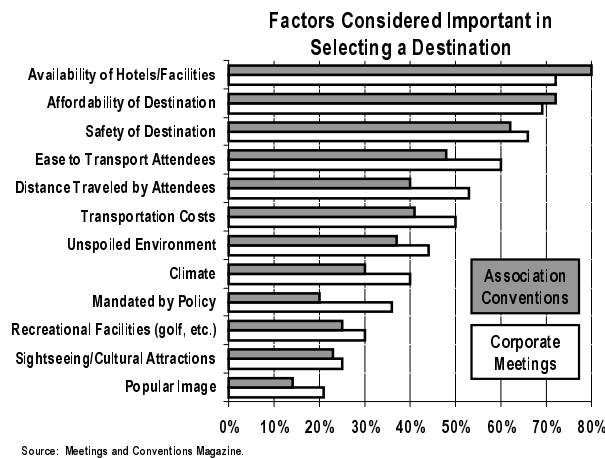
- Use only hotel conference centers but would consider if a hotel were adjacent
- Prefer beach or mountain location in North Carolina due to higher attendance
- Prefer resorts only
- Have own on-site facilities

**MEETING PLANNER SURVEY CONCLUSIONS**

As the surveys indicated, responses were very favorable overall. The facility is programmed to accommodate a large majority of the needs of the meeting planners surveyed.

**COMMUNITY ATTRIBUTES**

As previously discussed in the Industry Trends section of this report, meeting planners select sites based on a variety of destination attributes. The following chart summarizes the Meetings and Conventions Magazine's 2000 Meetings Market Study of association and corporate meeting planners:



**Availability of Hotels/Facilities**

From a facility standpoint, the recommended facility, which includes multi-purpose exhibit/ballroom space, a junior ballroom divisible into smaller meeting rooms and breakout space, was a desirable facility in the minds of meeting planners. The sizing of the facility is appropriate in relation to Johnston County's population, hospitality infrastructure and potential market.

Hotels are a vital component in attracting high impact groups. Johnston County offers nearly 2,000 hotel rooms; but all of which are limited service or budget variety that have little meeting space. (No new hotel projects have permits or are under construction in the County at this time.) In order to attract larger and more demanding state associations, conventions and tradeshow, full service hotels of convention quality must be in the mix of available rooms. However, many

groups will like the package Johnston County has to offer, which would include a new facility, reasonably priced hotels, excellent regional access and great shopping.

It is estimated that a room block ranging from 250 to 1,000 rooms could be compiled for larger groups, depending upon time of year, day of week, etc. This should be a marketable room block, but only for less sophisticated events that will not require a full service convention hotel.

**Affordability of Destination**

Meeting planners should consider the Johnston County area a very affordable destination for their events. A delegate's major expenses are in airfare and hotel costs. Since the delegates utilizing the proposed facility would mainly be drive-in, hotel costs would be the major expense.

Room rates for the area's hotels range from \$20 to \$75. These rates are far below the national average hotel rates of \$120 to \$130 paid by association and convention attendees, and the \$130 to \$150 rates paid by corporate meetings. Among the groups that will consider the Johnston County facility, meeting planners would likely search for a destination with hotel room rates in the \$30 to \$100 range. This preferred rate range is consistent with rates in Johnston County and Johnston County, as a meeting destination would likely be considered a good value.

**Safety of Destination**

Safety of the destination was ranked third most important criteria when selecting a meeting destination.

Homefair.com provides relocation information including a crime index, the Relocation Crime Lab Index. The Relocation Crime Lab Index gives the city's crime rate relative to the national average of all cities in the database. The

information is compiled from various government, regional and local sources. The index is based on a weighted average of the relative frequency of crimes per capita of five types: homicide, robbery, rape, aggravated assault and motor vehicle theft.

A value of 100 means that the city is exactly average. A value of 200 means that the city has twice the crime rate as the average city. A value of 50 means that the city has half the crime rate of the average city. The rates are figured per 100,000 people. The following table compares crime rates in selected competitive/comparable destinations in North Carolina as well as destinations along I-95 from Emporia, VA to Florence, SC:

	<i>Relocation Crime Lab Index</i>
Dunn	385
New Bern	320
Lumberton	297
Statesville	287
Selma*	281
Sanford	259
Emporia, VA	255
Durham	247
Fayetteville	219
Hickory	202
Kenly*	193
Florence, SC	188
Williamston	166
Rocky Mount	165
Clayton*	158
Greenville	155
Raleigh	130
Benson*	110
Smithfield**	99
Clinton	83
Fletcher	45
Zebulon	38
Four Oaks	10

\* Johnston County Municipalities

\*\* Smithfield, the County Seat of Johnston

Note that Smithfield (as a proxy for the county) has about average crime rates, but ranks low on the overall list. Given a site location that provides a sense of security to attendees, safety should be a positive attribute for Johnston County.

### **Ease to Transport Attendees**

The proposed new facility will generally cater to a drive-in market. Most of the attendees will have their own vehicles to transport themselves between the facility and their hotels. However, a convention/conference center location adjacent or within walking distance to hotels remains a very important attribute to meeting planners.

### **Distance Traveled by Attendees**

Given that this facility will focus primarily on drive-in attendees, Johnston County has an outstanding location from an access perspective. Centrally located within the state and the region, bisected by major north-south, east-west interstates, Johnston County is easily accessible. The county's proximity to Raleigh, the state capital, is also highly desirable. Johnston County's strategic location and convenient access are strong attributes for success.

### **Overall Destination Appeal**

Once meeting planners short-list potential host sites for their event, the ultimate decision comes down to the "6-8-10 rule". The average delegate spends 6 hours each day in the meeting, 8 hours each day sleeping and 10 hours each day doing something else. Many meeting planners consider the 10 hours of delegate free time the key to high attendance levels. Knowing delegate attendance is of the utmost importance; selling the areas attractions and amenities are just as important as the facility and hotel package.

Shopping is high on the list of delegate preferences. The 450,000 square foot Carolina Outlet Center is known regionally for outlet shopping and draws over 5 million shoppers from a 21-county trade area and beyond. Located directly on I-95, the center is easily accessible from anywhere in the region. The Carolina Outlet Center is by far the highest profile attraction in Johnston County. As discussed later in this report, strong consideration should be given to locating the facility close to the Carolina Outlet Center.

Other attractions include JR's, Uptown Selma Antiques and American Music Jubilee in Selma, Bentonville Battleground State Historic Site, the Tobacco Farm Life Museum and the Ava Gardner Museum.

### **COMMUNITY ATTRIBUTES CONCLUSION**

Johnston County has both favorable community attributes and limitations for the meetings industry. The proposed new facility, which will offer the best configuration of space among the competitive set, combined with excellent access and location, outstanding shopping opportunities and affordability, comprise a strong meetings package for the county.

However, the county's nearly 2,000-hotel rooms are of the limited service and budget variety. The lack of full service hotel rooms can be viewed as a limitation among meeting planners.

A site location near hotels that maximize the other destination attributes will be critical to the success of the facility.

## COMPETITIVE FACILITIES

A convention/conference center in Johnston County would compete with existing local and state facilities, including hotels. This section discusses the local and state competitive forces that will impact the proposed facility:

- **Local Competition**
  - Civic Facilities
  - Hotels
- **State Competition**
  - Large Convention/Civic Centers
  - Hotels
  - Primary State Competition

The paragraphs below summarize the environment in each competitive segment.

### LOCAL COMPETITION

Johnston County has many facilities that offer meeting space, but none are designed to effectively serve the markets targeted by the proposed convention/conference center. They are either very small, not appropriately configured, and/or not of the quality level to take advantage of Johnston County's potential to attract room night generating events at a significantly higher level.

The two primary types of local facilities are 1) civic facilities and 2) hotels with meeting space. Each segment is discussed briefly below.

### LOCAL COMPETITION – CIVIC FACILITIES

Civic facilities in Johnston County include:

- The Paul A. Johnston Auditorium at Johnston Community College

- Benson Civic Center
- W.J. Barefoot Auditorium
- American Legion – Benson
- Town of Clayton Government Services Building/Clayton Cultural Arts Center

Each facility is discussed below:

### The Paul A. Johnston Auditorium at Johnston Community College

The largest facility in the county is located on the grounds of the Johnston Community College. The Paul A. Johnston Auditorium is a 1,000-seat performing arts theater with high-quality sound and lighting.



***The Paul A. Johnston Auditorium at Johnston Community College – Outside View***

Each year over 200 events occur at the theater, including The On-Stage Concert Series, and Johnston Community College's Country Music Showcase. Many events are college-related. Offering fixed seating and a stage, the Auditorium is purpose-built to host theatrical events. Other events, such as light exhibits, occur at the facility in the 4,000 square foot lobby. The Auditorium successfully fills the

theatrical venue role in the community, but does not and will not serve as a meetings facility.

### **Benson Civic Center**

The Benson Civic Center offers a multi-purpose room that is approximately 3,000 square feet of open space with the capacity for 175 people for a banquet function. The center has three meeting rooms to choose from, two with approximately 1,500 square feet and one with approximately 200 square feet. The facility is well used for local and non-profit groups, but is not reflective of the size and quality level of space to attract higher-end groups. Offering larger and more functional meeting space, the proposed new facility would target larger groups than the Benson Civic Center.

### **W.J. Barefoot Auditorium**

Located in Benson, the W.J. Barefoot Auditorium offers auditorium seating for 350 and one meeting room that can accommodate up to 125 people for a meeting or 100 for a banquet. Again, with the size and type of meeting space the proposed center would offer, the target markets would differ from those this small auditorium would target.

### **American Legion – Benson**

Located in Benson, the American Legion offers meeting space that can accommodate up to 350 people for a banquet or theater-style seating meeting, but no other breakout meeting space. The American Legion building fills a role for its owners and it not meant to serve as a convention/conference center. It is not considered a strong competitor for high-end exhibits, conferences and meetings.

### **Town of Clayton Government Services Building/Clayton Cultural Arts Center**

The Town of Clayton is renovating the old Clayton Elementary School into theater, meeting room and office space. The facility will include a 530-seat fixed-seat auditorium with stage, approximately ten small meeting rooms each seating between 30 and 50 people, and some small offices. Indications are that some of the space will be utilized for government purposes and some will be under long-term lease to local schools and/or corporations for teaching/training purposes. Either way, the net result is that very little space would be available on an ongoing basis to host high-impact meetings. Further, the theater is not specifically suited for convention and tradeshow events. The facility is currently under construction and should be complete in 2002.

### **OTHER AREA FACILITIES**

There are a number of other facilities in the area with which the proposed center would compete, although not in a major way. These include:

**Four Oaks United Methodist Church** – Seating for 200 in the sanctuary and room for 165 for a banquet.

**Ava Gardner Museum** – Small theater for 40 people and gallery, which can accommodate up to 150 for a reception.

**Smithfield Shrine Club** – Room for a meeting up to 100 people and a banquet for 90.

**Short Journey Retreat Center** – Auditorium seating for 150 and banquet seating up to 90, with several breakout rooms for 20 to 40 people. Facility is owned by the Catholic Diocese and booked every weekend for religious retreats.

**American Legion Four Oaks** – Room for a meeting up to 100 people and banquet seating for 70.

**Selma Women’s Club** – Room for a meeting of 90 people theater style or a banquet for 75 people.

**The Lee House** – Owned by the Greater Smithfield/Selma Chamber of Commerce, two meeting rooms are used by local civic groups, corporate chamber members and some groups from outside the county. One room seats 40 for banquets and a board room seats 12 people.

