



Visit SLO CAL
County-Wide Conference Center Market
Study
April 2017

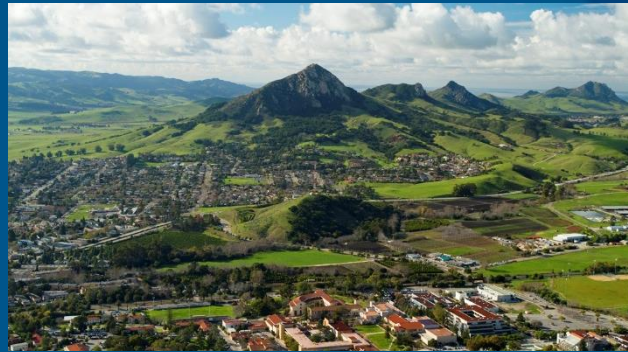


TABLE OF CONTENTS

Sections

- 1.0 Preface..... 2
- 2.0 Executive Summary..... 3
- 3.0 Local Market Conditions..... 9
 - 3.1 Demographics..... 10
 - 3.2 Transportation..... 18
 - 3.3 Lodging..... 23
 - 3.4 Local Meeting Space..... 30
- 4.0 Demand Analysis..... 34
 - 4.1 Conference and Convention Center Trends..... 35
 - 4.2 Competitive Market Analysis..... 40
 - 4.3 Comparable Facilities 44
 - 4.4 Meeting Planner Survey..... 66

1.0 - PREFACE

In December of 2016, Visit SLO CAL (“Client”) engaged Brailsford & Dunlavey (“B&D”) to analyze the market potential for a conference center (“the Project”) located in San Luis Obispo County (“the County”). The Client has no intention of building, owning, or operating the Project. The plan outlined herein is designed to be advanced by a local municipality, private party, or a combination of both. To complete this project, B&D conducted a detailed market study and demand analysis. Based on information contained herein, a series of next steps to complete the work effort includes a site analysis and evaluation, development of a financial pro forma, and quantifying economic and fiscal benefits.

B&D completed each analysis under the conditions and assumptions outlined below:

- ✓ The analyses, recommendations, observations, and conclusions contained in this study represent the professional opinions of B&D with such opinions based on original research conducted using primary, secondary, and tertiary sources, and the project team’s professional experience.
- ✓ The project team performed its work using industry information and public documents that are deemed reliable, but whose accuracy cannot be guaranteed.
- ✓ Due to variations in national and regional economic conditions, as well as other important factors, actual expenses and revenues may vary from projections, and these variances may be significant. As such, B&D makes no assurance and provides no guarantee that results identified in this study will be achieved. Economic and market conditions, management action or inaction, and implementation timing, as well as other important circumstances, often do not occur as planned and such deviations can be material

THE PROJECT TEAM WAS COMPRISED OF THE FOLLOWING INDIVIDUALS:

- Bill Mykins, Vice President, RA, LEED AP
- Matt Bohannon, Regional Vice President
- Bryan Slater, Project Manager
- Nick Champagne, Project Analyst

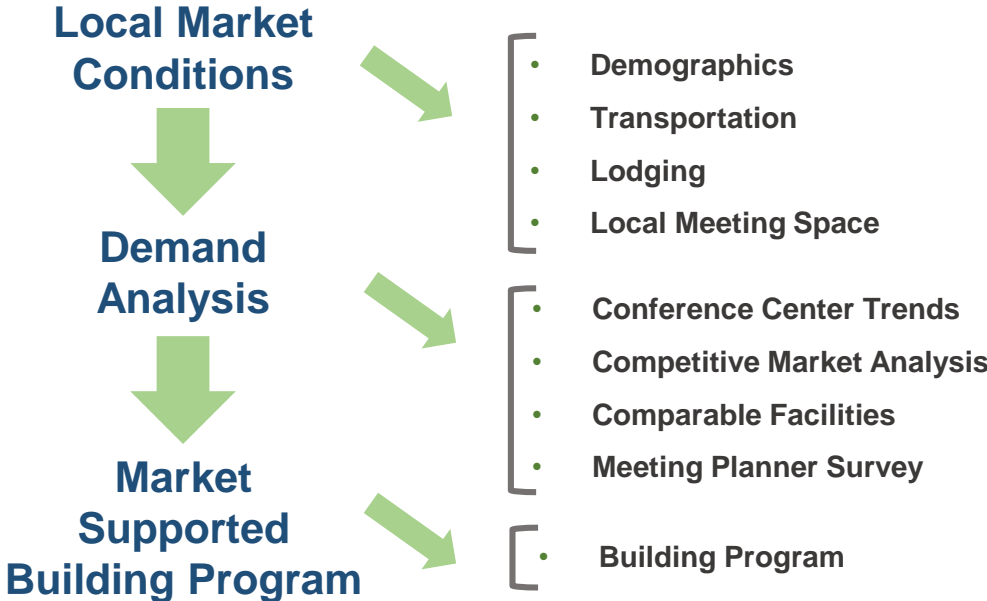
2.0 - EXECUTIVE SUMMARY

Objectives

The purpose of this study is to assess the feasibility of a new conference center in San Luis Obispo County and develop a building program that is supportable by the market. The project’s feasibility is evaluated by its ability to capture unaccommodated demand due to current space restrictions with County space inventory.

Demographics

The figure to the right examines County demographic characteristics in relation to state and national characteristics. The County’s population of 284,000 is expected to grow at 0.7% over the next five years, which is slightly below the estimated state and national growth of 0.9% and 0.8%, respectively. The County’s population increases to 1.9 million when a 100-mile radius is applied. This 100-mile population is the considered a conference center’s primary catchment area and is the basis in which comparable facilities were chosen. The County’s normalized income of \$57,000 is comparatively lower than both the state and national levels by 19% and 34%, respectively.



San Luis Obispo County	Est Population (2016)	Population 5-Year Growth %	Total Households	Est. Normalized Income
County	283,892	0.7%	108,654	56,615
State	39,500,000	0.9%	13,400,000	68,747
National	323,900,000	0.8%	124,300,000	79,549

Source: SitesUSA

FIGURE 2.1: County, State, and National Demographics

2.0 - EXECUTIVE SUMMARY

Meeting Space Inventory and Hotel Performance

B&D identified 46 properties within the County that offer sellable meeting space, 34 of which have on-site lodging. The largest spaces in the County are two exhibit halls, which measure 20,000 (Madonna Inn) and 18,600 (Paso Robles Event Center) SQ FT. The Embassy Suites in San Luis Obispo offers the largest ballroom at 5,100 SQ FT. The average ballroom size in comparable facilities (discussed further on page 6) is 17,500 SQ FT, which speaks to an obvious shortcoming in ballroom space in the County. Ballrooms are generally the most sought after space in conference centers due to their flexibility and ability to host plenary sessions. As such, the County is severely restricted in its ability to host larger groups due to a lack of suitable ballroom space alone.

There are over 150 hotels within the County that combine to offer nearly 9,000 rooms. Figure 2.3 displays key hotel performance metrics, which shows that the County demand patterns for hotel room nights are highly seasonal. RevPAR (Revenue per available room) of \$160 during peak summer months is 172% higher than the January low of \$59 and occupancy levels of 50% in January are 72% lower than occupancy in peak summer months (86% in July).

Area	Largest Space (SQ FT)	# of Properties	Total Indoor Sellable SQ FT	Total Sellable SQ FT
Atascadero	4,425	5	24,737	27,237
Five Cities	2,977	12	23,015	47,165
Morro Bay	2,500	1	5,325	10,985
Paso Robles	18,624	8	68,482	138,145
San Luis Obispo	20,000	16	79,452	102,412
Other	3,360	4	8,045	20,045
Average	8,648	8	34,843	57,665
Total	-	46	209,056	345,989

Source: Internet research

FIGURE 2.2: Existing Meeting Space by County Area

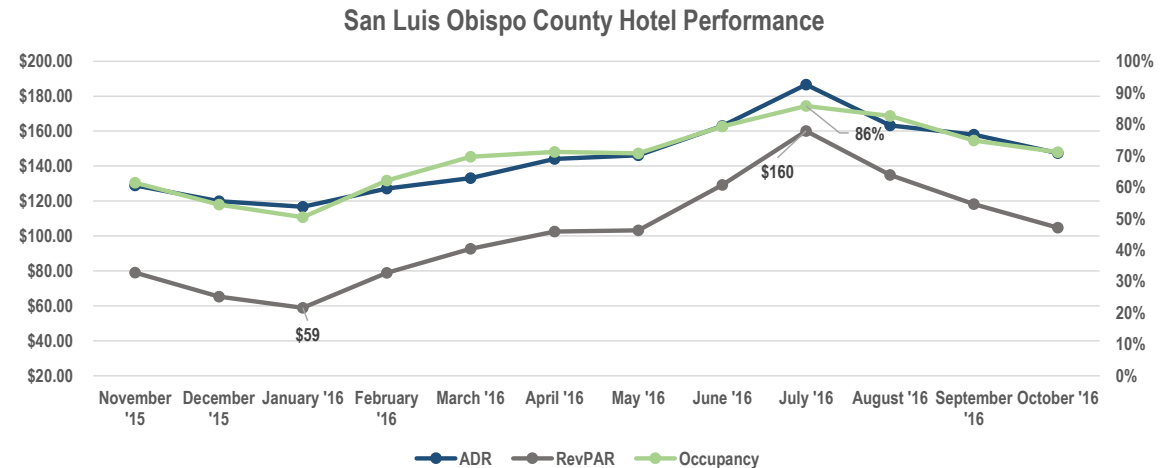


FIGURE 2.3: County Hotel Performance

2.0 - EXECUTIVE SUMMARY

Competitive Regional Markets

B&D identified four competitive regional markets: Santa Barbara, Fresno, Monterey, and Bakersfield. Monterey is San Luis Obispo County's primary competitive market due to its existing conference center, like population, similar destination appeal, and hotel inventory. Although Santa Barbara is similar to Monterey in terms of population (each have MSA populations of nearly 450,000) and would otherwise be considered a close competitor, it lacks a dedicated conference / public assembly facility, which marginalizes its competitive positioning. The Monterey Conference Center has the largest ballroom in any market at nearly 20,000 SQ FT, while the County's largest ballroom is 5,100 SQ FT, placing it last among competitors. Monterey and San Luis Obispo rank first and second in terms of sleeping rooms, with 12,224 and 8,887, respectively. The County's hotel inventory in relation to other competitors speaks to its suitability for a conference center development.

		<u>San Luis Obispo</u>		<u>Fresno</u>		<u>Monterey</u>		<u>Bakersfield</u>		<u>Santa Barbara</u>	
		Total	Rank	Total	Rank	Total	Rank	Total	Rank	Total	Rank
Hotel Statistics	Hotels	153	2	93	3	250	1	46	5	81	4
	Sleeping Rooms	8,887	2	4,895	4	12,224	1	4,675	5	4,897	3
	Average Daily Rate (ADR)	\$132	3	\$93	4	\$196	1	\$78	5	\$190	2
	RevPAR	\$106	3	\$60	4	\$145	1	\$48	5	\$142	2
Conference Space	Largest Exhibit Space (SQ FT)	20,000	4	66,371	1	0	5	29,450	3	34,375	2
	Largest Ballroom / Meeting Room (SQ FT)	5,708	5	13,120	3	19,600	1	7,560	4	14,000	2
	Total Sellable SQ FT	345,989	3	229,274	4	391,000	2	177,000	5	470,790	1
	SQ FT per Hotel Room	38.7	3	46.8	2	32.0	5	37.9	4	96.1	1

Source: NAICS Business Patterns, SitesUSA, CVENT, Internet research, STR

FIGURE 2.4: Competitive Market Characteristics

2.0 - EXECUTIVE SUMMARY

Comparable Facilities Analysis

B&D identified 11 comparable conference facilities with public ownership and similar 100-mile populations. The average comparable ballroom size is over 17,500 SQ FT, as shown in Figure 2.6. On average, comparable facilities held 259 events in the most recent year and had a total average attendance of 68,000. Comparable facilities attract an average of two attendees per square foot of sellable space on an annual basis. Three of the five comparable venues with attendees per SQ FT under 2.0 contain exhibit space. This comparatively lower ratio implies that exhibit space provides diminishing returns for attracting additional events and patrons. For reference, exhibit space in comparable facilities measure between 7,500 SQ FT at Wenatchee and 30,000 SQ FT at Wilmington. The three top performing conference centers in terms of attendance per SQ FT (Two Rivers, Yakima, and Pueblo) offer no exhibit space.