There are a number of other smaller facilities that that community groups utilize, such as school cafeterias, area restaurants, etc. Some of these venues are highly utilized. These include Becky’s Log Cabin, Preston Woodall House, The Wagner, Willow Oak Tea Room, Café Monet, Texas Steakhouse and others.

Although these facilities offer meeting space, they would not be competing for the same size and caliber of meetings as the new facility. The proposed new facility would be positioned to host the largest groups meeting in the county.

**LOCAL COMPETITION – HOTELS**

When one thinks of meetings, hotels are the first venue type that comes to mind. Meeting planners consider holding their events at hotels because of the ease of having the sleeping rooms and meeting space in one facility. As the table below illustrates, there is a dearth of meeting space in local hotels.

**Banquet Seating**

Masters Economy Inn, Selma	32
Hampton Inn, Cleveland Springs	40
Holiday Inn Express, Cleveland Springs	40
Hampton Inn, Selma	35
Best Western Inn, Cleveland Springs	30

The proposed new facility is designed to attract groups that are larger than can currently be hosted anywhere in the county. Further, it is designed to put “heads in beds” in the local hotels. On occasion, the proposed facility would compete for smaller meetings with the local hotels. However, it will also generate new room nights that would otherwise not come to Johnston County. It is likely that smaller meetings associated with groups utilizing the new center, such as small banquets, board meetings, etc., would be held at these hotels.

**SUMMARY OF LOCAL COMPETITION**

Competition for the proposed facility exists only for small events from various civic facilities and hotels – not the facility’s primary target market. A facility already exists that focuses on theatrical productions: the Paul A. Johnston Auditorium at Johnston Community College. The proposed new facility would be positioned well above (in terms of size, configuration and quality level) than existing facilities.

**STATE COMPETITION**

North Carolina is a diverse and competitive meetings market offering many quality convention and civic centers, convention quality full-service hotels that offer large amounts of meeting space, and primary competitors to the proposed facility. This section addresses each segment in this order.

**STATE COMPETITION – LARGE CONVENTION/CIVIC CENTERS**

As the table below illustrates, major North Carolina facilities range in size from the Charlotte Convention Center to medium-sized facilities as those found in Asheville and Winston-Salem. Note that Hickory is included on this list. It is also the first (largest) facility on the list of facilities in the next section, Primary State Competition. It is presented here as the smallest of this “large” set. It is presented in the next section as the largest facility for the set of smaller competitors.

	<i>Exhibit</i>	<i>Meeting</i>
	<i>SF</i>	<i>SF</i>
Charlotte Convention Center	276,000	86,600
Greensboro Coliseum Complex	127,000	20,000
Raleigh Convention & Conference Center	84,000	16,300
Asheville Civic Center	70,700	5,200
Cumberland County Coliseum Complex	59,900	7,100
M.C. Benton Convention Center	45,000	44,000
Hickory Metro Convention Center	38,700	6,500
Wilmington (proposed)	30,000	18,000
Carteret County (proposed)	30,000	10,000
Greenville (proposed)	28,000	10,000

These facilities attract larger national, regional and state meetings, as well as their share of local events. These larger events may require significant exhibit space, multiple breakout meeting rooms and large ballroom space for food functions. Many events might be held concurrently, requiring these multiple space layouts simultaneously. Due to the smaller size of the proposed Johnston County convention/conference center and market niche comprised of smaller-sized events, the Johnston County center would not be competing on this level.

Bear in mind that at some point in the future, expansion may be warranted. At that time, the facility may well compete directly with the likes of

Hickory, Winston-Salem, Fayetteville and the other medium-sized facilities in the state. To move up to the next level in terms of the quality of events that might be hosted in the facility in the longer-term future, a full-service hotel would have to a part of the complex. Again, this is a long-term planning consideration but should not be forgotten as the project moves forward, particularly in terms of selecting a site.

**PRIMARY STATE COMPETITION**

The proposed Johnston County facility will compete with other state facilities in similar markets. Like the proposed facility, these are moderately-sized facilities and many of them lack the support of a full service hotel. The following table summarizes the selected competitive facilities discussed in this analysis. The primary competitive set is bordered:

	<i>City</i>	<i>Square Feet</i>	
		<i>Total</i>	<i>Largest</i>
	<i>Function</i>	<i>Room</i>	
Hickory Metro Convention Center	Hickory	45,200	38,700
New Bern Riverfront Convention Center	New Bern	16,100	12,000
Sampson County Agri-Exposition Center	Clinton	15,400	10,000
Statesville Civic Center	Statesville	15,100	12,700
Nash Comm Coll Business and Industry Ctr	Rocky Mount	15,000	13,000
Crystal Coast Civic Center	Morehead City	13,400	11,000
Coast Line Convention Center	Wilmington	11,000	10,000
Dennis A. Wicker Civic Center	Sanford	11,000	10,200
Gateway Center	Rocky Mount	8,000	8,000
Southeastern NC Agricultural Center	Lumberton	7,200	7,200
Zebulon Civic Center	Zebulon	6,800	5,100
Dunn Community Center	Dunn	6,400	6,400

The following paragraphs provide a brief discussion of each facility.

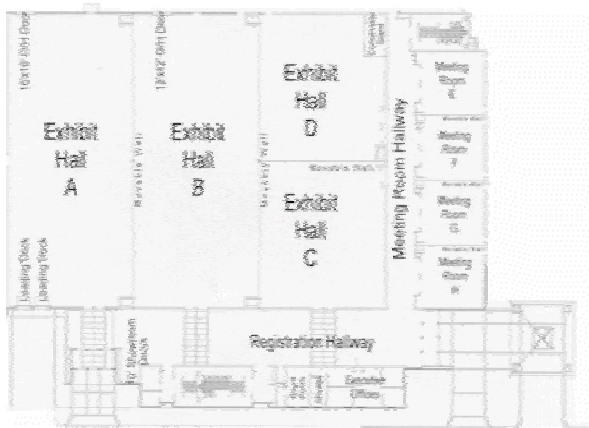


### Hickory Metro Convention Center



**Hickory Metro Convention Center –  
Outside View**

The Hickory Metro Convention Center was included in this relevant state competitive round-up because it represents the next step up in terms of size. The facility is dominated by its 38,700 exhibit hall and offers only 6,500 square feet of meeting space.



**Hickory Metro Convention Center –  
Floor Plan**

Consistent with its product offering, the Hickory center focuses on exhibit-based events, such as trade and consumer shows. A sample of its events includes:

- Nationwide Insurance Sales Kickoff

- Chamber of Commerce Annual Banquet
- Michelin Training Meeting
- Gateway Boat Sport & Fishing Show
- North Carolina Republican Party
- Bridal Show
- Catawba County Chamber of Commerce Business Expo
- Coin & Stamp Show
- Service League Antiques Fair
- American Trauma Society Convention
- Home Show
- World Kart Racing Association Convention
- Furniture Suppliers Show
- Catawba Valley Pottery Festival
- Carolina Hosiery Association Convention
- Various Proms, Graduations



**Hickory Metro Convention Center –  
Tradeshow Floor During an Event**

**New Bern Riverfront Convention Center**



***New Bern Convention Center –  
Website Graphic***



***New Bern Convention Center –  
Arrival View***



***New Bern Convention Center –  
Outside View***



***New Bern Convention Center –  
Main Lobby***

The New Bern Riverfront Convention Center represents the “best in class” in small North Carolina facilities. The center offers meeting planners a state-of-the-art meeting facility in a beautiful riverfront setting.

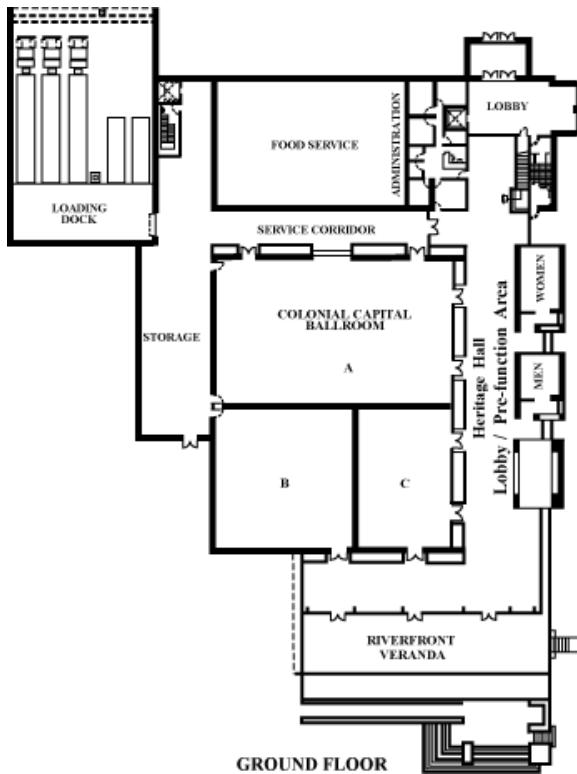


***New Bern Convention Center –  
River View from Terrace***

Opened in 2000 at a cost of approximately \$12 million, the 45,000 square foot center features a 12,000 square foot ballroom and four breakout meeting rooms totaling 4,100 square feet.



**New Bern Convention Center –  
Board Room**



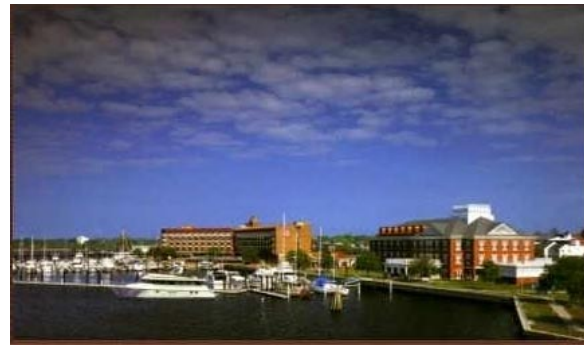
**New Bern Convention Center –  
Floor Plan**

The center can accommodate groups of up to 1,350, and serve banquets for more than 1,000.

Over 500 guest rooms are within walking distance of the center, with 171 at the Sheraton Grand New Bern (in two buildings) next door. There are over 1,300 guest rooms within a close drive.



**New Bern Convention Center –  
View of Sheraton Grand New Bern**



**New Bern Convention Center –  
View of Sheraton Grand New Bern**

From a utilization perspective, management indicates that the facility is performing above the modest expectations set forth in the feasibility study, generating over 10,000 room nights for local hotels in its first full year of operations. A sample of events includes:

- MOEN, Inc.

- First Citizen Bank Meeting
- Carolinas Assn of Chamber of Commerce Executives
- Charles Schwab Workshop
- Craven County Schools Technology Fair
- Electricities of North Carolina
- District Attorney's Conference
- Coastal Mid-Atlantic Christian Education Meeting
- Heritage Crafters
- Henderson/Royal Wedding
- New Bern High School 1956 Class Reunion

### **Sampson County Agri-Exposition Center**



***Sampson County Agri-Exposition Center –  
Outside View***



***Sampson County Agri-Exposition Center –  
Outside View***

The Sampson County Agri-Exposition Center is located in Clinton and is operated and funded by Sampson County. The facility was originally a sewing building before the city and county purchased it in 1984. The new addition, which includes a 10,000 square foot multi-purpose hall, was opened in 1998 and has a maximum seating capacity of 1,700.



***Sampson County Agri-Exposition Center –  
Main Hall with Banquet Tables (front) and  
Riser Seating (rear)***

The facility has recently added the Sampson CenterStage Series, a local and surrounding county-targeted series of performing arts productions. Performance events include concerts by the Coasters, Drifters and Platters, and performances by the Shangri-La Chinese Acrobats. This multi-purpose facility focuses on hosting local and state events, including tradeshows, business meetings and seminars, concerts, wedding receptions, proms, reunions, and other events. Hosting approximately 400 events per year, the facility is highly utilized.

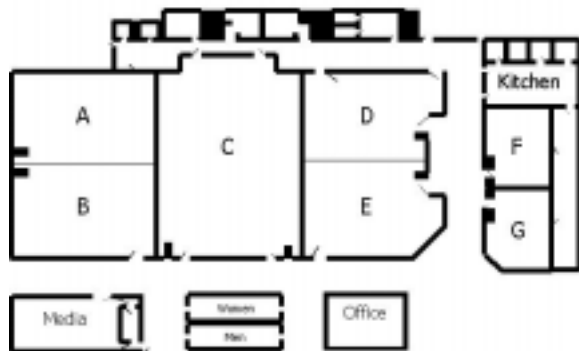
### Statesville Civic Center



**Statesville Civic Center – Outside View**

The Statesville Civic Center is located in historic downtown Statesville. The facility was opened in 2000 at a cost of \$5 million (\$158 per gross square foot in 2001 dollars) and represents similar construction quality as that recommended for Johnston County.

The facility contains a 12,700 square foot Great Hall and three breakout meetings rooms totaling 2,400 square feet.



**Statesville Civic Center – Floor Plan**

### Nash Community College Business and Industry Center



**Nash Community College Business and Industry Center – Outside View**

Located in Rocky Mount, the Nash Community College Business and Industry Center opened in November of 1999. The facility is dominated by only one 12,300 square foot hall that accommodates 950 people for a banquet and is divisible into five sections.



**Nash Community College Business and Industry Center – Main Hall**

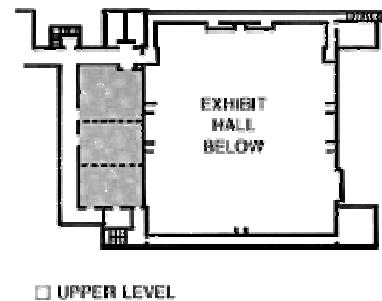
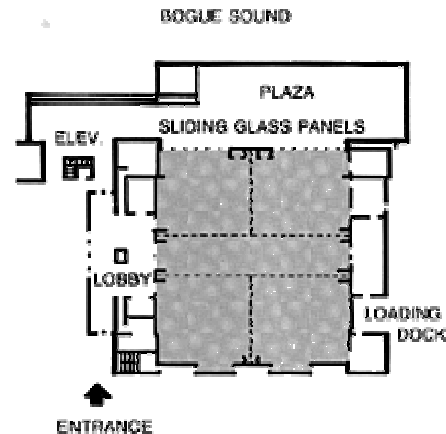


**Nash Community College Business and Industry Center – Meeting Room**

The mission of this facility is to provide function space for community college events, and to serve the community on a rental basis - not to generate room nights like a convention center. During the first year of operation, the center hosted 160 events with approximately 21,000 attendees. These events included some tradeshow but primarily included corporate, education and chamber events, as well as wedding receptions and other local events.

### Crystal Coast Civic Center

Morehead City in Carteret County offers the Crystal Coast Civic Center. The facility offers 11,000 square feet of multi-purpose space and 2,400 square feet of breakout meeting rooms.



### Crystal Coast Civic Center – Floor Plan

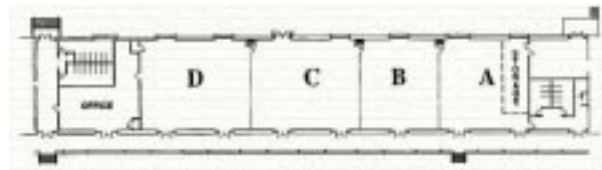
Part of the local community college complex, the facility possesses neither the design nor the aesthetics to attract high-quality conventions; it functions more as a civic center versus a true convention center. Even so, it does host its share of room night generating events, including some small conventions. The county recently conducted a feasibility study for a new convention center. The study recommended a larger hotel-based convention center to be

located on the beach adjacent to an existing full-service hotel.



**Coast Line Convention Center**

Wilmington offers the Coast Line Convention Center, a renovated historic building located along the riverfront. The facility is a linear rectangle with four connecting rooms totaling 10,000 square feet. There is an additional 900 square feet of breakout meeting space.



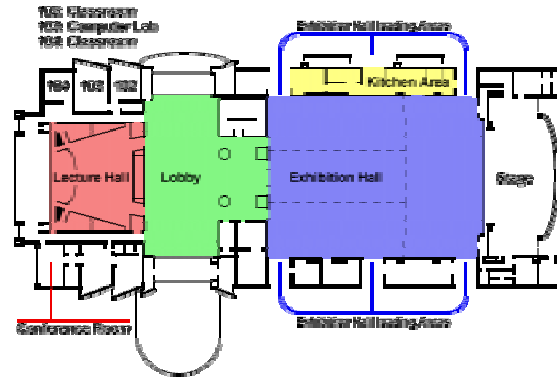
**Coast Line Convention Center – Meeting Room**

The center serves the community well but is not designed to perform like today’s state-of-the-art convention centers that contain an exhibit hall, a ballroom and an ample supply of breakout meeting rooms. Functional issues within the center limit its ability to effectively house events with multiple functions. Wilmington is attempting to get a larger center built that would include a new full-service hotel. The new facility would be located in downtown along the riverfront and designed to compete with Myrtle Beach and Hilton Head.

**Dennis A. Wicker Civic Center**

The Dennis A. Wicker Civic Center is located in Sanford and is owned and operated by the Central Carolina Community College. The civic center offers a 10,200 square foot hall, which is divisible into four sections. The main hall also offers an 87 x 105 foot stage suitable for concerts, pageants and speakers. The facility also includes the Auditorium/Lecture Hall with a seating capacity of 200. Other meeting rooms include two small rooms, which are approximately 500 square feet each and a

conference room, which can seat approximately 12 people.



**Dennis A. Wicker Civic Center – Floor Plan**

The civic center’s business consists mainly of local events, such as meetings and social functions. They have very little state association business, due in part to the minimal breakout meeting space.

**Gateway Center**

Located adjacent to the 169-room Holiday Inn and several other limited service hotels, the Gateway Center offers an 8,000 square foot ballroom, which is divisible into three sections.



***Gateway Center – Outside View***



***Gateway Center – Inside View***

The facility is owned and operated by the Holiday Inn, who is in negotiations with the City of Rocky Mount to expand the facility to include a 40,000 square foot exhibit hall and additional breakout meeting rooms. The ownership group owns all the surrounding hotels, and the purpose of the

meeting facility is to generate room nights for those hotels.

**Southeastern NC Agricultural Center**



***Southeastern NC Agricultural Center–  
Outside View***



***Southeastern NC Agricultural Center– Lobby***

The Southeastern North Carolina Agricultural Center is the first of its kind in North Carolina. It is the first facility to have a Farmers Market and

multipurpose building on the same grounds. The center offers one large room, a 7,200 square foot multi-purpose hall that is divisible into five sections.



***Southeastern NC Agricultural Center–  
Main Hall***

The meeting facility itself (versus the entire campus) was opened in 2000 at a cost of \$2.3 million, or \$139 per square foot in 2001 dollars. This level of overall quality is slightly lower than that anticipated for Johnston County. Future plans for this site include a modern arena and stalls for horse shows. This facility is owned and operated by The North Carolina Department of Agriculture and Consumer Services.

This facility has a fairly strong corporate meetings focus. Nearly one-third of the 147 events were corporate events. The remaining were local focused meetings, banquets and other events.

### **Zebulon Civic Center**

The Zebulon Civic Center is a privately owned and operated venue that offers approximately 6,800 square feet of meeting space in three rooms. Two of the rooms can be combined into one large meeting room, which encompasses 5,100 square feet. This center focuses mainly on

local events such as banquets, receptions and smaller meetings. This facility is considered to be a step below the competitive set.

### **Dunn Community Center**



#### ***Dunn Community Center– Outside View***

Located in Dunn, the Community Center offers approximately 6,400 square feet of meeting space in one main room. The facility also includes a kitchen, located directly adjacent to the meeting room. The Dunn Community Center focuses mainly on local events including wedding receptions, banquets and birthday parties.

The facility is owned by the city and operated by the Parks and Recreation Department and is located in a residential area, which can create issues with noise.

This facility is considered to be a step below the competitive set.

**STATE COMPETITION - HOTELS**

The proposed facility would also be competing, somewhat, with the following Raleigh-Durham full service convention hotels:

	<i>Meeting Space</i>
Durham Marriott	40,000
Embassy Suites Airport	20,000
Sheraton Imperial - RTP	16,900
Sheraton Capital Center Hotel - Raleigh	15,200
Raleigh Marriott	10,400

Because they are full service convention hotels, these hotels will be competing with a different market. They will be focusing on those groups wanting to meet, eat and sleep in one facility. These hotels are generally quite busy and therefore, smaller meetings will be looking for other options. While there will be some competition for the same events, overall competition will be minimal.

**COMPETITIVE FACILITIES CONCLUSIONS**

The State of North Carolina offers many options for meeting planners looking to accommodate large national meetings or small state associations. The proposed Johnston County Convention/Conference Center will not compete with the larger convention facilities in the state.

The facility will be competing for a limited number of smaller groups with the Raleigh-Durham full-service convention hotels. Generally speaking, those groups that are utilizing these hotels do so because they prefer to meet, sleep and eat at one facility. However, many times groups cannot get the space or dates they need. Johnston County could be an ideal solution for many of these groups.

Johnston County's true competition will be with the smaller convention/civic centers in the region. The proposed Johnston County facility will be well-positioned as the most flexible facility among the competitive set, offering a large multi-purpose room, a junior ballroom and small breakout rooms, which would be divisible into smaller rooms. Combined with Johnston County's other community attributes, the facility has a strong chance for success.

**DEMAND PROJECTIONS**

The demand analysis presented above sets the stage to prepare utilization projections for the proposed facility. Utilization estimates were based on analysis of comparable facilities and experience in the market. The table below presents the estimates of utilization for the first five years of operations.

The analysis of comparable facility utilization is presented on the next page. Overall, the proposed Johnston County facility is anticipated to perform at a level consistent with the comparable facilities. Given an advantageous site selection, the meeting package would include a strategic location within the region and state, the best designed facility among the competitive set and quality amenities, such as hotels and shopping.

<b>Johnston County Convention/Conference Center Demand Projections</b>					
	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<b>Utilization - Number of Events</b>					
Conv's and Tradeshows	15	18	20	20	20
Consumer Shows	15	18	20	20	20
Corporate/Conferences	60	70	80	80	80
Local/Other	125	150	175	175	175
Total	215	256	295	295	295
<b>Utilization - Total Attendance</b>					
Conv's and Tradeshows	10,500	13,500	16,000	16,000	16,000
Consumer Shows	22,500	31,500	40,000	40,000	40,000
Corporate/Conferences	6,000	7,000	8,000	8,000	8,000
Local/Other	25,000	30,000	35,000	35,000	35,000
Total	64,000	82,000	99,000	99,000	99,000
<b>Utilization - Average Attendance</b>					
Conv's and Tradeshows	700	750	800	800	800
Consumer Shows	1,500	1,750	2,000	2,000	2,000
Corporate/Conferences	100	100	100	100	100
Local/Other	200	200	200	200	200

**COMPARABLE FACILITY UTILIZATION**

**Hickory Metro Convention Center**

The Hickory Metro Convention Center represents the next step in exhibit hall size to which the Johnston County facility might expand. The facility focuses on exhibit-based trade and consumer shows. It contains a proportionately small amount of meeting space and hosts a limited number of meeting room-based events. Attendance to convention, trade and consumer shows is strong due to the size of the exhibit hall

and the trade area it serves.