Conference Center	Attendance	Sellable SQ FT	Attendees per SQ FT
Two Rivers Convention Center	59,310	20,700	2.9
Yakima Convention Center	101,762	37,367	2.7
Pueblo Convention Center	48,377	23,500	2.1
Wenatchee Convention Center	50,510	25,462	2.0
Vicksburg Convention Center	50,510	25,557	2.0
Salem Convention Center & The Grand Hotel	58,000	30,000	1.9
The Conference & Event Center Niagara Falls	84,123	51,000	1.6
Wilmington Convention Center	85,246	57,580	1.5
Monterey Conference Center	61,931	43,000	1.4
Emerald Coast Convention Center	78,000	55,495	1.4
Average	67,777	36,966	1.95
Median	60,621	33,684	1.95
Maximum	101,762	57,580	2.87

Source: Internet research, telephone interviews with city officials, telephone interviews with site staff

FIGURE 2.5: Comparable Facilities Attendance per SQ FT

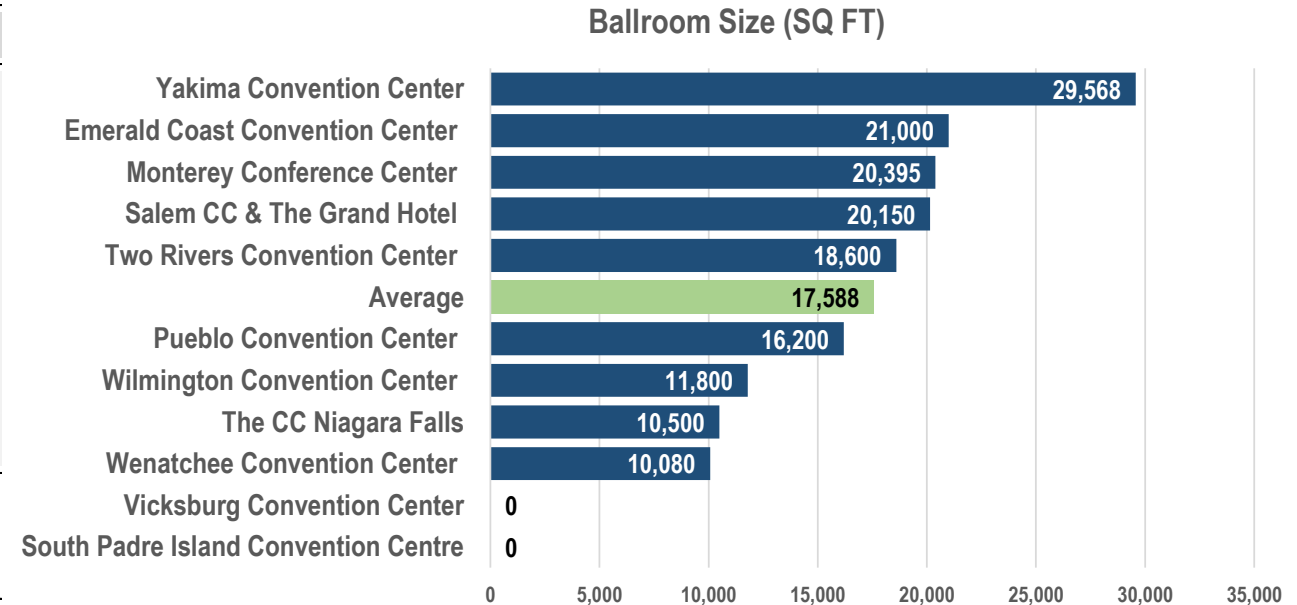


FIGURE 2.6: Comparable Facilities Ballroom Size

2.0 - EXECUTIVE SUMMARY

Survey Analysis

B&D conducted an Internet-based survey that measured the opinions and desires of meeting planners related to location and building layout. Responses indicated that a ballroom of 15,000 SQ FT would satisfy 70% of demand and a ballroom of 20,000 SQ FT would satisfy 95%. Nearly 60% of respondents indicated that no exhibit space was necessary for their organization's event. Other key survey findings are listed below:

- ✓ Two-thirds of respondents indicated that choice of city within the County would impact their decision to book an event. Respondents were then asked to choose their preferred location within the County to book an event: 50% chose San Luis Obispo, 27% chose Five Cities (Arroyo Grande, Grover Beach, Pismo Beach), and 17% chose Paso Robles.
- ✓ Survey results indicated that meeting planners are most likely to book events during the week (Tuesday through Friday) during the fall and spring. These responses are positive indicators for improving both mid-week visitation and low-season visitation.
- ✓ Consistent with B&D's competitive market analysis, over 60% of respondents indicated that they have chosen to utilize meeting venues in Monterey as opposed to booking in San Luis Obispo County. Respondents indicated that meeting space inventory is the primary reason for choosing Monterey.

What size (in square feet) ballroom does your organization require? (n=46)

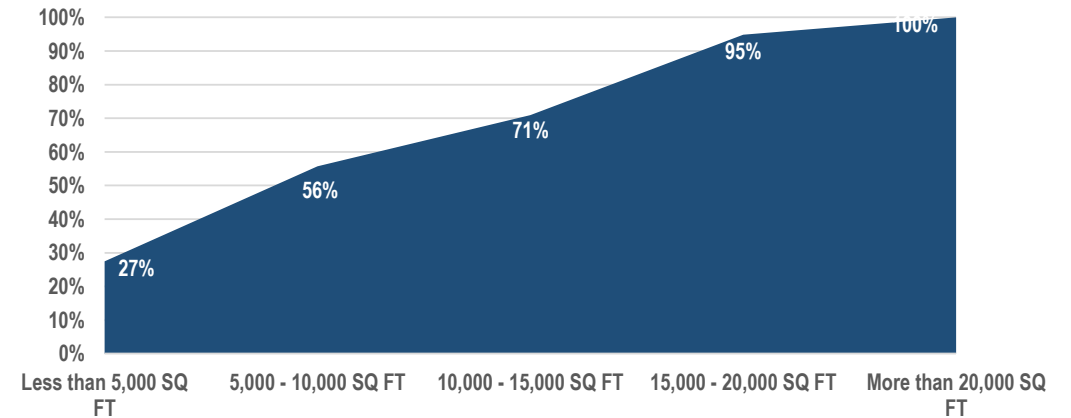


FIGURE 2.7: Required Ballroom Size

What day(s) of the week is your organization most likely to book a meeting / event in San Luis Obispo County? (Select all that apply) (n=46)

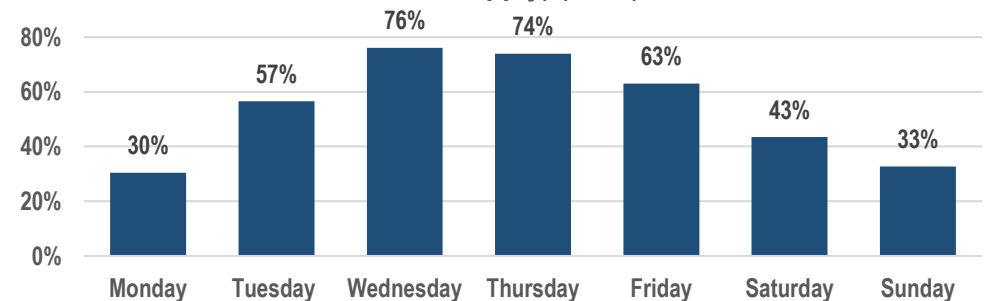


FIGURE 2.8: Day-of-Week Preference

2.0 - EXECUTIVE SUMMARY

Outline Building Program

Based on analyses contained herein, the maximum market-supportable conference center development ranges from 21,000 to 27,000 SQ FT of sellable square footage. The program will address current ballroom supply shortages, maximize return on capital investment, provide an efficient footprint, and work to minimize operating costs. The program will need to be refined and scaled up or down as a site and location are selected. Primary factors influencing this recommendation are provided below:

- The County’s 100-mile population of 1.86 million is approximately 20% smaller than comparable markets. This alone would suggest a building program of 30,000 SQ FT.
- As discussed before, overbuilt facilities generally attract fewer attendees per SQ FT of sellable space. Therefore, B&D’s recommendations align with the smaller comparable facilities that do not offer exhibit space.
- Survey results indicate demand for up to 1,000 in a banquet capacity for a plenary session. Depending on architectural considerations, this would justify a ballroom of approximately 14,000 to 15,000 SQ FT. Survey respondents also indicated the preference for up to 10 meeting rooms

Program	Ballroom		Breakout Spaces			Exhibition Space	Outdoor Space	Total Indoor Sellable SQ FT
	SQ FT	Division Factor	Quantity	SQ FT	Total SQ FT			
Program 1	12,000	3	9	1,000	9,000	0	5,000	21,000
Program 2	14,000	4	10	1,000	10,000	0	5,000	24,000
Program 3	16,000	5	11	1,000	11,000	0	5,000	27,000

Note: Build program are dependent on selected jurisdiction

FIGURE 2.9: Proposed Building Program Options I

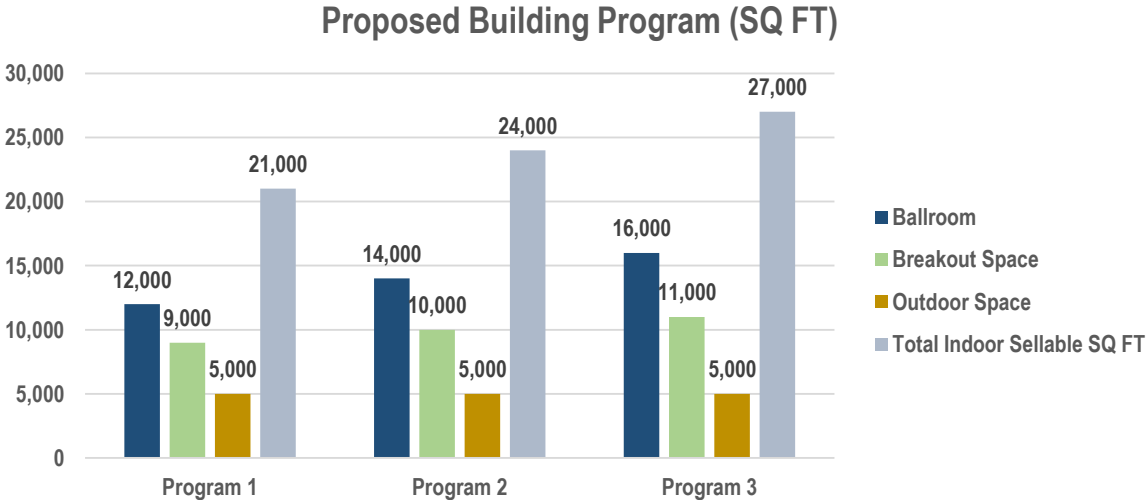


FIGURE 2.10: Proposed Building Program Options II

2.0 - EXECUTIVE SUMMARY

Next Steps

In alignment with the project understanding, B&D understands that a local municipality will be relied upon to advance the market study into a full conference center development plan. To move forward, B&D recommends the following:

- A **Project Initiation** meeting with the selected municipality to verify and confirm study objectives, discuss work completed-to-date on behalf of Visit SLO CAL, discuss timelines, and gather background information.
- Update the **Local Market Conditions** section to, at a deeper level, examine the characteristics and traits of the community advancing the effort.
- A **Site Analysis** to analyze opportunities and constraints of sites regarding the development of the project. This step can be bypassed if the community wishes to proceed with a predetermined site.
- A **Financial Analysis** involving a recommended facility program, conceptual development budget, utilization estimate, integrated financial model, sensitivity analysis, and the identification of potential funding options.
- An **Economic and Fiscal Benefits Analysis** to quantify the impact of operating projections and construction costs on the City, County, and state.
- Upon completion of all tasks previously discussed, complete Project Reporting activities, including a draft final report, final presentation, and final report.

3.0 - LOCAL MARKET CONDITIONS

Introduction

The Local Market Conditions Analysis provides an overview of demographic and socioeconomic conditions that influence demand for a conference center project in the County. The analysis is utilized as a starting point for evaluating the overall suitability of the County for a conference center development and selecting peer conference center developments, which is the crux of the assignment along with an Internet survey. B&D analyzed several components in the local market conditions analysis, including:

- Analysis of **Demographic** measurements such as population, household income, median age, and business climate within the County;
- Examination of **Transportation Factors** including Interstate access, air access, and rail access;
- Evaluation of **Lodging Infrastructure** including property type, seasonality trends, and key metrics (ADR, RevPAR, and Occupancy); and
- An analysis of **Meeting Space Inventory** analysis of sellable meeting space in the County and facility elements (SQ FT, lodging, area, etc.).

Methodology

Utilizing primary and secondary sources, B&D completed a series of related exercises to gain an understanding of the demographic and economic environment of the San Luis Obispo County market. B&D utilized data provided by SitesUSA to develop all demographic comparisons and analyses. The software program combines geographic information systems (“GIS”) technology with extensive demographic, consumer, and business information to generate a detailed statistical profile for the County. The five areas listed below are examined in detail throughout this section and are those that are the most suitable incorporated areas for development of the facility.

- **Atascadero**
- **Five Cities (Pismo Beach, Grover Beach, Arroyo Grande, and Oceano)**
- **Morro Bay**
- **Paso Robles**
- **San Luis Obispo**

3.0 - LOCAL MARKET CONDITIONS

Demographics

Market Definition

San Luis Obispo County is located in California's "Central Coast" Region. The region is primarily comprised of four counties located between the San Francisco and Los Angeles regions and include the counties of Monterey, San Luis Obispo, Santa Barbara, and Ventura.

The County is part of the San Luis Obispo-Paso Robles Metropolitan Statistical Area (MSA). The federal government's Office of Management and Budget defines an MSA as a region with a densely populated core surrounded by less populated communities that pose a high degree of economic and social integration. San Luis Obispo County and San Luis Obispo-Paso Robles MSA share the same boundaries, a shared delineation that is somewhat atypical in B&D's experience. As such, the MSA and County have the same demographic measurements.



FIGURE 3.1: Central Coast Region Overview

3.0 - LOCAL MARKET CONDITIONS

Demographics

Local, Regional, and National Demographics

The table below examines population, projected population growth, household size, and the median age for the County and MSA in relation to state and national averages. The County has a projected population growth rate that is slightly under with state and national averages. The Median age is 38.5, which is elevated in relation to the state and national averages. The County household income level of \$84,356 is 9% below California’s average of \$92,809. When income is normalized by the area’s cost of living that is 49% higher than the national average, the County has an estimated normalized household income of \$56,615, which is less than both the state and national averages. Normalized household income is a conceptual measurement and only utilized to show the impact that cost of living has on discretionary dollars for entertainment purchases.