**New Bern Riverfront Convention Center**

New to the North Carolina meetings market, the New Bern Riverfront Convention Center is performing ahead of its modest feasibility study projections, hosting smaller state association conventions, tradeshow, consumer shows and local functions. The adjacent Sheraton Grand Newbern helps this center attract high quality events and it should gain in popularity as operations stabilize. The construction quality and amenities are extremely high quality and are

	<i>Hickory Metro Convention Center</i>	<i>Sampson County Agri-Exposition Center</i>	<i>Crystal Coast Civic Center</i>	<i>Coast Line Convention Center</i>	<i>Average</i>
<b>Building Program</b>					
Largest Room	38,700	12,000	10,000	11,000	16,300
Total Square Feet	45,200	16,100	15,400	13,400	20,200
<b>Utilization - Number of Events</b>					
Conv's and Tradeshow	15	31	2	22	16
Consumer Shows	18	18	35	13	20
Corporate/Conferences	23	83	70	3	74
Local/Other	50	73	331	236	148
Total	106	205	438	274	258
<b>Utilization - Total Attendance</b>					
Conv's and Tradeshow	30,000	32,000	4,000	20,100	18,000
Consumer Shows	68,400	48,500	27,000	26,200	36,000
Corporate/Conferences	4,600	8,200	6,500	200	22,400
Local/Other	16,000	16,900	29,800	35,200	14,700
Total	119,000	105,600	67,300	81,700	84,900
<b>Utilization - Average Attendance</b>					
Conv's and Tradeshow	2,000	1,030	2,000	910	1,300
Consumer Shows	3,800	2,690	770	2,020	2,000
Corporate/Conferences	200	100	90	70	100
Local/Other	320	230	90	150	290

Source: Individual facilities

above the quality level contemplated for Johnston County.

### **Sampson County Agri-Exposition Center**

The Sampson County Agri-Exposition Center experiences strong local usage demonstrated by its 400 corporate, conference and local event mix. It is believed that a number of these events could be classified as conventions, which would increase the convention and tradeshow statistic.

### **Crystal Coast Civic Center**

Part of the local community college complex, the Crystal Coast Civic Center possesses neither the design nor the aesthetics to attract high-quality conventions; it functions more as a civic center versus a true convention center. Even so, it does host its share of room night generating events, including some small conventions. Carteret County's primary convention facility is the highly successful Atlantic Beach Sheraton Hotel.

### **Coast Line Convention Center**

Similar to the Crystal Coast Civic Center, the Coast Line Convention Center in Wilmington is not the primary convention facility (the Hilton Wilmington Riverside, located one block away is the primary convention facility). However, the center is able to attract a good number of quality events including corporate events, conferences and a variety of local meetings.



## SUMMARY OF MARKETING PLAN

Target markets for the facility would include:

- State Association Conventions and Secondary Meetings
- SMERF (Social, Military, Education, Religious, Fraternal)
- Corporate
- Tradeshows
- Consumer Shows
- Local and Non-Profit Groups

Meeting planners select sites based on three criteria: availability of suitable facilities, availability of hotel rooms and “destination appeal”, which includes such factors as aesthetic appeal, availability of shopping and restaurants, safety, affordability and others. Given an attractive site selection, meeting planners should view the proposed convention/conference center favorably. However, the lack of full service hotels is a weakness in Johnston County. Overall, the facility should experience strong utilization from a variety of event types.

## ORGANIZATIONAL AND OPERATIONAL PLAN

This section sets forth alternatives and recommendations regarding how the facility might be owned, overseen and managed, specifically addressing:

- Ownership
- Oversight and Reporting Responsibilities
- Management
- Marketing

### OWNERSHIP

It is assumed that the facility will be developed, financed and owned by Johnston County. Financing assumptions are discussed later in this report.

### OVERSIGHT AND REPORTING RESPONSIBILITIES

Management of the facility will be responsible to the owner of the facility, the Johnston County Board of Commissioners.

In terms of oversight of management, the Board of Commissioners has two primary alternatives, as follows:

#### Direct County Oversight

First is for the County to directly oversee management. In Johnston County, this governance structure would likely be a County department. The Executive Director at the facility would likely be a department head that would report to the Board of Commissioners through the County Manager. Examples of this structure include New Bern, Sampson County, Dunn and Lumberton (department of the State of North Carolina).

### Authority or Advisory Board

The second structure is for the governmental body to form an autonomous (or partially autonomous) quasi-governmental body, such as an authority or advisory board. This is similar to the structure for the JCVB and the Johnston County Heritage Board whereby board member positions are appointed, at least in part, by the Board of Commissioners.

Virtually all of the largest centers in the country are governed this way. One of the key ways the governmental body maintains indirect control is through the appointment of the board of directors. Other such decisions retained by the County might include the approval of the Executive Director, annual funding appropriations and other key decisions. Another plus for this structure is that the authority board can focus on the operations of the facilities. They would not have the burden related to running an entire county government, nor would it be subject to political climate changes. The oversight board can be granted full authority for decision-making or it can serve in an advisory role only. Either way, the oversight board would report to the Board of Commissioners on a regular basis (usually annually). Such a board can be much more responsive to market conditions. In essence, the oversight can operate much more like a business and be responsive to the market.

### Recommendation

Either form of oversight can be effective, but having an advisory board has more advantages for a facility that is essentially a marketing organization (versus a function of the government). The advisory board structure is recommended for the Johnston County facility.

## MANAGEMENT

With larger convention/conference centers, the owner/oversight body has two general choices on how to manage the facility: public management or private management. However, for the size of facility under consideration in Johnston County, private management is not a realistic option. First, private management companies generally would not be interested in such a small facility – they focus on where the money is: large facilities. Second, there is no need to pay private management fees (which would represent a significant portion of the overall facility budget) when the incremental value they would bring over a hired staff would not be substantial.

## Recommendation

As such, the facility should be publicly managed, meaning by employees of the county. This is the structure utilized in most all of the relevant competitors.

## MARKETING

Consistent with other facilities both large and small, convention and visitors bureaus market and sell the facility for bookings that are citywide in nature and provide substantial economic impact. These groups typically book the facility from one to five years in advance. In Johnston County, the JCVB should fill that role. The facility staff would also have sales staff, but their role would be to focus on shorter-term bookings, such as consumer shows, local events, etc. These two agencies would work closely together to sell the facility. Being co-located in close proximity (in the same building if possible) can only enhance these efforts.

A facility such as the one proposed will be a step up for the county in terms of its penetration into the meetings market and would put Johnston

County “on the map” in the minds of meeting planners. To maximize that investment and to generate as much economic impact as possible, additional marketing resources will be required. The JCVB should hire at least one additional staff member skilled in convention sales and marketing. Additional collateral materials, tradeshow participation and other sales techniques will require resources as well. It is estimated that an additional \$100,000 per year should be allocated for this purpose. In the financial modeling presented later in the report, this amount is indexed with inflation.

## FINANCIAL PLAN

This section of the report explores various aspects of financial matters related to the development and ongoing operation of the facility. Specifically, the three major components of this section include:

- Development Scenarios
- Case study – Impact of Increasing the Hotel Tax
- Operating Revenues and Expenses

## DEVELOPMENT SCENARIOS

Two development scenarios are explored here. Each is labeled as follows:

1. Build Now – Full Dedication of Hotel Tax
2. Build Later – Partial Dedication of Hotel Tax

The purpose of these two scenarios is to understand the funding “gap” required to get the project done given the assumptions listed below. The “gap” figure can be found on the third line of each of the spreadsheets presented below titled: Analysis of Fund Flows and Debt Service Coverage. The specific line item is labeled: “Other Funding Required”.

## ASSUMPTIONS USED IN BOTH SCENARIOS

Certain assumptions are utilized in both scenarios, including:

- The 3% Hotel Occupancy Tax is implemented on September 1, 2001
- Future average annual growth rate of the Hotel Tax of 4.5%
- No land cost

- Two-year design and construction period
- Bond is issued at the beginning of the design process (two years from opening)
- Bonds would be a general obligation of Johnston County, backed by the full faith and credit of the county
- Bond interest rate of 5.5%
- Bond term of 25 years (interest only payments during design/construction; principal amortized over 23 years)
- Underwriter’s fees of 1.5% of total bond requirement and bond issuance costs of \$250,000
- Minimum bond coverage ratio for the overall project (including Center Operations and Maintenance and Marketing funds required) of 1.0
- Fund Balance levels are maintained with amounts considered adequate to safely operate the facility given any fluctuations in operations or Hotel Tax receipts, and at levels that do not shrink or grow significantly over time.
- No capitalized interest
- Bond proceeds include provision of a Debt Service Reserve, or “rainy day fund”
- Interest earnings rate (on the Debt Service Reserve and Fund Balance) of 5.0%
- Annual operating shortfall of \$150,000 in 2001 dollars, indexed with inflation (discussed later in this section of the report)
- Annual marketing allocation (for JCVB) of \$100,000 in 2001 dollars, indexed with inflation
- JCVB marketing efforts begin at the beginning of the design process
- Three percent annual inflation rate

## Hotel Occupancy Tax Growth

Before moving on the individual development scenarios, the following table illustrates the growth in the existing 3% Hotel Occupancy Tax:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>3% Hotel Tax</u> <u>Collections</u>	<u>Growth</u> <u>Rate</u>
<b>Historical - Unaudited</b>		
1993	265,000	
1994	273,000	3.0%
1995	284,000	4.0%
1996	306,000	7.7%
1997	369,000	20.6%
1998	334,000	-9.5%
1999	365,000	9.3%
2000	430,000	17.8%
2001 (est.)	437,000	1.6%
<b>Projected</b>		
2002	457,000	4.5%
2003	478,000	4.5%
2004	500,000	4.5%
2005	523,000	4.5%
2006	547,000	4.5%
2007	572,000	4.5%
2008	598,000	4.5%
2009	625,000	4.5%
2010	653,000	4.5%
2011	682,000	4.5%
2012	713,000	4.5%
2013	745,000	4.5%
2014	779,000	4.5%
2015	814,000	4.5%

### Compound Average Annual Growth Rates

1993 - 2001	6.5%
1996 - 2001	7.4%

Source: Johnston County Visitors Bureau.

Spikes in hotel tax were generally the result of hurricanes.

Projections are based solely on historical trends and should not be considered reliable.

As noted, the tax is assumed to grow at 4.5% annually. Although it was beyond the scope of this engagement to perform any level of due diligence related to the hotel tax growth, 4.5% appears reasonable given the 6.5% growth rate

over the last eight years and 7.4% growth rate over the last five years.

## Facility Costs

Another important assumption relevant to both scenarios is facility costs. The facility cost estimate was based on comparable projects. The following table presents actual costs for six comparable projects:

	<u>Total</u> <u>Cost</u>	<u>Gross</u> <u>SF</u>	<u>Cost</u> <u>per SF</u>	<u>Year</u> <u>Opened</u>	<u>Cost/SF</u> <u>in 2001 \$</u>
New Bern	\$12.0 mil	45,000	\$267	2000	\$270
Nash College	5.8 mil	34,700	167	1999	175
Statesville	5.0 mil	32,000	156	2000	158
Lumberton	2.3 mil	16,800	137	2000	139
Hickory	6.6 mil	70,000	94	1996	107
Sanford	3.4 mil	37,400	91	1991	118

The facilities at Nash Community College, Statesville and Lumberton are considered most comparable, ranging from \$139 to \$175 per square foot in 2001 dollars. New Bern has overall quality and finish levels that are considerably above those recommended for Johnston County, while Hickory and Sanford have overall quality and finish levels that are considerably below.

For information, construction costs were calculated in 2001 dollars utilizing a historical construction cost index, the Engineering News Record Construction Cost Index, as follows:

<u>Year</u>	<u>ENR Construction Cost Index</u>	<u>Growth Rate</u>	<u>Gross-Up Factor to 2001</u>
1987	4,406		42.5%
1988	4,519	2.6%	38.9%
1989	4,615	2.1%	36.1%
1990	4,835	4.8%	29.9%
1991	4,973	2.9%	26.3%
1992	5,106	2.7%	23.0%
1993	5,381	5.4%	16.7%
1994	5,408	0.5%	16.1%
1995	5,435	0.5%	15.5%
1996	5,537	1.9%	13.4%
1997	5,759	4.0%	9.0%
1998	5,875	2.0%	6.9%
1999	5,986	1.9%	4.9%
2000	6,201	3.6%	1.3%
2001	6,279	1.3%	0.0%

**Compound Average Annual Growth Rates**

1987 - 2001	2.6%
1991 - 2001	2.4%
1996 - 2001	2.5%

Source: Engineering News Record based on a 20-city average.

As an example, the \$94 construction cost in Hickory - built in 1996 - was multiplied by the Gross-Up Factor of 13.4% to arrive at the 2001 cost of \$107 per square foot. Note that average construction costs have risen approximately 2.5% per year, consistent with inflation.

For the purposes of this analysis, "all-in" construction costs for the Johnston County facility are assumed to require \$160 per square foot in 2001 dollars. ("All-in" costs refer to the inclusion of site preparation; construction costs; furniture, fixtures and equipment; fees and testing, etc. Generally, it is the total cost of the facility, excluding land.)

To estimate future construction costs for the two scenarios, the \$160 cost per square foot was assumed to grow with the assumed 3% inflation rate. The table below illustrates the assumed construction costs inflated to the midpoint of construction for the two scenarios:

<u>Year</u>	<u>Estimated Cost per SF</u>
2001	\$160
2002	165
2003	170 "Now" Scenario
2004	175
2005	180
2006	185
2007	191 "Later" Scenario

Assumes 3% construction inflation.

The costs presented in each scenario are calculated by multiplying the 38,000 gross square foot building program by the applicable cost per square foot above.

## DEVELOPMENT SCENARIO 1: BUILD NOW – FULL DEDICATION OF HOTEL TAX

The Analysis of Fund Flows and Debt Service Coverage is presented on the following page. Key assumptions are as follows:

### Timing

It is assumed the design/construction process would begin at the beginning of fiscal year 2003 (July 1, 2002). After the two-year design and construction, the facility would open on July 1, 2004.

### Bond Requirement

	<b><i>Bond Requirement</i></b>
Land Allocation	\$0
Project Costs	6,460,000
Debt Service Reserve	574,400
Cash Funded	0
Capitalized Interest	0
Underwriter's Fees (1.5%)	110,900
Bond Issuance Costs	250,000
Total Bond Requirement	<u><u>\$7,395,300</u></u>
Annual Payment	\$574,400

The total bond requirement is estimated to be \$7.4 million, with project costs of \$6.46 million (38,000 square feet times \$170 per square foot). The annual payment of principal and interest would be \$574,400.

### Dedication of Hotel Tax

It is assumed that the entire three percent Hotel Tax would be dedicated to the project.

### Other Funding Required

Note the third line of the analysis, "Other Funding Required". This is the additional amount required above the hotel tax receipts and other revenues

to satisfy Debt Service, Operations and Maintenance, and Marketing costs, while maintaining a 1.0 coverage ratio on the overall project and adequate Fund Balances. For this scenario, the shortfall is \$275,000 in 2005, dropping to \$200,000 by 2008.

**Build Now - Full Dedication of Hotel Tax**

Analysis of Fund Flows and Debt Service Coverage  
For the Fiscal Years Ending June 30

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>Opening 2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Revenues</b>								
Additional 3% Hotel Tax	\$381,000	\$478,000	\$500,000	\$523,000	\$547,000	\$572,000	\$598,000	\$625,000
Interest Earnings on Fund Balance	9,800	20,000	21,600	23,100	23,800	24,200	24,200	24,500
<b>Other Funding Required</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>275,000</b>	<b>250,000</b>	<b>225,000</b>	<b>200,000</b>	<b>200,000</b>
Total Revenues	390,800	498,000	521,600	821,100	820,800	821,200	822,200	849,500
<b>Debt Service</b>								
Debt Service Interest	0	(406,700)	(406,700)	(406,700)	(397,500)	(387,800)	(377,500)	(366,700)
Debt Service Principal	0	0	0	(167,700)	(176,900)	(186,600)	(196,900)	(207,700)
Capitalized Interest	0	0	0	0	0	0	0	0
Debt Service Reserve Earnings	0	28,700	28,700	28,700	28,700	28,700	28,700	28,700
Net Debt Service	0	(378,000)	(378,000)	(545,700)	(545,700)	(545,700)	(545,700)	(545,700)
<b>Revenues Over Debt Service</b>	<b>390,800</b>	<b>120,000</b>	<b>143,600</b>	<b>275,400</b>	<b>275,100</b>	<b>275,500</b>	<b>276,500</b>	<b>303,800</b>
<b>Other Fund Requirements</b>								
Center Operations & Maintenance	0	0	0	(150,000)	(154,500)	(159,100)	(163,900)	(168,800)
Center Marketing	0	(100,000)	(103,000)	(106,100)	(109,300)	(112,600)	(116,000)	(119,500)
Total Other Fund Requirements	0	(100,000)	(103,000)	(256,100)	(263,800)	(271,700)	(279,900)	(288,300)
<b>Revenues Over Debt Service and Other Fund Requirements</b>	<b>390,800</b>	<b>20,000</b>	<b>40,600</b>	<b>19,300</b>	<b>11,300</b>	<b>3,800</b>	<b>(3,400)</b>	<b>15,500</b>
<b>Fund Balance</b>								
Beginning	\$0	\$390,800	\$410,800	\$451,400	\$470,700	\$482,000	\$485,800	\$482,400
Ending	\$390,800	\$410,800	\$451,400	\$470,700	\$482,000	\$485,800	\$482,400	\$497,900
<i>Ratio of Revenues to Debt Service</i>				1.50	1.50	1.50	1.51	1.56
<i>Ratio of Revenues to Debt Service &amp; Other Funding Requirements</i>				1.02	1.01	1.00	1.00	1.02



## DEVELOPMENT SCENARIO 2: BUILD LATER – PARTIAL DEDICATION OF HOTEL TAX

The Analysis of Fund Flows and Debt Service Coverage is presented on the following page. Key assumptions are as follows:

### Timing

It is assumed the design/construction process would begin at the beginning of fiscal year 2007 (July 1, 2006). After the two-year design and construction, the facility would open on July 1, 2009.

### Bond Requirement

	<b><u>Bond Requirement</u></b>
Land Allocation	\$0
Project Costs	7,258,000
Debt Service Reserve	564,600
Cash Funded	(912,300)
Capitalized Interest	0
Underwriter's Fees (1.5%)	109,000
Bond Issuance Costs	250,000
Total Bond Requirement	<u><u>\$7,269,300</u></u>
Annual Payment	\$564,600

The total bond requirement is estimated to be \$7.27 million, with project costs of \$7.26 million (38,000 square feet times \$191 per square foot). The annual payment of principal and interest would be \$564,600.

### Dedication of Hotel Tax

It is assumed that one penny of the three percent Hotel Tax would be banked until the beginning of fiscal year 2007, at which time the amount saved, \$912,300, would help to cash fund the project (a down payment). Beginning in fiscal year 2007, the entire three percent hotel tax would be dedicated to the project.

### Other Funding Required

Note the third line of the analysis, "Other Funding Required". This is the additional amount required above the hotel tax receipts and other revenue to satisfy Debt Service, Operations and Maintenance, and Marketing costs, while maintaining a 1.0 coverage ratio on the overall project and adequate Fund Balances. For this scenario, the shortfall is \$200,000 in 2009, dropping to \$125,000 by 2013.

**Build Later - Partial Dedication of Hotel Tax**

Analysis of Fund Flows and Debt Service Coverage  
For the Fiscal Years Ending June 30

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<b>Opening</b> <u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	
<b>Revenues</b>													
Additional 3% Hotel Tax	\$127,000	\$159,000	\$167,000	\$174,000	\$182,000	\$572,000	\$598,000	\$625,000	\$653,000	\$682,000	\$713,000	\$745,000	
Interest Earnings on Fund Balance	3,300	10,800	19,700	29,400	40,100	2,300	7,500	10,700	11,100	11,300	11,200	11,700	
<b>Other Funding Required</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>200,000</b>	<b>175,000</b>	<b>150,000</b>	<b>125,000</b>	<b>125,000</b>	
Total Revenues	130,300	169,800	186,700	203,400	222,100	574,300	605,500	835,700	839,100	843,300	849,200	881,700	
<b>Debt Service</b>													
Debt Service Interest	0	0	0	0	0	(399,800)	(399,800)	(399,800)	(390,700)	(381,200)	(371,100)	(360,500)	
Debt Service Principal	0	0	0	0	0	0	0	(164,800)	(173,900)	(183,400)	(193,500)	(204,100)	
Capitalized Interest	0	0	0	0	0	0	0	0	0	0	0	0	
Debt Service Reserve Earnings	0	0	0	0	0	28,200	28,200	28,200	28,200	28,200	28,200	28,200	
Net Debt Service	0	0	0	0	0	(371,600)	(371,600)	(536,400)	(536,400)	(536,400)	(536,400)	(536,400)	
<b>Revenues Over Debt Service</b>	130,300	169,800	186,700	203,400	222,100	202,700	233,900	299,300	302,700	306,900	312,800	345,300	
<b>Other Fund Requirements</b>													
Center Operations & Maintenance	0	0	0	0	0	0	0	(168,800)	(173,900)	(179,100)	(184,500)	(190,000)	
Center Marketing	0	0	0	0	0	(112,600)	(116,000)	(119,500)	(123,100)	(126,800)	(130,600)	(134,500)	
Total Other Fund Requirements	0	0	0	0	0	(112,600)	(116,000)	(288,300)	(297,000)	(305,900)	(315,100)	(324,500)	
<b>Revenues Over Debt Service and Other Fund Requirements</b>	130,300	169,800	186,700	203,400	222,100	90,100	117,900	11,000	5,700	1,000	(2,300)	20,800	
<b>Fund Balance</b>													
Beginning	\$0	\$130,300	\$300,100	\$486,800	\$690,200	\$0	\$90,100	\$208,000	\$219,000	\$224,700	\$225,700	\$223,400	
Ending	\$130,300	\$300,100	\$486,800	\$690,200	\$912,300	\$90,100	\$208,000	\$219,000	\$224,700	\$225,700	\$223,400	\$244,200	
<i>Ratio of Revenues to Debt Service</i>									1.56	1.56	1.57	1.58	1.64
<i>Ratio of Revenues to Debt Service &amp; Other Funding Requirements</i>									1.01	1.01	1.00	1.00	1.02

## HOW TO FILL THE “GAP”

As illustrated in both scenarios above, the additional three percent Hotel Tax is not sufficient to fully fund the project. In order to implement the project, there are a variety of ways to bring the cost and funding in line, including:

- Finding additional revenue streams, such as naming rights
- Finding “grant” money as an additional down payment
- Partnering with potential public and/or private entities
- Building a smaller facility
- Building a lesser quality facility (reduced cost per square foot)

There may be some other minor ways to help, such as paying interest only for a couple of years after opening or other financing “tweaks”. However, these will not get the facility “over the hump”.