Area	Est Population (2016)	Population 5-Year Growth %	Total Households	Avg Household Size	Median Age
MSA	283,892	0.7%	108,654	2.5	38.5
State	39,500,000	0.9%	13,400,000	2.9	35.6
National	323,900,000	0.8%	124,300,000	2.5	37

Source: SitesUSA

FIGURE 3.2: MSA, State, and National Demographics

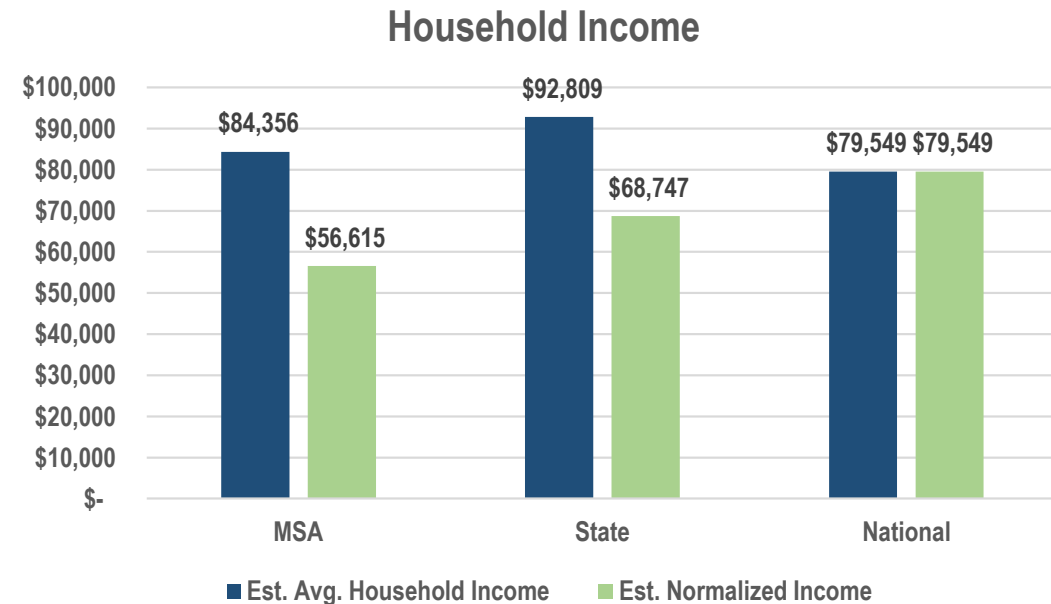


FIGURE 3.3: Household Income Comparisons

Source: SitesUSA

3.0 - LOCAL MARKET CONDITIONS

Demographics

County Population Distribution

The City of San Luis Obispo is the County’s largest city with 47,900 residents. Paso Robles and Atascadero are the second and third largest cities with over 30,000 residents, respectively. The remainder of County cities have under 20,000 residents. Nearly all population centers within the County have 5-year population growth rates consistent with the national and state averages. Though growth measurements are consistent, income measurements vary significantly, ranging from \$61,400 at Oceano to \$87,100 at Atascadero.

In this analysis, B&D refers to the “Five Cities Area” on several occasions. This includes Arroyo Grande, Grover Beach, Pismo Beach, and Oceano. Shell Beach was previously part of this designation but has since been integrated with Pismo Beach. Between these four cities, the population is 48,000. A map depicting the Five Cities area and other areas under consideration in this study is provided on the following page.

Market	Total Population	5-Year Pop. Growth %	Total Households	Household Size	Average HH Income
San Luis Obispo	47,900	0.7%	19,813	2.3	\$71,512
Paso Robles	31,624	0.7%	11,466	2.7	\$79,173
Atascadero	30,328	0.9%	11,547	2.5	\$87,145
Arroyo Grande*	18,163	0.8%	7,507	2.4	\$85,698
Los Osos	14,869	0.8%	6,239	2.4	\$83,771
Grover Beach*	13,700	0.7%	5,330	2.5	\$71,557
Morro Bay	10,745	0.8%	5,106	2.1	\$68,567
Pismo Beach*	8,325	0.7%	4,190	2.0	\$84,789
Oceano*	7,781	0.5%	2,751	2.8	\$61,381
Avila Beach	1,729	0.9%	886	2.0	\$83,697
Average	-	0.7%	7,748	2.4	\$78,747

Source: SitesUSA

*Included in Five Cities area

FIGURE 3.4: San Luis Obispo County Population Distribution (2016)

3.0 - LOCAL MARKET CONDITIONS

Demographics

County Areas

The map to the right shows the geographical relationship between the five areas under consideration for development of the project. The Five Cities area is broken out in greater detail on the smaller map. The shading outlines the city borders for each community. Four of the five areas are located on U.S. Route 101/California State Route 1. The Five Cities and Morro Bay border the Pacific Ocean, while San Luis Obispo is located approximately eight to 10 miles east of the two. Atascadero and Paso Robles are located to the north of San Luis Obispo, as designated by the blue and red shading on the map.



FIGURE 3.5: San Luis Obispo County Areas

3.0 - LOCAL MARKET CONDITIONS

Demographics

County Areas

Atascadero is located in the northern portion of the County on Route 101 below Paso Robles. The city has a population of just over 30,000. Average household income of over \$87,000 is the highest in the County. Atascadero has been the home of Charles Paddock Zoo, which attracts approximately 72,000 visitors a year (According to American Zoos).

The Five Cities area is the County’s most populated area and is comprised of four separate municipalities: Arroyo Grande, Grover Beach, Oceano, and Pismo Beach. The area is primarily located along the coast, just west of San Luis Obispo. U.S. Route 101 reaches 79,000 in daily traffic counts, which is the highest in the County. Pismo Beach is a popular vacation destination and has more luxury (4) hotels than all other areas combined. The location of the Five Cities Area makes it a prime tourist destination.

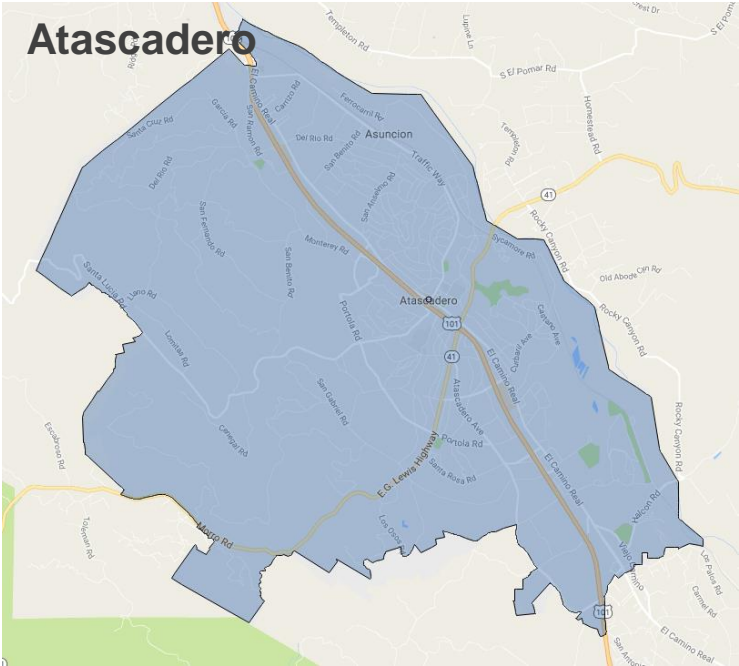


FIGURE 3.6: City of Atascadero Boundaries

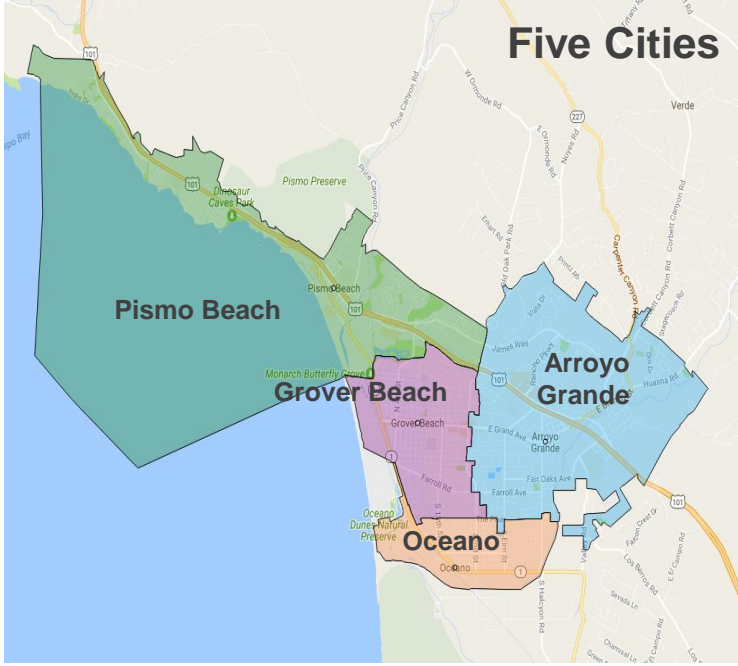


FIGURE 3.7: Five Cities Boundaries

3.0 - LOCAL MARKET CONDITIONS

Demographics

County Areas (Cont.)

Morro Bay is located northwest of the City of San Luis Obispo and is the only city not located on U.S. Route 101. Vehicular access to Morro Bay is provided via CA – 1 and CA – 41. The city’s population (11,000) and average household income (\$68,000) are the lowest in respect to other areas under consideration.

Paso Robles is the northernmost area under consideration in the County and is located on U.S. Route 101. The city has an estimated population of nearly 32,000, ranking third behind San Luis Obispo and the Five Cities. The average household income in Paso Robles is just over \$78,000, which is commensurate with the County average. Paso Robles is a popular tourist destination due to numerous wineries and an emerging craft brewery scene. Firestone Walker Brewery, which distributes beer nationally, is located in Paso Robles.

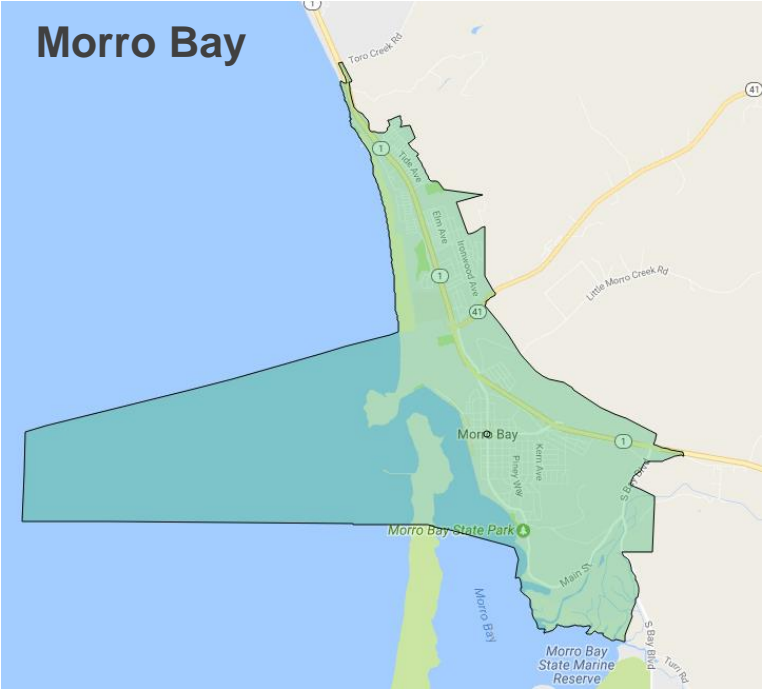


FIGURE 3.8: City of Morro Bay Boundaries

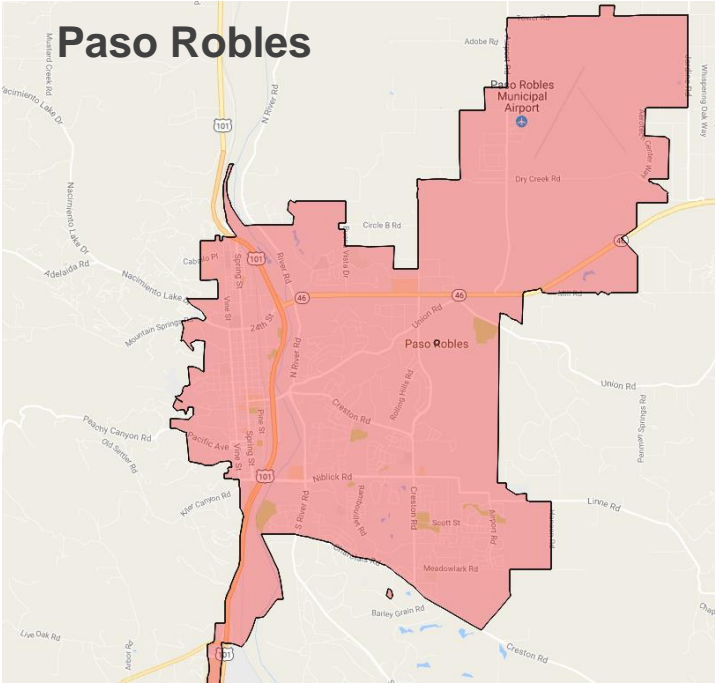


FIGURE 3.9: City of Paso Robles Boundaries

3.0 - LOCAL MARKET CONDITIONS

Demographics

County Areas (Cont.)

The City of San Luis Obispo is located inland along U.S. Route 101 with direct freeway access to Morro Bay via CA – 1. The City has the second highest population behind the Five Cities area with nearly 48,000 residents. Average Household income in the city is \$72,000, which is nearly 7,000 below the County Average. San Luis Obispo's higher population is partly attributable to Cal Poly's student presence. San Luis Obispo's downtown is a popular destination for tourists and full-time residents and is generally considered the region's commercial hub.