There are a number of ways to fully fund the proposed facility. The various communities and their leadership will need to work together to find win-win solutions.

## CASE STUDY - IMPACT OF INCREASING THE HOTEL TAX

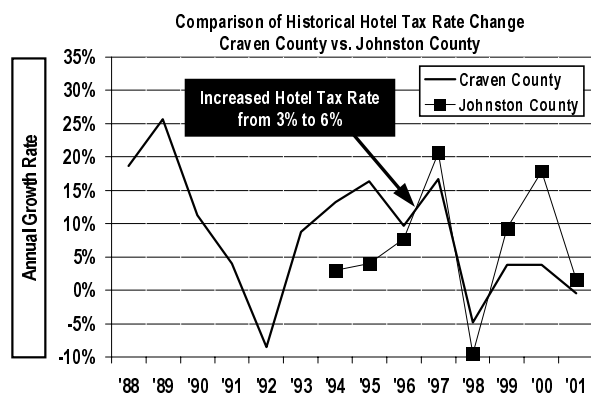
In an effort to understand the impact of increasing the Hotel Tax, the trend in total hotel sales was analyzed in three comparable North Carolina jurisdictions:

- Craven County (New Bern)
- City of Hickory
- City of Statesville

Hotel Tax collections for each jurisdiction were “grossed up” to total hotel sales by dividing the Hotel Tax collection figure by the applicable tax rate. The graphs below illustrate the annual growth rate for total hotel sales. When the tax rate increase occurred is denoted in each graph. Comparable historical Johnston County annual percent changes are presented on each graph as well for reference. A brief write-up of the findings accompanies each analysis.

**Craven County (New Bern)**

Craven County levied an additional 3% Hotel Tax in November 1996 (fiscal year 1997). As the graph and table below illustrate, fiscal year 1997 finished with a 16.7% increase over 1996. Keep in mind that two-thirds of 1997 was at the higher tax rate (8 out of 12 months).



<u>Fiscal Year</u>	<u>Johnston County</u>		<u>Craven County</u>	
<u>Ending June 30</u>	<u>Hotel Sales</u>	<u>Growth Rate</u>	<u>Hotel Sales</u>	<u>Growth Rate</u>
1987			4,917,000	
1988			5,837,000	18.7%
1989			7,339,000	25.7%
1990			8,168,000	11.3%
1991			8,497,000	4.0%
1992			7,772,000	-8.5%
1993	8,833,000		8,456,000	8.8%
1994	9,100,000	3.0%	9,579,000	13.3%
1995	9,467,000	4.0%	11,143,000	16.3%
1996	10,200,000	7.7%	12,226,000	9.7%
<b>1997</b>	<b>12,300,000</b>	<b>20.6%</b>	<b>14,268,000</b>	<b>16.7%</b>
1998	11,133,000	-9.5%	13,586,000	-4.8%
1999	12,167,000	9.3%	14,098,000	3.8%
2000	14,333,000	17.8%	14,639,000	3.8%
2001	14,567,000	1.6%	14,584,000	-0.4%

**Compound Average Annual Growth Rates**

1993 - 2001	6.5%	7.1%
1996 - 2001	7.4%	3.6%

In the first full year after the rate increase, the percent change in hotel sales decreased from 16.7% in 1997 to -4.8% in 1998. One might ask why the rate of change was up so high in 1997 (16.7%). Hurricane Fran occurred in September 1996. Hotel sales spiked up dramatically throughout eastern North Carolina. Note that Johnston County increased 20.6% in that same year.

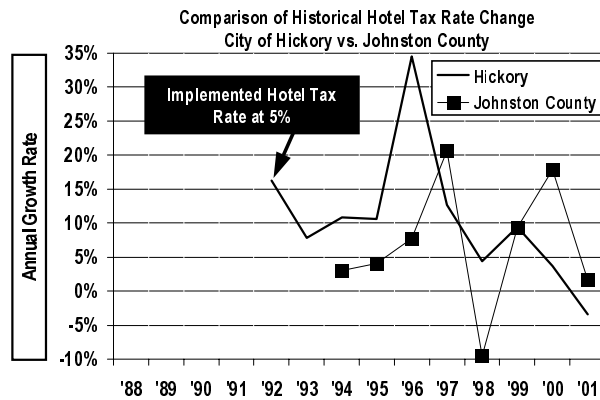
Going forward, growth rates for Craven County were positive until fiscal year 2001. As discussed later, fiscal year 2001 has witnessed a downturn in all the case study communities.

Note the Compound Average Annual Growth Rates at the bottom of the table. Average annual growth rates in Craven County from 1996 (the year of the tax rate change) to 2001 are significantly lower than Johnston County's (3.6% vs. 7.4%, respectively). Was it the tax rate increase that negatively impacted the market? Upon analysis, Johnston County experienced a 24% increase in hotel room supply in that time period, while Craven had a 4% increase. The added room supply along I-95 accounts for the higher total hotel sales figures.

In summary, it does not appear that the increase in the tax rate in Craven County had a material impact on Craven County hotel sales.

**City of Hickory**

The City of Hickory implemented a new 5% Hotel Tax in fiscal year 1991. As the graph and table below illustrate, the following years exhibited annual growth rates of 16.2% in 1992, 7.8% in 1993, 10.8% in 1994, 10.6% in 1995, 34.5% in 1996, etc. It does not appear that the tax hurt the hotel market.



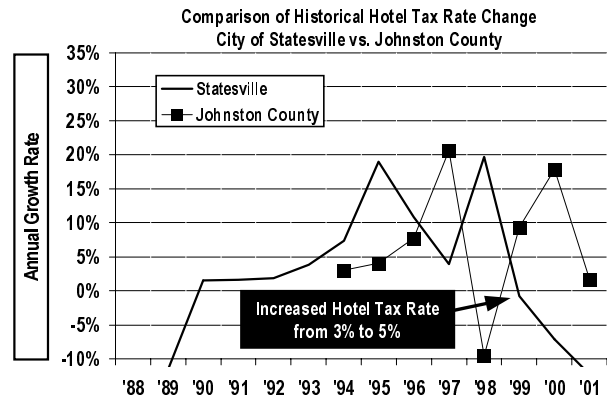
<u>Fiscal Year Ending June 30</u>	<u>Johnston County Hotel Sales</u>	<u>Johnston Growth Rate</u>	<u>City of Hickory Hotel Sales</u>	<u>Hickory Growth Rate</u>
1991			7,165,000	
1992			8,327,000	16.2%
1993	8,833,000		8,974,000	7.8%
1994	9,100,000	3.0%	9,944,000	10.8%
1995	9,467,000	4.0%	10,999,000	10.6%
1996	10,200,000	7.7%	14,790,000	34.5%
1997	12,300,000	20.6%	16,665,000	12.7%
1998	11,133,000	-9.5%	17,396,000	4.4%
1999	12,167,000	9.3%	19,049,000	9.5%
2000	14,333,000	17.8%	19,753,000	3.7%
2001	14,567,000	1.6%	19,084,000	-3.4%

**Compound Average Annual Growth Rates**

1993 - 2001	6.5%	9.9%
1996 - 2001	7.4%	5.2%

**City of Statesville**

The City of Statesville increased its Hotel Tax from 3% to 5% in fiscal year 1999. Statesville's hotel sales patterns demonstrate trends that, in some years, are opposite of Johnston County (and the other case study communities). For example, while the rate of change in Johnston County increased from 1996 to 1997 (likely due to hurricane Fran), it went down in Statesville. This might be explained away by the fact that Statesville is much further west. Conversely, the next year Johnston County went down and Statesville increased.

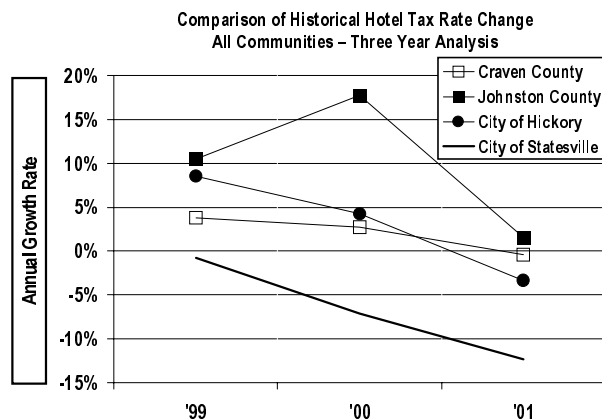


<u>Fiscal Year</u> <u>Ending</u> <u>June 30</u>	<u>Johnston</u> <u>County</u> <u>Hotel Sales</u>	<u>Growth</u> <u>Rate</u>	<u>City of</u> <u>Statesville</u> <u>Hotel Sales</u>	<u>Growth</u> <u>Rate</u>
1988			9,584,000	
1989			8,476,000	-11.6%
1990			8,603,000	1.5%
1991			8,745,000	1.6%
1992			8,907,000	1.8%
1993	8,833,000		9,245,000	3.8%
1994	9,100,000	3.0%	9,933,000	7.4%
1995	9,467,000	4.0%	11,818,000	19.0%
1996	10,200,000	7.7%	13,093,000	10.8%
1997	12,300,000	20.6%	13,607,000	3.9%
1998	11,133,000	-9.5%	16,292,000	19.7%
1999	12,167,000	9.3%	16,168,000	-0.8%
2000	14,333,000	17.8%	15,020,000	-7.1%
2001	14,567,000	1.6%	13,174,000	-12.3%

**Compound Average Annual Growth Rates**

1993 - 2001	6.5%	4.5%
1996 - 2001	7.4%	0.1%

Again, the tax rate was increased in 1999. Statesville total hotel sales decreased 7.1% in 2000 and decreased again in 2001. (Keep in mind that these two decreases were on the heels of a 19.7% increase in 1998, the year prior to the tax rate increase.) Was the downturn a result of the tax? It is difficult to say, but further analysis suggests that this downward trend was prevalent in all the case study communities. Refer to the graph below comparing the rate of change in all four communities from 1999 to 2001:



Note that all four exhibited a downward trend, with Statesville the worst of the lot. Only Johnston County increased from 1999 to 2000, and then turned downward in 2001. While a more in-depth analysis was not performed, it can be said that Statesville's downward trend was consistent with other communities.

Discussions with industry professionals in Statesville indicate several potential reasons for the poor performance. Due the economy, particularly high gas prices, tourism in North Carolina as a whole has suffered recently. Also, there is significant construction occurring along I-77, the major interstate through Statesville. As a result, AAA has rerouted their clients around the Statesville area.