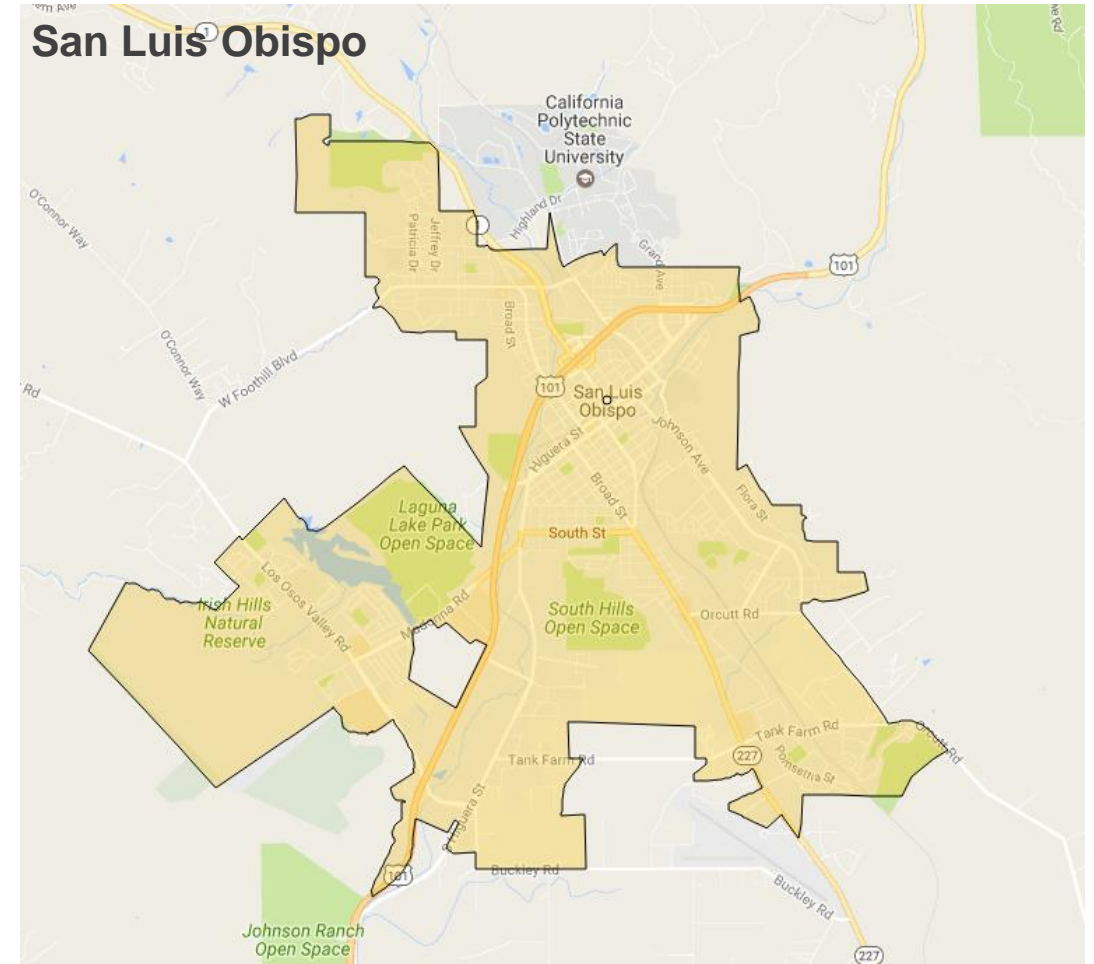


FIGURE 3.10: City of San Luis Obispo Boundaries

3.0 - LOCAL MARKET CONDITIONS

Demographics

Business Climate

Retail trade is San Luis Obispo County's top industry with 1,150 total establishments. This is followed by healthcare and social assistance (1,000), construction (930), scientific and technical services (890), and accommodation / foodservice (885). These five industries make up 58% of total business establishments. The largest employers in the County are Cal Poly, Atascadero State Hospital, and the California Men's Colony.

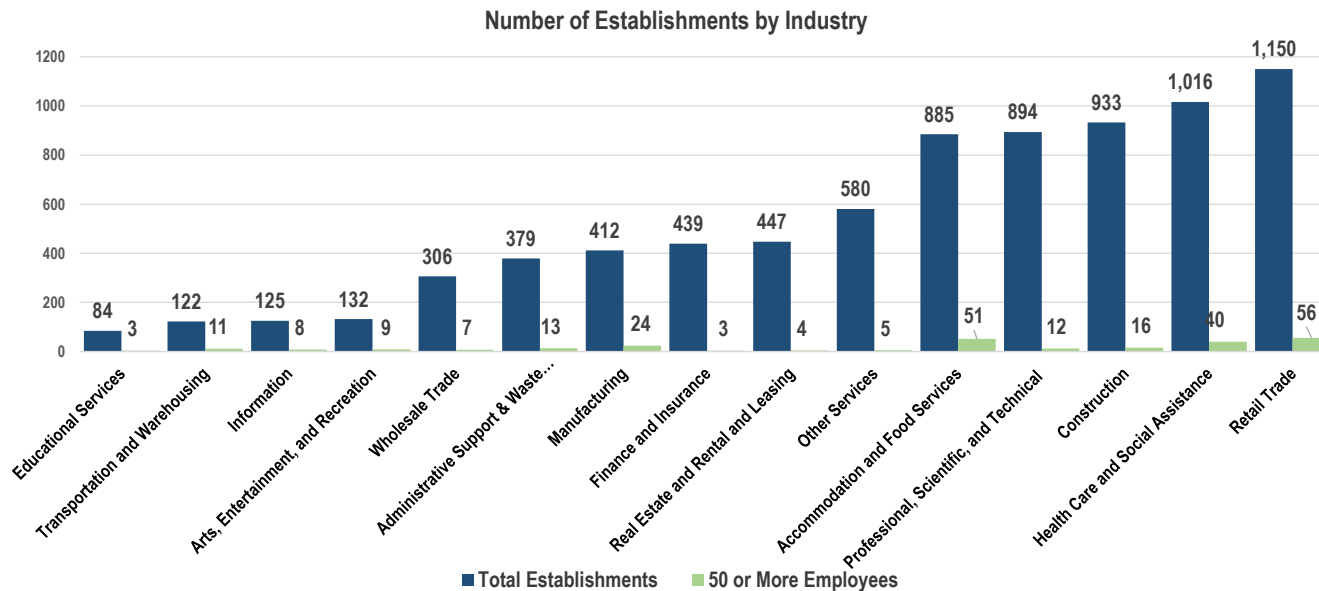


FIGURE 3.11: San Luis Obispo County Establishments by Industry

Source: NAICS Business Patterns

Rank	Industry	Business	Employment
1	Education	California Polytechnic State University	3,055
2	Healthcare	Department of State Hospitals - Atascadero	2,000
3	Correctional Facility	California Men's Colony	1,540
4	Public Utility	Pacific Gas & Electric	1,900
5	Services	Cal Poly Corp	1,400
6	Healthcare	Tenet Healthcare	1,272
7	Healthcare	Compass Health Inc.	1,200
8	Education	Lucia Mar Unified School District	1,000
9	Education	Paso Robles Public Schools	935
10	Education	San Luis Coastal Unified School District	902
11	Healthcare	Dignity Health (Central Coast)	864
12	Software	MINDBODY	650
13	Education	Atascadero Unified School District	600
14	Government	California Department of Transportation	544
15	Parks and Recreation	California State Parks	440
Total			18,302
Education			35%
Healthcare			29%
Other			35%

Source: SLO Chamber of Commerce

FIGURE 3.12: San Luis Obispo County Largest Employers

3.0 - LOCAL MARKET CONDITIONS

Transportation Factors

Vehicular Accessibility

Figure 3.13 shows San Luis Obispo County's primary transportation arteries for vehicular access. U.S. Route 101 is the County's most used interstate, with daily traffic counts reaching 79,000 in Pismo Beach. Four of the five areas under consideration (Paso Robles, Atascadero, San Luis Obispo, and Five Cities) are located along this route. Morro Bay is the only area under consideration not located on U.S. Route 101. California State Route 41 provides access to Morro Bay from Atascadero and provides direct connectivity to Fresno. California State Route 1 allows access to the northwest coast of San Luis Obispo County from the City of San Luis Obispo. Other Key routes that are also outlined on the map include:

- **CA-166** links the County to the San Joaquin Valley via Santa Maria, which is located just out of the County
- **CA-46** provides access to Cambria from U.S. Route 101
- **CA-58** provides access to Bakersfield through Santa Margarita

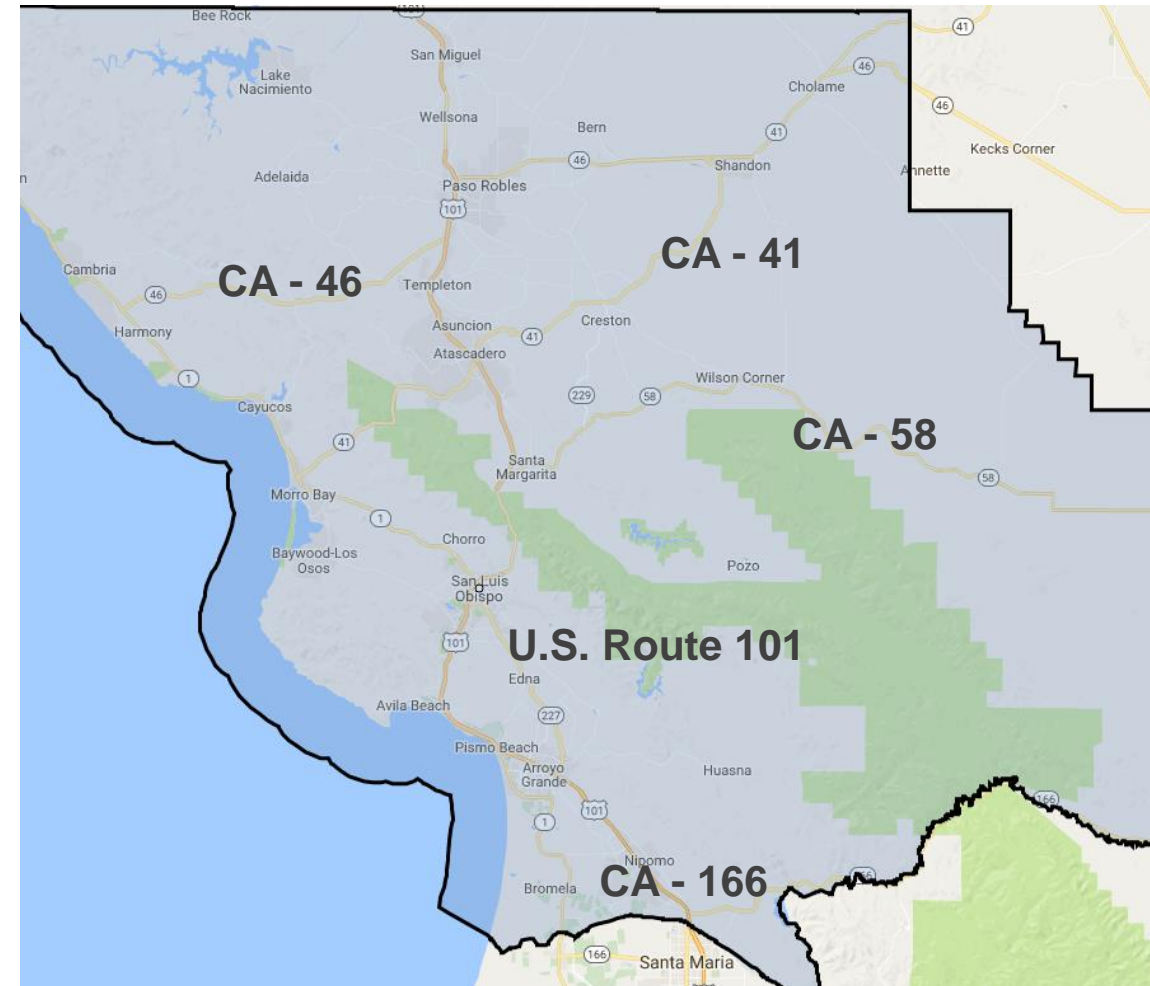


FIGURE 3.13: San Luis Obispo County Transportation Arteries

3.0 - LOCAL MARKET CONDITIONS

Transportation Factors

Air Accessibility

San Luis Obispo County Regional Airport is the primary passenger airport for the County. For frame of reference, Santa Barbara Municipal Airport (SBA), Bakersfield Meadows Field Airport (BFL), Monterey Regional Airport (MRY), and Fresno Yosemite International Airport (FAT) are also shown on the map. Each of these airports are the primary passenger airports for regional competitive markets, which are identified in Section 4.0 – Demand Analysis. Fresno and Monterey are the only passenger airports located outside the 100-mile radius shown to the right. In B&D’s professional opinion, only SBA and MRY could be utilized as secondary options for non-local patrons attending larger events such as conferences or conventions.



FIGURE 3.14: Regional Air Transportation Overview

3.0 - LOCAL MARKET CONDITIONS

Transportation Factors

Air Accessibility

Figure 3.15 below shows average passenger enplanement from 2011 to 2015 among regional airports. San Luis Obispo Regional Airport (SBP) ranks fifth in average enplanement from 2011 to 2015 with 138,000 annual enplanements. Fresno-Yosemite International Airport (FAT) ranks first at 670,000 and is beneficiary off 11 non-stop destinations. Figure 3.16 below also shows non-stop destinations by airport. Fresno offers air service to the most locations, with 10 domestic destinations and one international (Guadalajara, Mexico). SBP currently offers four flight services: Los Angeles, Phoenix, San Francisco, Seattle/Tacoma, and Denver. B&D anticipates that passenger totals at SBP will more closely resemble Monterey (MRY) in forthcoming years with the recent addition of Seattle/Tacoma and Denver as non-stop destinations.

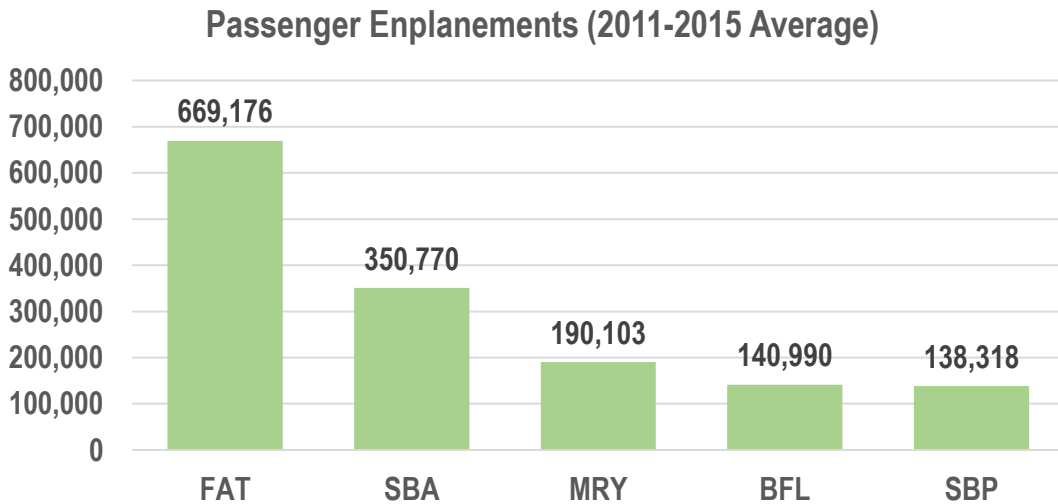


FIGURE 3.15: Regional Airport Average Passenger Enplanement
Source: FAA

Non-Stop Destinations				
SBP	SBA	BFL	FAT	MRY
Denver, CO	Dallas/Fort Worth, TX	Denver, CO	Dallas/Fort Worth, TX	San Francisco, CA
Los Angeles, CA	Denver, CO	Houston, TX	Denver, CO	Los Angeles, CA
Phoenix, AZ	Los Angeles, CA	Phoenix, AZ	Guadalajara, Mexico	Las Vegas, NV
San Francisco, CA	Phoenix, AZ	San Francisco, CA	Las Vegas, NV	Phoenix, AZ
Seattle/Tacoma, WA	Portland, OR		Los Angeles, CA	San Diego, CA
	San Francisco, CA		Phoenix, AZ	
	Seattle/Tacoma, WA		Portland, OR	
			Salt Lake City, UT	
			San Diego, CA	
			San Francisco, CA	
			Seattle/Tacoma, WA	

Source: Internet research

FIGURE 3.16: Regional Airport Services

3.0 - LOCAL MARKET CONDITIONS

Transportation Factors

Air Accessibility in Relation to County Areas

San Luis Obispo Regional Airport (SBP) is located 3.5 miles south of the City of San Luis Obispo. The next closest area under consideration in this analysis is Five Cities, which is located approximately 10 miles away. In comparison, Morro Bay is located 17 miles from the airport, Atascadero 22 miles, and Paso Robles 36 miles. The close proximity of the Five Cities and San Luis Obispo in relation to SBP provides the two cities with a strategic advantage over the more distant areas of Morro Bay, Atascadero, and Paso Robles.

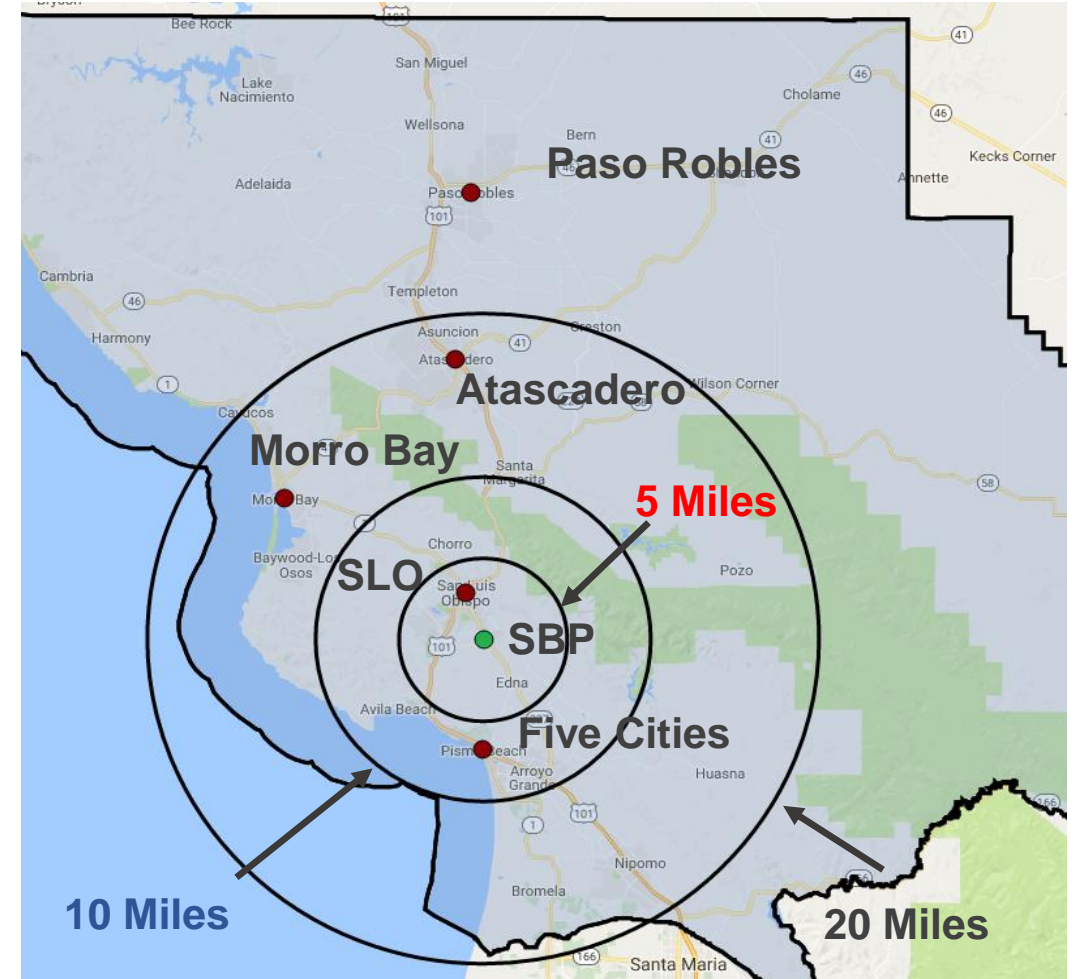


FIGURE 3.17: San Luis Obispo Regional Airport Location

3.0 - LOCAL MARKET CONDITIONS

Transportation Factors

Rail Accessibility

The County has three Amtrak stations, which are located in Paso Robles, San Luis Obispo, and Grover Beach. The region is served by two lines, including the “Pacific Surfliner” and “Coast Starlight.” The Coast Starlight, which is shown to the right, provides service from Los Angeles to Seattle. As a result, there is connectivity to major population centers including Seattle, Portland, Sacramento, Oakland / San Francisco, and Los Angeles. San Luis Obispo County ranks fourth among regional competitive markets in Amtrak boardings in 2014 with nearly 143,000. In comparison, the Bakersfield station had nearly 514,000 boardings in 2014.

California Amtrak Boardings (2014)

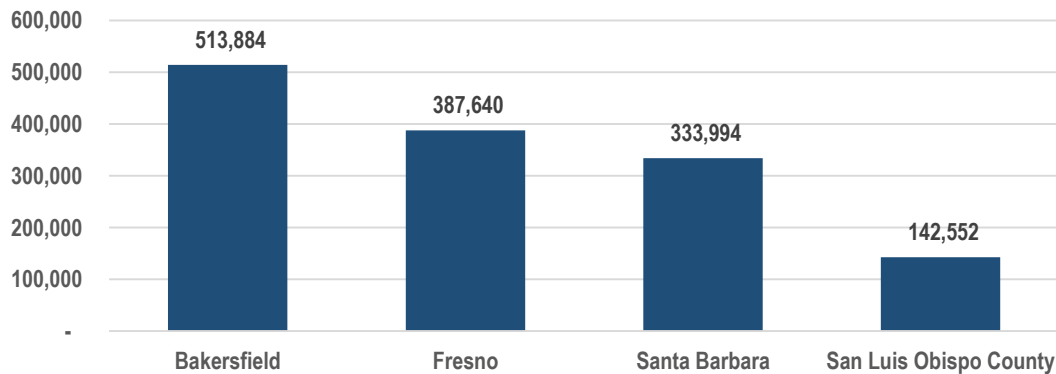


FIGURE 3.18: San Luis Obispo County Amtrak Boardings

Source: Amtrak Fact Sheet, 2014



FIGURE 3.19: Coast Starlight Route

FIGURE 3.20: San Luis Obispo County Amtrak Stations

3.0 - LOCAL MARKET CONDITIONS

Lodging Infrastructure

Hotel Inventory

B&D Identified 153 hotels in San Luis Obispo County comprising 8,887 total rooms. The map to the right shows hotel properties located within the County by classification as designated by STR Global. STR Global classifies hotel chains based on their average daily rate (ADR). There are six class segments: Economy, Midscale, Upper Midscale, Upscale, Upper Upscale, and Luxury. Examples of each are listed below:

- **Economy:** Days Inn, E-Z 8, Motel 6
- **Midscale:** La Quinta, Vagabond Inn, Quality Inn
- **Upper Midscale:** Best Western Plus, Holiday Inn Express, Hampton Inn & Suites
- **Upscale:** Courtyard Marriott, Hilton Garden Inn, Spyglass Inn
- **Upper Upscale:** Wyndham Hotels, Oakwood Premier, La Bellasera Inn & Suites
- **Luxury:** The Cliffs Resort, Grand Hyatt, JW Marriot

Hotel classification is important since different groups gravitate toward different properties. For instance, “SMERF” (social, military, ethnic, religious, fraternal) groups are generally very price sensitive while corporate travelers are not. As such, understanding the depth and breadth of offerings in each community is an important consideration.

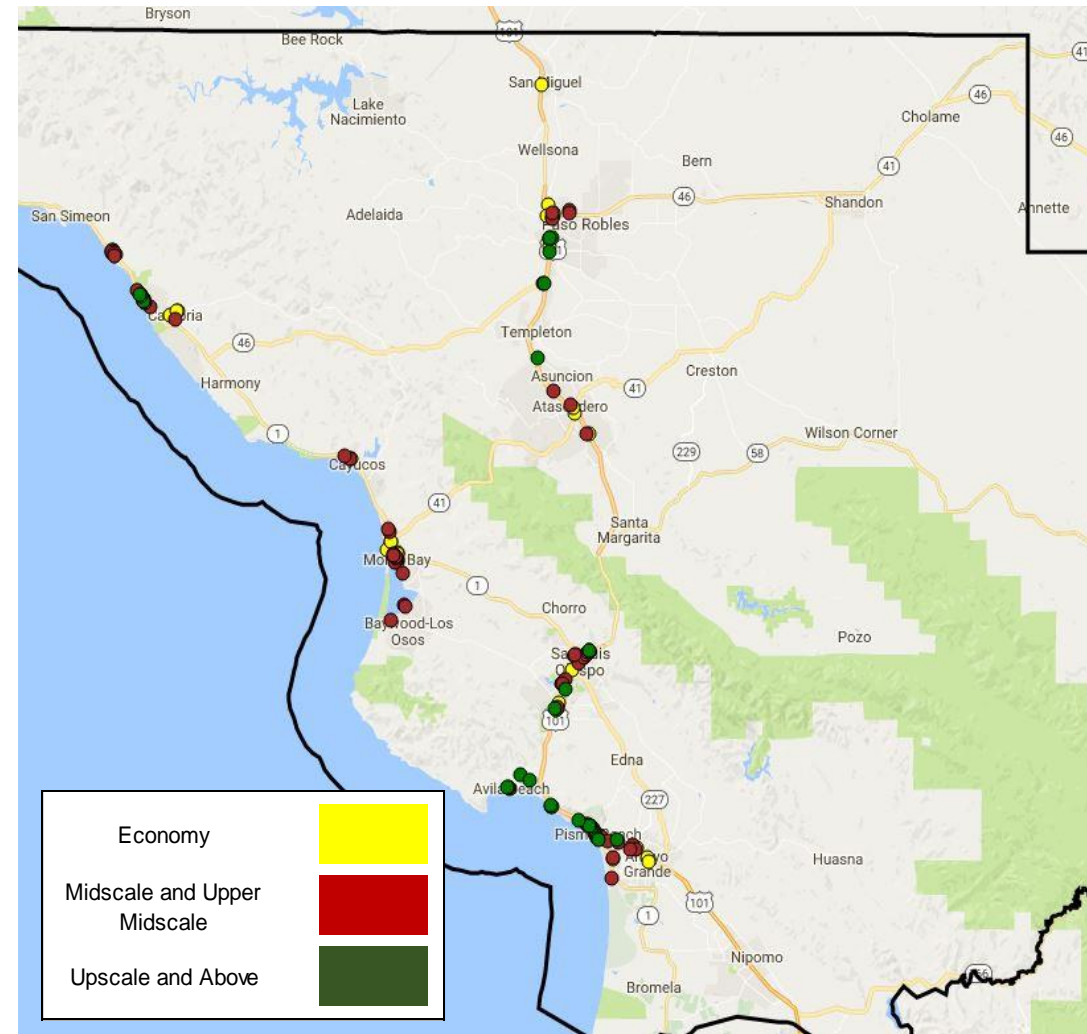


FIGURE 3.21: San Luis Obispo County Hotel Inventory by Classification

3.0 - LOCAL MARKET CONDITIONS

Lodging Infrastructure

Hotel Inventory

Figure 3.22 below shows the number of total hotels in each area by their classification. Five Cities ranks first in total hotels (31) and is followed closely by San Luis Obispo (30) and Morro Bay (27). The Five Cities also have the greatest number of “Upper Midscale” or better properties with 17. B&D has called out the number of “Upper Midscale” or better properties since this classification often represents in the minimum desired quality by meeting planners. Atascadero has the smallest number of total hotels with seven properties. Consistent with total hotel count, the Five Cities have the most hotel rooms at over 2,300. San Luis Obispo and Paso Robles are second and third with 2,100 and nearly 1,400 rooms, respectively.