**Conclusion**

Overall, the comparison data does not suggest that an increase in the tax rate causes hotel sales to suffer.

Although not the specific subject of this case study, it can be said that what drives hotel sales is perceived value. Give the customer a product that he/she desires at a fair price and sales will occur. New York City has a total tax on hotels approaching 20%, yet occupancy is high and average daily rates are high. Of course, Johnston County is a radically different environment than New York City, but the concept is the same. It is the goal of this facility to enhance the value perceived by visitors and meeting delegates such that both occupancy and rate increase in the county.

## OPERATING REVENUES AND EXPENSES

As noted above, an operating shortfall of \$150,000 in 2001 dollars was estimated for the ongoing day-to-day operations of the facility. Operating shortfalls are the norm in such facilities whose primary function is to attract out-of-town attendees and generate substantial economic impact in the community.

Operating revenues and expenses are dependent on a variety of factors, including market conditions, facility configuration, mission/community objectives, management style, market position and many others. Most facilities operate at a deficit (operating expenses exceed operating revenues, not including debt service). In the broadest sense, facilities such as these run deficits because cities are willing to "pay" (subsidize the convention center) to buy the economic impact associated with delegate attendance. As a result, competition has kept rental rates low. Other parts of the world do not operate this way, but it is the overriding structure in the U.S.

Typical operating revenues include rent, food and beverage, equipment rental and other minor revenues (parking and promotional revenues, neither of which are anticipated in this case). Typical operating expenses include salaries, utilities, maintenance, operating supplies, contractual services and other minor expenses.

The table on the following page summarizes financial operations from competitive and comparable area facilities. The following paragraphs describe several key business planning objectives for the Johnston County facility.

**Rental Rates** - The largest single revenue line item in any facility is rent. Rental fees at the comparable facilities range from \$0.05 to \$0.17 per square foot.

	<u>Commercial Rate for Largest Room</u>		
	<u>Rental</u>		<u>Cost</u>
	<u>Rate</u>	<u>SF</u>	<u>Per SF</u>
Zebulon	\$550	3,250	\$0.17
New Bern	1,650	12,000	0.14
Hickory	4,730	38,700	0.12
Statesville	1,400	12,700	0.11
Morehead City	1,155	11,000	0.11
Lumberton	700	7,200	0.10
Nash Comm Coll	1,000	12,300	0.08
Dunn	400	6,400	0.06
Sanford	590	10,200	0.06
Cumberland Co.	2,500	44,500	0.06
Sampson Co.	500	10,000	0.05

In considering the value equation for the Johnston County facility, it is planned that this facility would be of relatively nice finishes, and, importantly, would offer the best configuration/layout of space among the competitive set. Many facilities are afraid to charge for their facilities. That mistake should not be made in Johnston County. If a group cannot afford a fair price for value received, then they should not be meeting at the facility. It is recommended that a discounted rate be available for non-profit and/or government groups. This rate is typically 75 to 80% of the commercial rate (sometimes government rates are even lower). Another key component in the value equation is the site. Does it offer what the meeting planner wants? Does it excite the meeting planner and delegate? If the recommendations in the Plan are followed, it is recommended that the Johnston County facility charge near the high end of the comparable range, specifically in the \$0.10 to \$0.12 per square foot range.

**Analysis of Comparable Facilities**

	<i>New Bern Convention Center</i>	<i>Sampson County Agri-Exposition Center</i>	<i>Crystal Coast Civic Center</i>	<i>Nash Community College</i>	<i>Dennis A. Wicker Civic Center</i>	<i>Southeastern NC Agricultural Center</i>	<i>Averages</i>
<b>Building Program</b>							
Largest Room	12,000	10,000	11,000	12,300	10,200	7,200	
Total Rentable Square Feet	16,100	15,400	13,400	12,300	11,000	7,200	
<b>Revenues</b>							
Rent	\$140,000	\$135,000	n/a	\$63,100	\$78,000	\$80,000	
F & B	100,000	15,000	n/a	0	0	0	
Other	28,000	0	n/a	0	0	0	
Total Revenues	268,000	150,000	137,800	63,100	78,000	80,000	129,500
<b>Expenses</b>							
Personnel	175,000	123,100	110,650	120,700	112,400	142,500	
Operations	205,000	270,000	101,950	77,100	135,500	157,500	
Total Expenses	380,000	393,100	212,600	197,800	247,900	300,000	288,600
<b>Profit (Loss)</b>	<b>(\$112,000)</b>	<b>(\$243,100)</b>	<b>(\$74,800)</b>	<b>(\$134,700)</b>	<b>(\$169,900)</b>	<b>(\$220,000)</b>	<b>(\$159,100)</b>
<b>Revenues per Rentable SF</b>							
Rent	\$8.7	\$8.8	n/a	\$5.1	\$7.1	\$11.1	
F & B	6.2	1.0	n/a	0.0	0.0	0.0	
Other	1.7	0.0	n/a	0.0	0.0	0.0	
Total Revenues	16.6	9.8	10.3	5.1	7.1	11.1	10.0
<b>Expenses per Rentable SF</b>							
Personnel	10.9	8.0	n/a	9.8	10.2	19.8	
Operations	12.7	17.5	n/a	6.3	12.3	21.9	
Total Expenses	23.6	25.5	15.9	16.1	22.5	41.7	24.2
<b>Profit (Loss)</b>	<b>(\$7.0)</b>	<b>(\$15.7)</b>	<b>(\$5.6)</b>	<b>(\$11.0)</b>	<b>(\$15.4)</b>	<b>(\$30.6)</b>	<b>(\$14.2)</b>

n/a = information could not be obtained.  
Source: Individual facilities.



**Food & Beverage** – Food and beverage commissions are usually the second largest revenue source. The facility should include a fully-equipped kitchen. It is recommended that all food and beverage services would be provided by outside caterers. (The building might provide some concessions, such as coffee and snacks, on an in-house basis.) A preferred list is usually maintained by the facility for the convenience of meeting planners. Some facilities charge a flat fee for kitchen usage. Others rent smallwares for a fee. It is recommended that a commission to the building should be charged for the privilege of serving food at a rate of 10 to 20% of gross sales. This is the structure in slightly larger or more sophisticated buildings.

**Equipment Rental** - Most of the facilities analyzed include such items as tables, chairs, stages, etc. in the rental fee. Some specialized equipment, such as audio-visual equipment, large tents, etc., should be charged separately.

## EXPENSES

**Personnel** – Based on analysis of comparable buildings, the facility should be staffed with eight full-time employees. These include:

- Executive Director
- Administrative Assistant
- Event Coordinator
- Event Coordination Staff (4)
- Operations Coordinator

Part-time staff could be called upon for larger groups as needed. Typically, these staff are charged back directly to the customer at cost.

**Operations** – Operations includes such line items Utilities (generally the largest single line item other than Personnel), Maintenance, Contracted Services, Operating Supplies, etc. The County should also bear in mind that capital improvements will be required from time to time. This analysis does not include the cost of major capital items.

**SITE AREA ALTERNATIVES**

No site or site area has been selected for the facility. This Business Plan sets forth the proper facility size and configuration. However, site selection is probably the single-most important decision that will impact the ultimate attractiveness and success of the project. This section provides a brief description of a number of site alternatives identified by the JCVB as well as key site selection criteria.

	<b><u>Number of Rooms</u></b>
Days Inn	111
Dutch Inn	48
Preston Woodall House	<u>5</u>
Total	<u><u>164</u></u>

This site area is located off I-95 at Exit 79 along the service road behind the Waffle House. This site area encompasses 20 to 25 acres.

**SITE AREA ALTERNATIVES**

Eight potential site areas were identified within Johnston County. A few of these site areas include more than one location. The map on the following page illustrates the eight areas, identified by number as follows:

1. Benson (I-95 at Exit 79)
2. Benson (I-40 at Exit 325)
3. Four Oaks (I-95 at Exit 87)
4. Smithfield (I-95 at Exit 95)
5. Selma (I-95 at Exit 97)
6. Kenly (I-95 at Exit 107)
7. Clayton (Highway 70)
8. Cleveland Springs (I-40 at Highway 42)

**Site Area 1 – Benson (I-95 at Exit 79)**

The Town of Benson is located near the crossroads of I-95 and I-40. Benson offers a very attractive downtown, the Local Benson Museum of History and several fast food chain and independent restaurants. Benson also offers three hotels totaling 164 rooms, as follows.

**Site Area 2 – Benson (I-40 at Exit 325)**

The second Benson site area is located off I-40 at Exit 325 on a service road next to the exit. There are no hotels, restaurants or other attractions near this site. Available land includes two tracts with 15 and 30 acres, respectively.

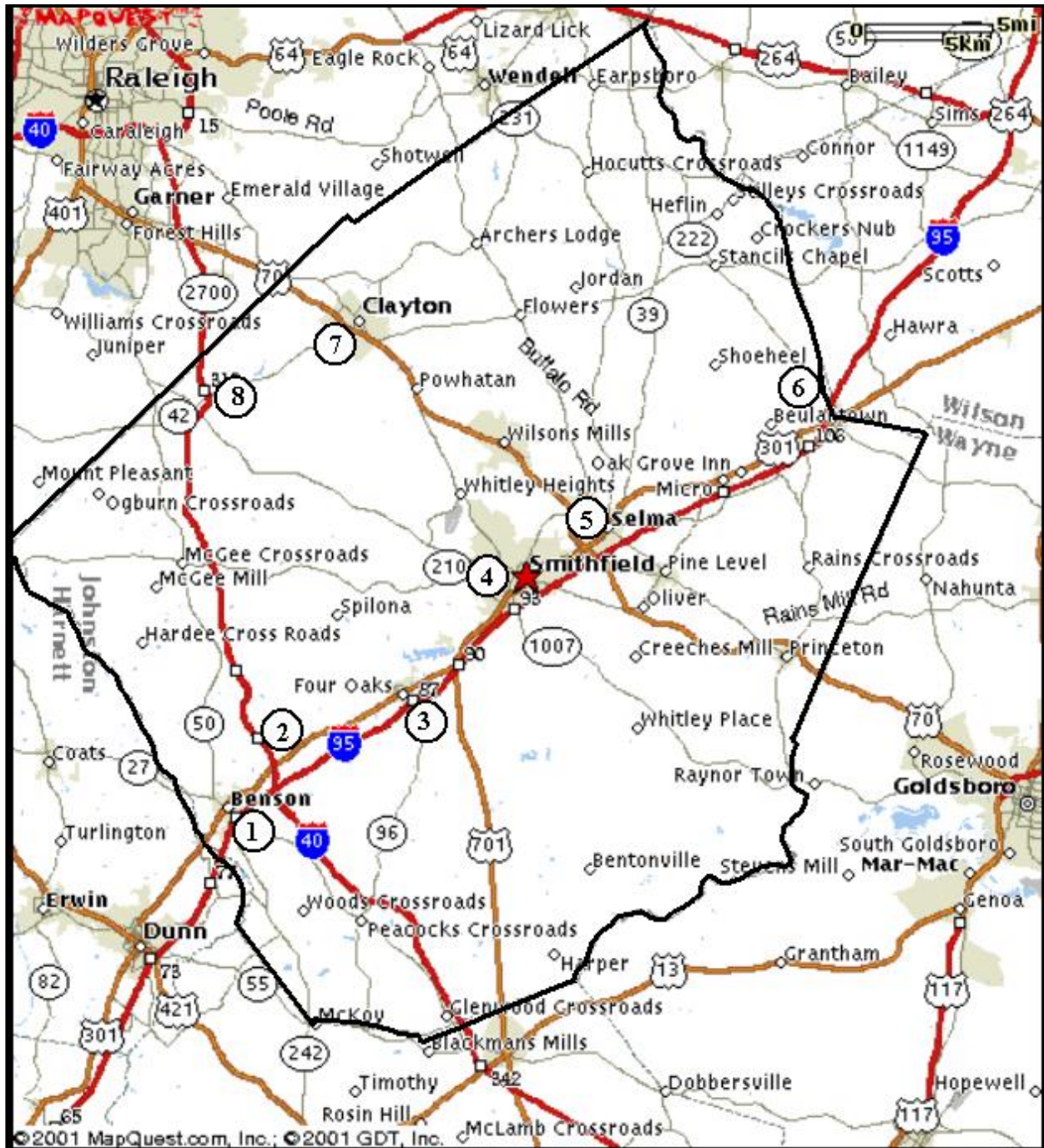
**Site Area 3 – Four Oaks (I-95 at Exit 87)**

Located off of I-95 at Exit 87 is the Town of Four Oaks. This exit has been designated as the new entrance into the town and development has included a new bridge, cloverleaf ramps and lighting to improve appearance. This area is not yet developed and therefore there are no hotels, restaurants or other attractions at this location.