Property Type	Atascadero	Five Cities	Morro Bay	Paso Robles	San Luis Obispo
Economy	3	7	15	9	10
Midscale	-	7	6	2	7
Upper Midscale	3	6	6	4	9
Upscale	1	4	-	2	2
Upper Upscale	-	3	-	1	1
Luxury	-	4	-	1	1
Total Hotels	7	31	27	19	30
Upper Midscale or Better	4	17	6	8	13

Source: Visit SLOCAL, Internet research

FIGURE 3.22: San Luis Obispo County Hotel Inventory by Classification

Hotel Rooms by County Area

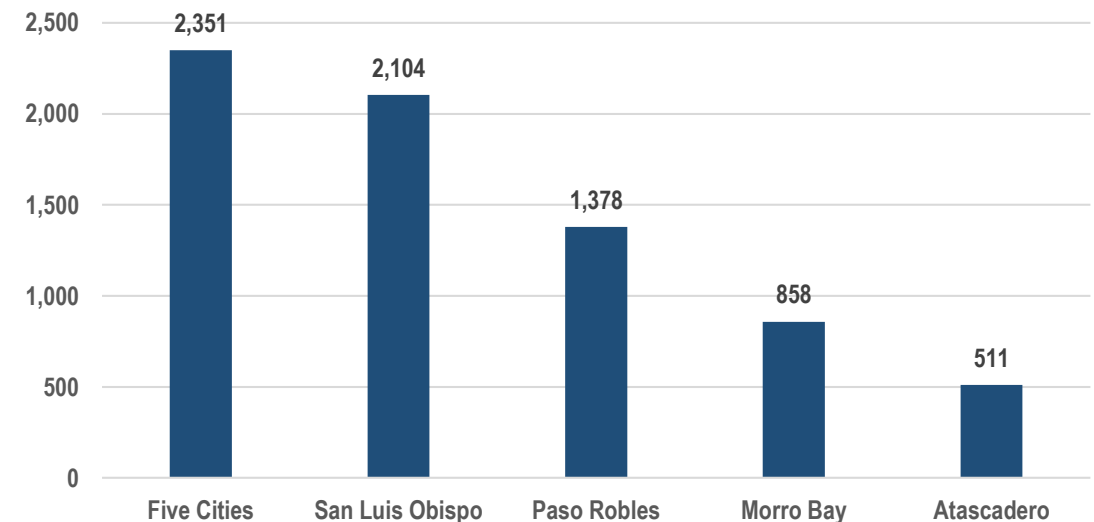


FIGURE 3.23: San Luis Obispo County Hotel Inventory

Source: Visit SLO CAL

3.0 - LOCAL MARKET CONDITIONS

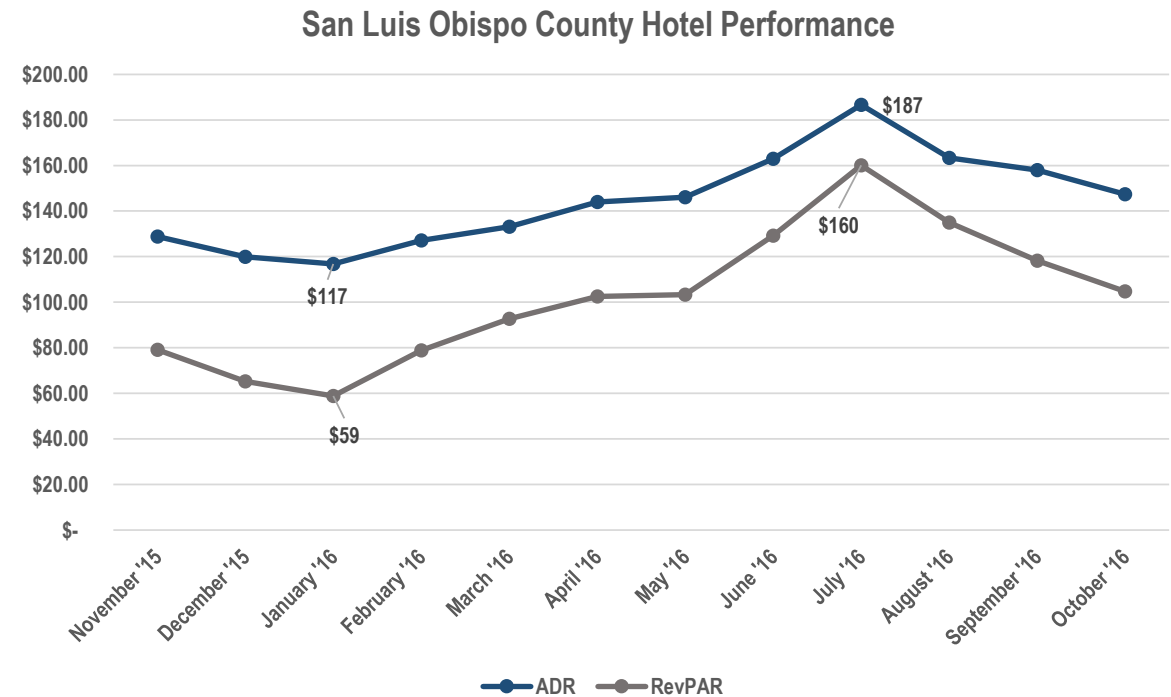
Lodging Infrastructure

Seasonality

B&D used key hotel metrics defined below to evaluate seasonality trends in the San Luis Obispo County hotel market:

- **Average Daily Rate (ADR):** Represents the average rental income per paid occupied room in a given time period.
- **Occupancy:** The proportion of rooms occupied or in use.
- **Revenue Per Available Room (RevPAR):** Calculated by multiplying ADR by occupancy rate.

Figure 3.24 to the right shows ADR and RevPAR in the County. The San Luis Obispo hotel market is significantly impacted by seasonal demand patterns. Key metrics such as RevPAR and ADR are highest during the summer months at \$160 and \$186, respectively. This represents a 172% increase over the January RevPAR low of under \$59. Occupancy in the County ranges from 50% in January to 86% in July. This variance of 70% is greater than the 60% variance in ADR, which indicates that hotel seasonality is primarily a function of occupancy.



Source: STR

FIGURE 3.24: San Luis Obispo County Hotel Performance Metrics and Seasonality

3.0 - LOCAL MARKET CONDITIONS

Lodging Infrastructure

Seasonality & Revenue per Hotel

The line graph to the right shows average revenue per hotel over a 12-month period from November 2015 to October 2016. The Five Cities area has the greatest average revenue figure at \$424,000. This is likely a reflection of the hotel inventory in this area, which includes the greatest number of upscale, upper upscale, and luxury hotels with 11. High-end hotels in Five Cities constitute over one-third of total hotels in the area while high-end hotels comprise up to 20% of total hotels in the other four markets.

The graph to the right shows RevPAR over a 12-month period from November 2015 to October 2016. The County's average RevPAR ranges from \$59 in January to \$160 in July. RevPAR figures by County area vary significantly with a \$45 low in Atascadero (January) and a \$186 high in Five Cities (July).

Average Revenue per Hotel

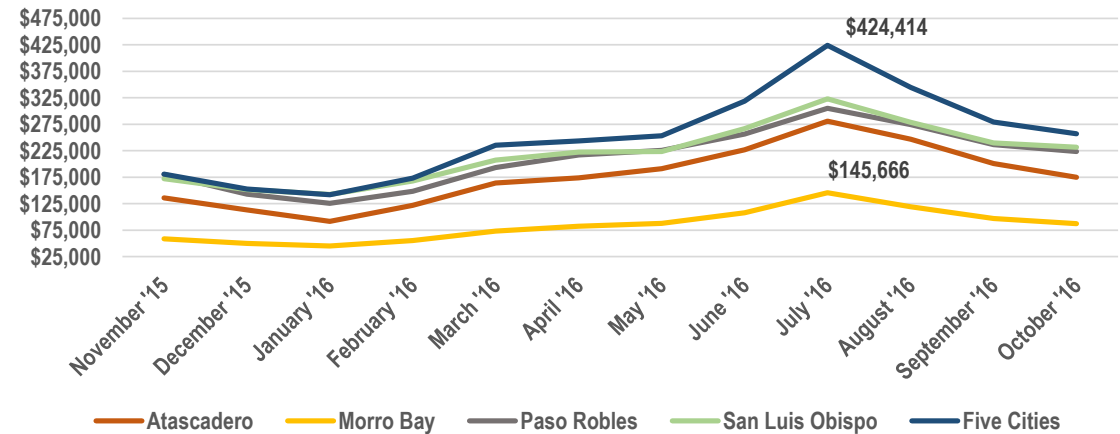


FIGURE 3.25: Average Revenue per Hotel

RevPAR

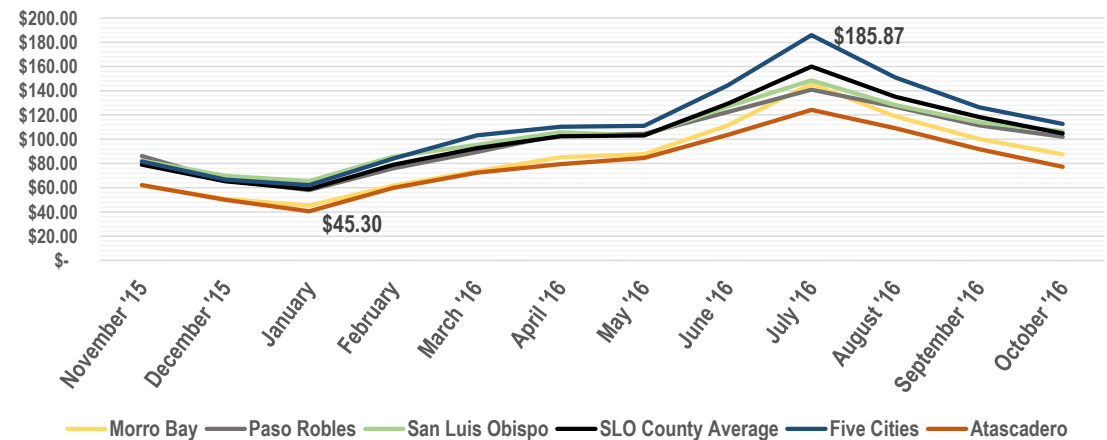


FIGURE 3.26: RevPAR Trailing Twelve Months

3.0 - LOCAL MARKET CONDITIONS

Lodging Infrastructure

Atascadero Hotel Inventory

Figure 3.27 to the right shows the location of hotels in Atascadero. All seven hotels in Atascadero are located along U.S. Route 101 and offer just over 500 sleeping rooms, combined. The City's only hotel classified as "Upscale" or better is the 130-room Springhill Suites, located near the City's northern border. The limited inventory of properties would greatly restrict group sizes for plenary sessions.

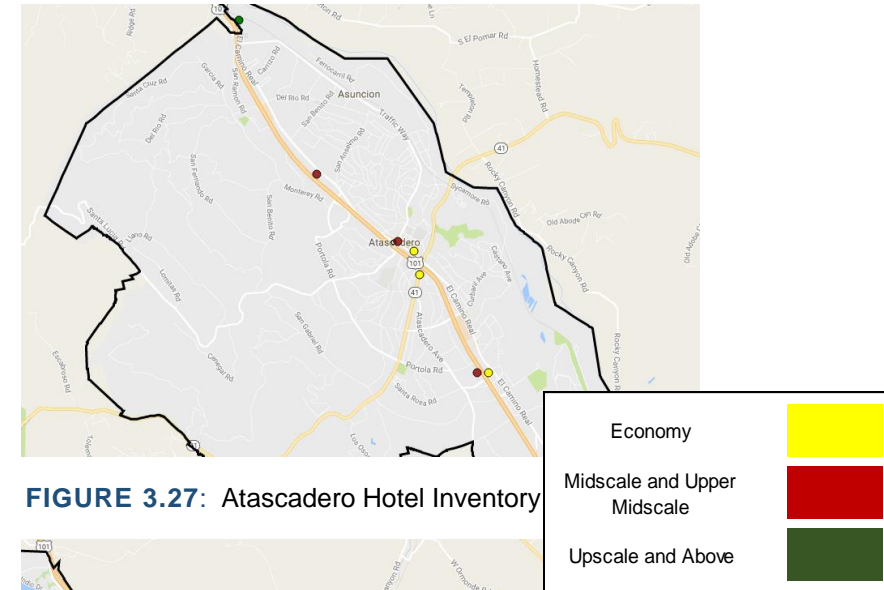


FIGURE 3.27: Atascadero Hotel Inventory

Five Cities Hotel Inventory

Figure 3.28 to the right shows the location of hotels in the Five Cities area. The majority of hotels in the Five Cities are located on the south coast of Pismo Beach along U.S. Route 101. The Five Cities' 31 hotels offer over 2,300 sleeping rooms. Pismo's north coast has less hotel inventory but has three of the area's "Upscale" or better hotels: The Cliffs Resort, Dolphin Bay Hotel, and Spyglass Inn.

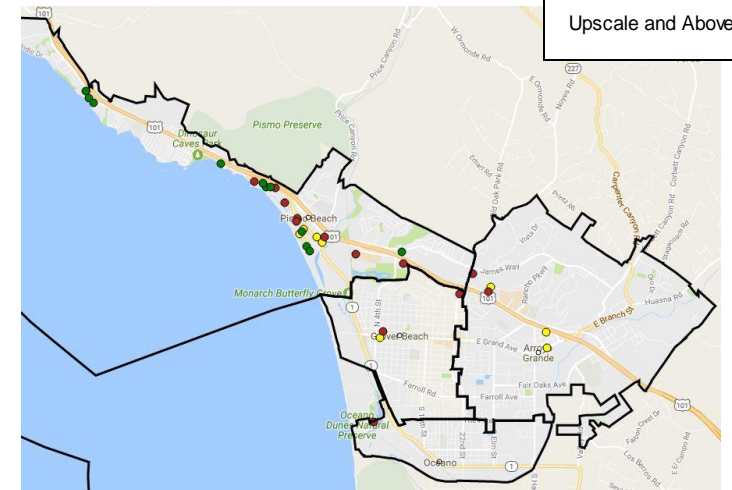


FIGURE 3.28: Five Cities Hotel Inventory

3.0 - LOCAL MARKET CONDITIONS

Lodging Infrastructure

Morro Bay Hotel Inventory

Figure 3.29 to the right shows the location of hotels in Morro Bay. The city has 27 hotels that offer nearly 900 sleeping rooms, combined. The majority of hotels are located near the intersection of Morro Bay Blvd and Main St. Morro Bay's hotel inventory consists of hotels classified as "Economy," "Midscale," and "Upper Midscale." In contrast to the other areas within the County, Morro Bay has no hotels classified as "Upscale," "Upper Upscale," or "Luxury."

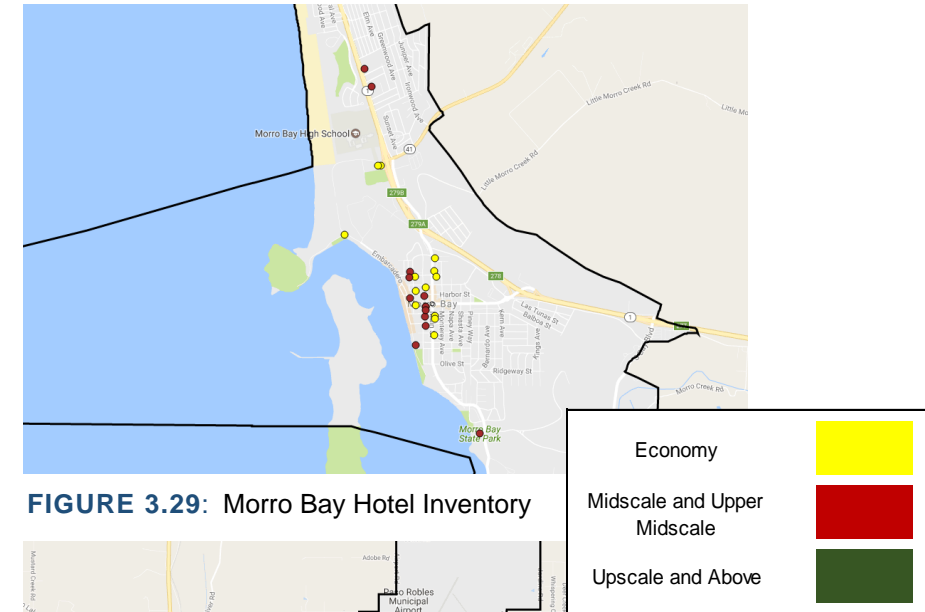


FIGURE 3.29: Morro Bay Hotel Inventory

Paso Robles Hotel Inventory

Figure 3.30 to the right shows the location of hotels in Paso Robles. The city has 19 hotels that offer nearly 1,400 sleeping rooms. All but two hotels are located west of U.S. Route 101 and provide convenient interstate access. Paso Robles's hotels classified as "Upscale" or better are located in the southwest portion of the city borders along U.S. Route 101.