**Site Area 4 – Smithfield (I-95 at Exit 95)**

There are three developable parcels of land located just off Industrial Park Drive off I-95 at Exit 95. All the parcels are located next to one another and offer 20, 30 and 40 acres, respectively.

### JOHNSTON COUNTY MAP WITH EIGHT SITE AREA ALTERNATIVES



There are two hotels offering a total of 121 rooms adjacent to Site Area 4:

	<b><i>Number of Rooms</i></b>
Super 8	80
Jameson Inn	41
Total	<u>121</u>

The additional hotel rooms within one mile of this site area (see table below) bring the total to 342 rooms within a mile:

	<b><i>Number of Rooms</i></b>
Howard Johnson's Express	60
Village Motor Lodge	101
Becky's Log Cabin	60
Total	<u>221</u>

The hotels listed for the Selma site are approximately two miles away.

There are a number of full service chain and fast food restaurants in the immediate area, including hotel restaurants at The Village Motor Lodge and Becky's Log Cabin.

Located approximately one mile from this site area, downtown Smithfield offers several full service restaurants, the Ava Gardner Museum, the Johnston County Heritage Center and the Neuse Riverwalk (under development). This site area is also the closest to the largest fixed-seat venue in the market, the 1,000-seat Paul A. Johnston Auditorium at Johnston Community College.

This site area is also located less than one mile from the Carolina Outlet Center, offering 450,000 square feet of retail space and recognized as the premier visitor attraction in the county.

### Site Area 5 – Selma (I-95 at Exit 97)

Selma is located off I-95 at Exit 97. This site area includes three separate parcels, which equate to 50 acres and are owned by three separate parties. This site area is located in between the Comfort Inn and Shoney's restaurant. Over 750 hotel rooms are located within one mile, of which 390 are adjacent or within walking distance. Those hotels include:

	<b><i>Number of Rooms</i></b>
Royal Inn	117
Masters Inn	116
Comfort Inn	80
Hampton Inn	77
Total	<u>390</u>

The remaining hotels within one mile include:

	<b><i>Number of Rooms</i></b>
Regency Inn	137
Days Inn	120
Holiday Inn Express	60
Luxury Inn	48
Total	<u>365</u>

The hotels listed for the Smithfield site are approximately two miles away.

This site area is less than two miles from downtown Selma, which is recognized for its many antique stores. Other major attractions in Selma include JR's Tobacco & Fragrance Outlet, American Music Jubilee Theatre and the Carolina Outlet Center, all within two miles of this site area.

### Site Area 6 – Kenly (I-95 at Exit 107)

Located off I-95 at Exit 107, the Town of Kenly has an available site area encompassing

approximately 20 acres. If traveling southbound on I-95, this site area is located on the right side of the interstate near Exit 107. Investors have targeted this area for potential hotel and restaurant development.

Currently, there are three hotels located in close proximity, which are:

	<b><u>Number of Rooms</u></b>
Econo Lodge	60
Deluxe Inn	24
Budget Inn	<u>17</u>
Total	<u><u>101</u></u>

Additional hotel rooms located within three miles of this site area are:

	<b><u>Number of Rooms</u></b>
Best Western	80
Days Inn	<u>79</u>
Total	<u><u>159</u></u>

The major attraction in Kenly is the Tobacco Farm Life Museum.

**Site Area 7 – Clayton (Highway 70)**

Located on Highway 70, 20 miles east of Raleigh is the Town of Clayton. Clayton is the main corporate center for the county with major employers including Bayer, Caterpillar, Winn-Dixie, Fresenius Kabi and Novo Nordisk. Although there are many parcels of land available along Highway 70, no particular site area has been proposed.

There are currently no hotels located within Clayton. The closest hotels are approximately seven miles away.

**Site Area 8 – Cleveland Springs (I-40 at Highway 42)**

Cleveland Springs, located at I-40 and Highway 42, is approximately 15 miles from Raleigh. Cleveland Springs offers full service chain and fast food restaurants. Other amenities include five new hotels at the intersection including the following:

	<b><u>Number of Rooms</u></b>
Sleep Inn	90
Hampton Inn	77
Jameson Inn	42
Holiday Inn Express	77
Best Western	<u>64</u>
Total	<u><u>350</u></u>

No specific parcels of land have been proposed.

**SITE SELECTION CRITERIA**

When selecting a site, an evaluation matrix should be developed to assess the relative merits of each site. (Further, some level of master planning due diligence should be performed prior to purchasing the site to ensure that the site will accommodate the planned uses.) Some site selection criteria are more important than others. This section discusses the relative importance of several key selection factors. These include:

- Acreage/configuration
- Destination appeal
  - Image/aesthetics
  - Visibility
  - Proximity to hotels
  - Convenient to area shopping, restaurants, etc.
  - Convenient linkages to nearby amenities
  - Supportive adjacent land use
- Suitability for a potential full-service hotel
- Access/ingress and egress
- Development/Infrastructure costs

Each of these site criteria is discussed briefly below:

**Acreage/Configuration**

This site selection criterion is listed first because it is fundamental. A site should be chosen that will accommodate the phase one plan (recommended in this Business Plan) and also any potential future expansions. This facility should not be located in an area where the

facility would be “land locked” and not able to be expanded.

In terms of land area needs, the following table summarizes the acreage requirements. The table is followed by a narrative description of the analysis.

	<i>Master Plan</i>		
	<i>Phase I</i>	<i>Double</i>	<i>Triple</i>
<b>Facility Gross SF</b>	38,000	76,000	114,000
<b>Facility Acres</b>	0.9	1.7	2.6
<b>Circulation Acres</b>			
Low	2	2	2
High	5	6	7
<b>Surface Parking Acres</b>	5	8.5	10
<b>Total Acres</b>			
Low	7.9	12.2	14.6
High	10.9	16.2	19.6

The 38,000 gross square foot facility recommended herein would require 0.9 acres, calculated as: 38,000 gross square feet divided by 43,560 (the number of square feet per acre). To double the facility, 1.7 acres would be required. To triple it, the facility alone would require 2.6 acres.

The term “circulation” refers to land area for landscaping, truck loading/unloading, vehicular and pedestrian circulation, etc. This requirement will vary depending on a variety of factors, such as the configuration of the site, existing roadways, etc. As presented in the table above, circulation could add an estimated two to seven acres to the site requirement.

Surface parking is appropriate for the facility. Surface parking requires approximately one acre per 100 cars. A table of selected comparable facilities is presented below:

	<i>Number of Parking Spaces</i>	<i>Total Rentable SF</i>	<i>Parking Spaces per Rentable SF</i>
<b><u>Comparables</u></b>			
Lumberton	700	7,200	0.097
Sanford	437	11,000	0.040
Sampson Co.	456	15,400	0.030
Dunn	165	6,400	0.026
New Bern	335	16,100	0.021
Hickory	900	45,200	0.020
Statesville	134	15,100	0.009
Average			0.035
Average Excluding Lumberton and Statesville			0.027
<b><u>Johnston County</u></b>			
Phase One	510	17,000	0.030
Doubling	850	34,000	0.025
Tripling	1,020	51,000	0.020

Note that the average number of parking spaces per rentable square foot, excluding the outliers of Lumberton and Statesville, is 0.027. Under the Johnston County section of the table above, the number of parking spaces was calculated utilizing conservative ratios. This calculation yielded an estimated 500 spaces required for phase one. If a site was selected that would allow for tripling the facility, the master plan might include up to 1,000 spaces. Assuming 1,000 spaces, surface parking would require approximately 10 acres. A parking and traffic study should be performed as part of the development process on any specific site.

To summarize, the total acreage requirement could range from eight to 20 acres. Any specific proposed site should be subjected to a level of master planning due diligence to understand whether it works well for this purpose and any issues the site may present.

### **Destination Appeal**

To repeat, the Acreage/Configuration criterion was a basic criterion that asks: Is the site large enough and configured appropriately to work for this purpose? This second criterion, Destination

Appeal, is listed next because it embodies the factors considered most important by meeting planners and delegates – the users of the facility. Destination appeal is a combination of factors, including image/aesthetics; visibility; proximity to hotels; convenient to area shopping, restaurants, etc.; convenient linkages to nearby amenities; and supportive adjacent land use. These individual factors were combined to represent the “Wow Factor” or the all-encompassing reaction about the package that a meeting planner or delegate would experience upon arrival. The developed site area should elicit such responses from users as:

- “What a pleasing area. This is a nice place to come.”
- “Our hotels are nearby.”
- “We can walk (or take a short drive) to several restaurants.”
- “I love to shop on these trips and this is a great shopping area.”
- “Everything around here is great.”
- “We’ll have a good time here.”
- “I feel perfectly safe here.”
- “This is better than I expected.”
- “They’ve pulled the entire package together for us here.”
- “I’d love to meet here again.”

Each of the criteria can be weighed individually, and that process is important. But the site selection team should step back from the individual attributes and honestly ask themselves if the site under consideration fulfills the spirit of the Destination Appeal criterion. Pleasing meeting planners and delegates is the purpose of this facility. If this overriding goal is not accomplished, the facility’s position in the

marketplace will be diminished and utilization will suffer. Further, the remainder of the site selection criteria becomes far less relevant.

### **Suitability for a potential full-service hotel**

As discussed previously in the Business Plan, the long-term vision for this facility is that it might one day be accompanied by a full-service hotel. This would enable the facility to attract larger, more discerning and more lucrative groups to Johnston County – filling hotel rooms countywide. In an ideal situation, the future hotel site would allow a direct connection to the facility. One potential solution is to designate/purchase land today for that hotel, knowing that it may be 10 to 20 years before the hotel is feasible.

### **Access/ingress and egress**

A site should be selected that offers convenient regional and local access. Proper traffic planning should allow for easy vehicular and pedestrian movement.

### **Development/infrastructure costs**

This criterion was listed last because many times dollars drive the site selection decision. When this happens, communities run the risk of not focusing on important success criteria and developing an underperforming facility. The site selection decision should be made based on the attributes listed above. Land/infrastructure is typically only 5 to 10% of the project's costs and should be considered a relevant factor only if costs are prohibitive.