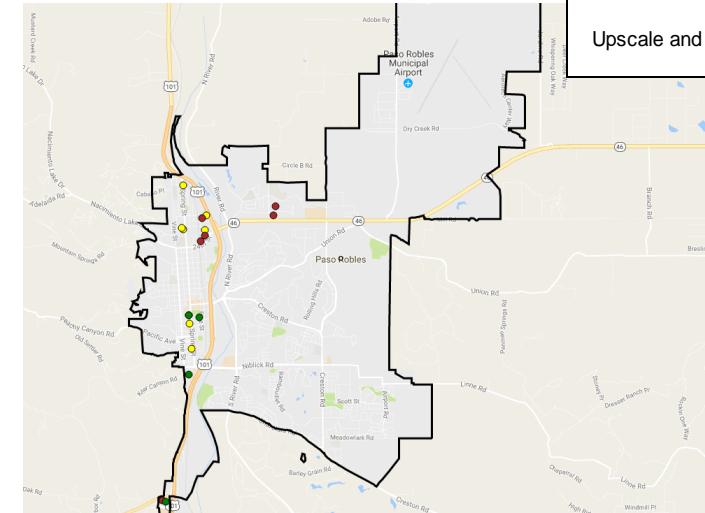


FIGURE 3.30: Paso Robles Hotel Inventory

3.0 - LOCAL MARKET CONDITIONS

Lodging Infrastructure

San Luis Obispo Hotel Inventory

Figure 3.31 to the right shows the location of hotels in San Luis Obispo. The city has 30 hotels that offer just over 2,100 sleeping rooms. Hotel inventory in San Luis Obispo is concentrated along U.S. Route 101 in the downtown area near Cal Poly. The majority of San Luis Obispo's hotels are classified as "Economy," "Midscale," and "Upper Midscale." Four city properties are rated "Upscale" or better and include the Apple Farm Inn, Courtyard San Luis Obispo, Embassy Suites, and Sycamore Mineral Springs Resort.

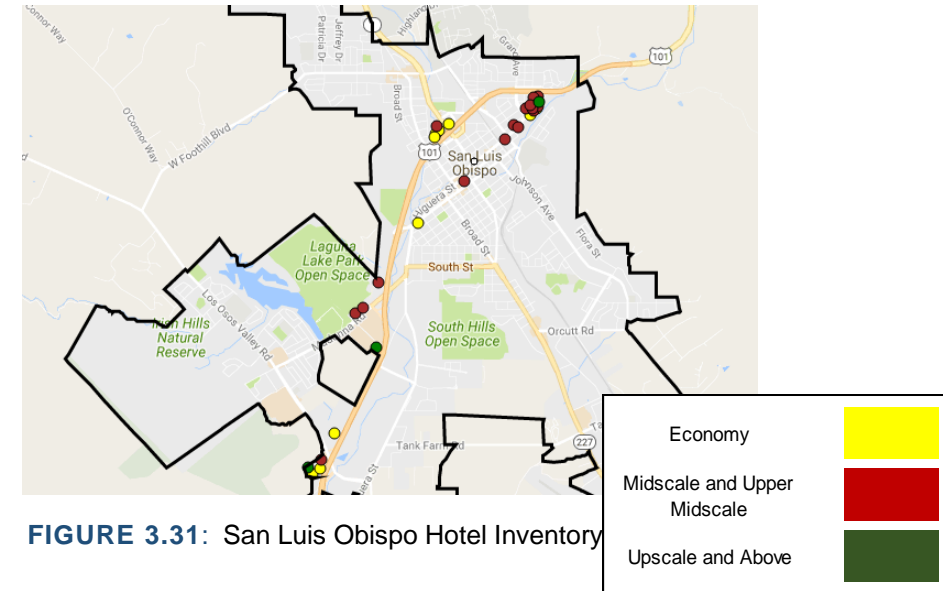


FIGURE 3.31: San Luis Obispo Hotel Inventory

3.0 - LOCAL MARKET CONDITIONS

Meeting Space

Meeting Space Overview

B&D identified 46 properties in the County that offer sellable meeting space. Figure 3.32 shows the location and if it includes a residential component, which indicates the presence of on-site lodging. Properties are largely concentrated in four areas along US Route 101: Paso Robles, Atascadero, San Luis Obispo, and Five Cities. Space inventories include exhibit space, ballrooms, meeting rooms, and outdoor meeting space, all of which will be discussed further on subsequent pages.

Thirty-four of the 46 properties that offer meeting space are residential properties. SeaVenture Beach Hotel offers the fewest sleeping rooms at 51 while Embassy Suites offers the most at 195 (excluding Ragged Point Resort, which is a geographical outlier). Other property types that offer meeting space include restaurants, special organizations (SLO Veteran's Memorial Hall), vineyards / wineries, and Cal Poly.

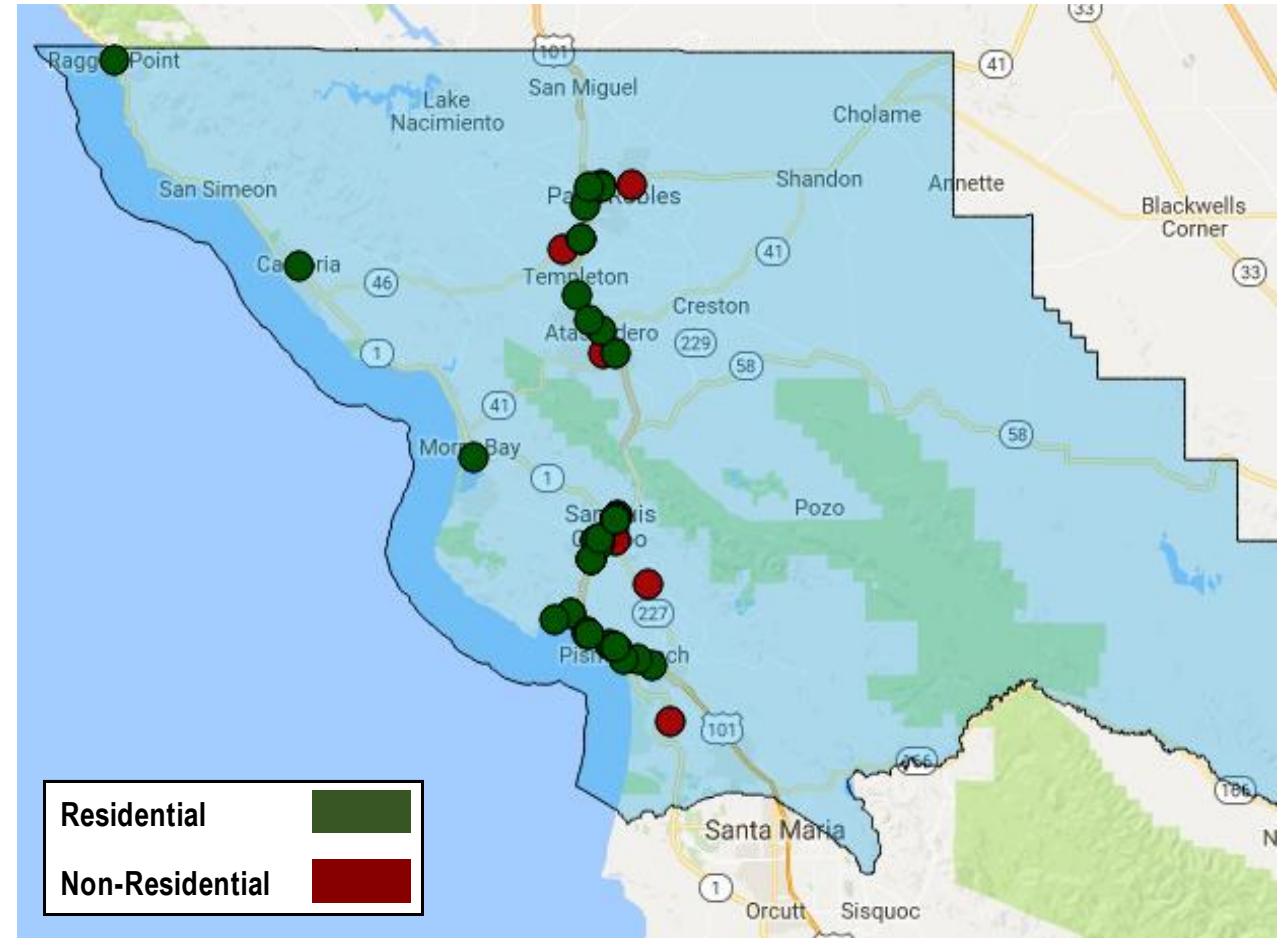


FIGURE 3.32: Meeting Space Overview – Residential and Non-Residential Properties

3.0 - LOCAL MARKET CONDITIONS

Meeting Space

Meeting Space Inventory & Space Classification

The table to the right provides a breakdown of the meeting spaces within the County. There are four exhibition spaces, 20 ballrooms, 108 meeting rooms, and nearly 140,000 SQ FT of outdoor rentable space. In B&D's opinion, the County's exhibit space more closely resembles small expo halls than traditional prime exhibit space. Further, B&D acknowledges the outdoor space inventory is difficult to define due to the number of wineries located within the County. Meeting space types are defined below:

Space Type	Count	Total SQ FT
Exhibit Halls	4	64,711
Ballrooms	20	71,124
Meeting Rooms	108	100,631
Outdoor Space	-	136,933
Indoor Sellable SQ FT	-	209,056
Total Sellable SQ FT	-	345,989

[1] 'Total Indoor Sellable SQ FT' accounts for overlap from dividable rooms

Source: Internet research

FIGURE 3.33: County-Wide Meeting Space Inventory Summary

- **Exhibit Space:** Exhibit Halls are large spaces of basic décor. These spaces are generally over 25,000 SQ FT and have ceiling heights of 40 feet or greater, polished concrete flooring, minimal columns, and ample utility connectivity. Events include conventions, trade shows, and consumer shows that attract non-local patrons.
- **Exposition Space:** Exposition space is similar to exhibit space but is typically larger and utilized for a wider range of events, including events such as flea markets and swap meets that attract primarily local patrons. Events that utilize exposition centers are often stand-alone and do not require break-out spaces.
- **Ballrooms:** Ballrooms are often the most utilized space in a conference center due to its central importance in attracting events such as banquets and weddings that create greater ancillary spending ratios. Full-size ballrooms generally range from 10,000 to 20,000 SQ FT in size and can be divided into several smaller partitions by utilizing movable walls. Ballrooms feature higher-quality finishes, are absent of columns or pillars, and contain carpeted floors and higher quality finishes. Ballrooms can also be adapted to serve as exhibition space utilized for small trade shows.
- **Meeting Rooms:** Meeting rooms are utilized for smaller meetings, conferences, and educational sessions. In comparison to a ballroom, meeting spaces are smaller (800 SQ FT to 2,000 SQ FT) and more intimate. The meeting rooms are typically utilized as break-out spaces during conferences or conventions.

3.0 - LOCAL MARKET CONDITIONS

Meeting Space

Meeting Space Inventory Distribution

Figure 3.34 examines County meeting space inventory. Paso Robles has the greatest amount of sellable square with 138,000 SQ FT. San Luis Obispo has the second greatest amount at slightly over 100,000 SQ FT. The other four areas combined offer just over 105,000 SQ FT, highlighting the high concentration of space in Paso Robles and San Luis Obispo. San Luis Obispo and the Five Cities have the highest number of total meeting spaces with 16 and 12, respectively. Although the Five Cities has a significant quantity of meeting spaces, indoor sellable SQ FT is just over 23,000 SQ FT.

Paso Robles Event Center and the Madonna Inn (San Luis Obispo) are the County's two largest spaces at 18,600 SQ FT and 20,000 SQ FT, respectively. Further discussion of the County's largest meeting spaces can be found on the next page.

Area	Largest Space (SQ FT)	# of Properties	Total Indoor Sellable SQ FT	Total Sellable SQ FT
Atascadero	4,425	5	24,737	27,237
Five Cities	2,977	12	23,015	47,165
Morro Bay	2,500	1	5,325	10,985
Paso Robles	18,624	8	68,482	138,145
San Luis Obispo	20,000	16	79,452	102,412
Other	3,360	4	8,045	20,045
Average	8,648	8	34,843	57,665
Total	-	46	209,056	345,989

Source: Internet research

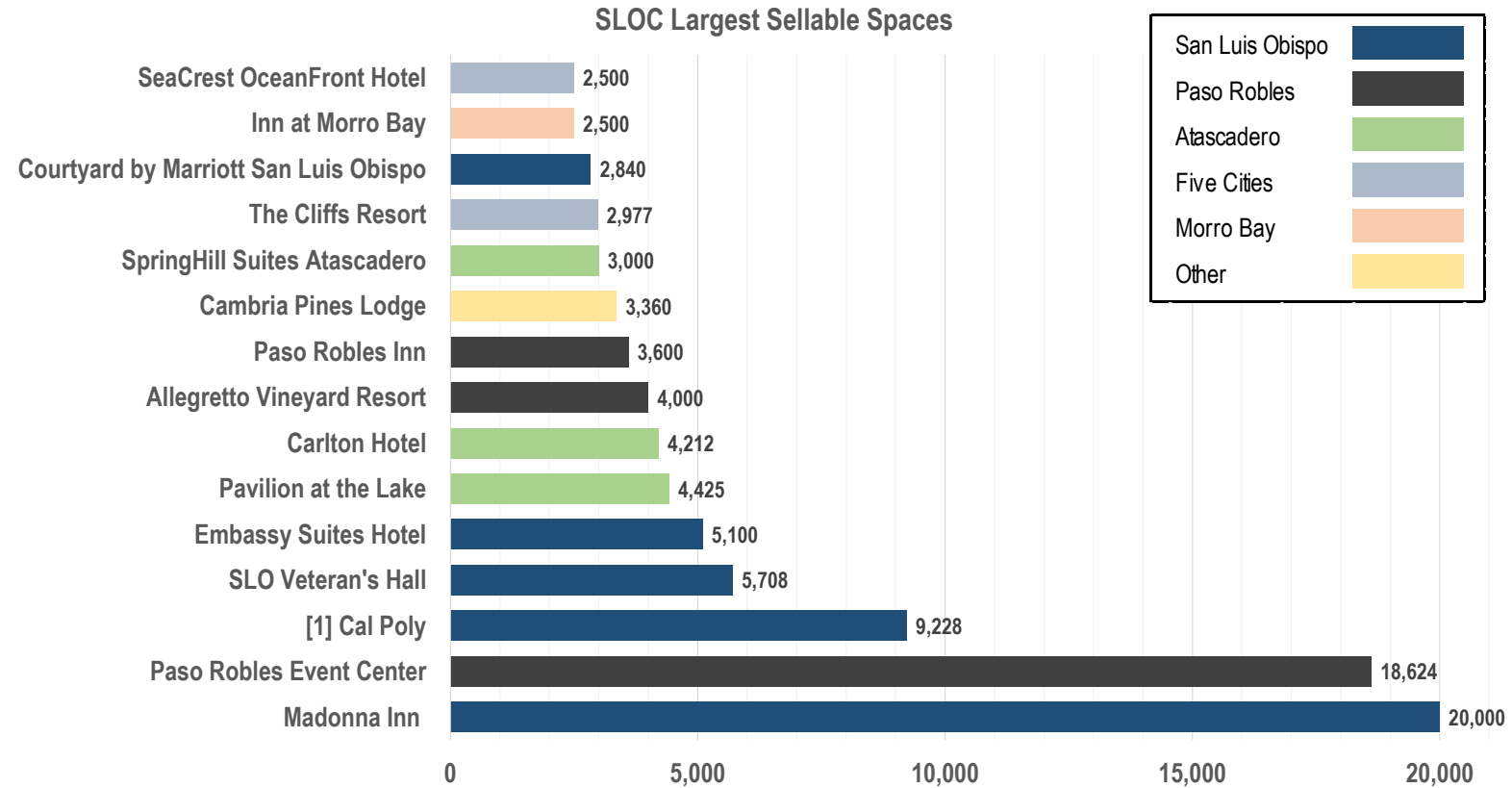
FIGURE 3.34: Meeting Space Inventory Distribution by Area

3.0 - LOCAL MARKET CONDITIONS

Meeting Space

Largest Spaces

Figure 3.35 to the right shows largest County meeting spaces in ascending order. The spaces are color coded according to their location within the County. The Madonna Inn (San Luis Obispo) and Paso Robles Event Center are the two largest spaces in the market. Chumash Auditorium offers over 9,228 of leasable SQ FT but is seldom available for external rentals. Embassy suites is the largest ballroom in the County at 5,100 SQ FT. This is considered a “junior” ballroom by B&D and speaks to the limited amount of ballroom space in the County.



[1] Primarily utilized for student / university events

FIGURE 3.35: San Luis Obispo County Largest Sellable Spaces

Source: Internet research

4.0 – DEMAND ANALYSIS

Introduction

The Demand Analysis builds on the Local Market Conditions Analysis. The analysis provides the primary basis for developing an outline building program. Component tasks to the demand analysis are listed below:

- Analysis of **Convention and Conference Center Trends** as well as key national and state trends that affect demand for the project;
- Examination of **Regional Competitive Market** characteristics observed at Bakersfield, Fresno, Monterey, and Santa Barbara;
- Analysis of **Comparable Conference Center**, including space configurations and event characteristics; and
- Development of a **Meeting Planner Survey** to assess building program and city preferences for a new conference center as well as general meeting elements (Size, attendance, duration, hotel requirements, etc.).

Methodology

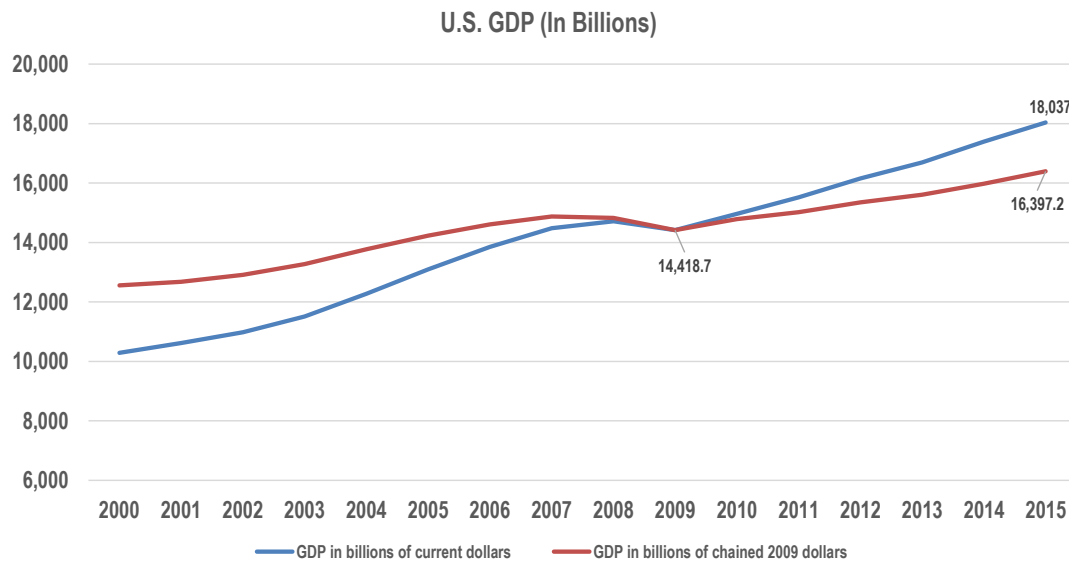
Analysis of convention and conference trends contained in this analysis is based on Internet articles and newsletters published by Meeting Professionals International (MPI) and the International Association of Conference Centers (IACC). The purpose of this analysis is to identify macro-level demand trends that affect demand for the project. The regional competitive markets were identified based on input from the Client and B&D's judgment; for each market, demographic, business climate, hotel, and meeting space inventory were compared and contrasted to evaluate the County's competitive position. Comparable conference centers were then utilized as the primary benchmarking tool for program development. The Meeting Planner Survey builds on the three previous analyses and brings into focus the appropriate building program, types of spaces, and preferred area within the County.

4.0 – DEMAND ANALYSIS

Convention and Conference Center Trends

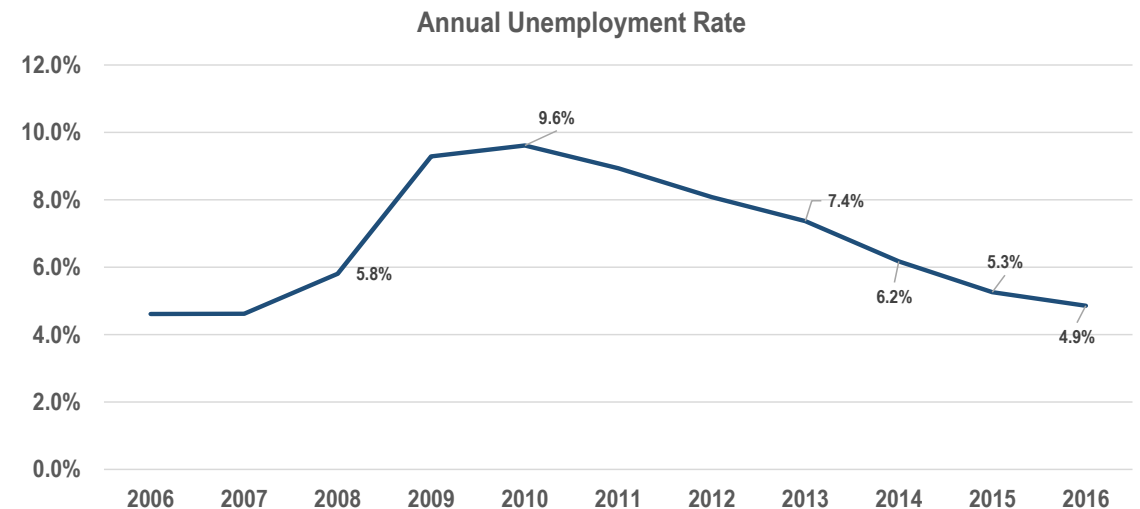
Economic Indicators

Macroeconomic indicators such as GDP and unemployment are closely correlated with demand for conferences and conventions. National GDP has grown over the past seven years at an average compound growth rate of nearly 4%. However, GDP is expected to grow at just over 2% in 2017 according to Trading Economics, which is considerably less than post-recession average growth rates between 2009 and 2016. Figure 4.2 examines U.S. unemployment from 2006 to 2016, which has decreased steadily from 9.6% in 2010 to 4.9% in 2016. Furthermore, a survey conducted by MPI revealed that 63% of respondents predict “favorable business conditions for the year ahead,” which is a positive near-term indicator of demand for meeting space.



Source: U.S. Bureau of Economic Analysis

FIGURE 4.1: U.S. GDP



Source: U.S. Bureau of Labor Statistics

FIGURE 4.2: Annual Unemployment Rate

4.0 – DEMAND ANALYSIS

Convention and Conference Center Trends

California & Central Coast Region Travel Spending

California has experienced consistent levels of growth in direct travel total spending from 2004 to 2015. Spending grew at an average of 6% reaching \$122.5 billion in 2015. Travel spending for the central coast of California has grown steadily since 2004 at a compound average of 6%, consistent with the state average. Though figures for 2016 and 2017 have yet to be published the consistent, upward-sloping trend line suggests continued growth.

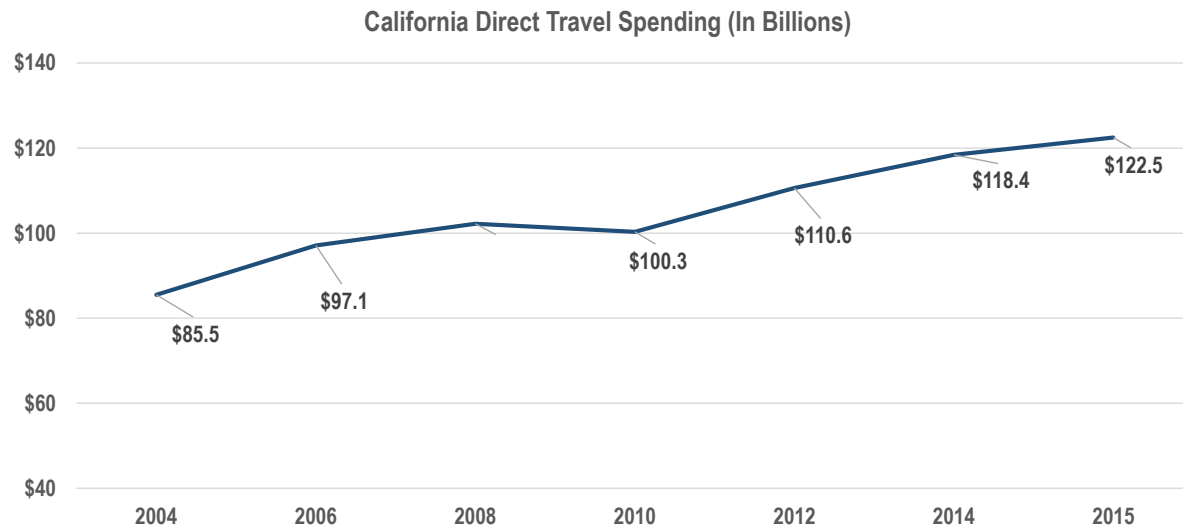


FIGURE 4.3: California Direct Travel Spending

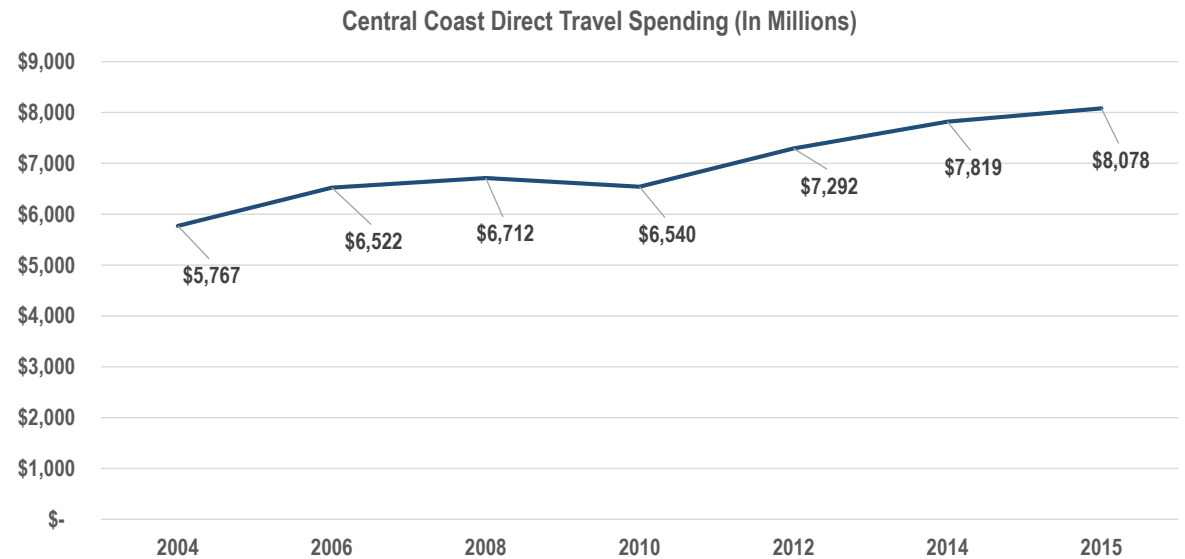


FIGURE 4.4: Central Coast Direct Travel Spending

4.0 – DEMAND ANALYSIS

Convention and Conference Center Trends

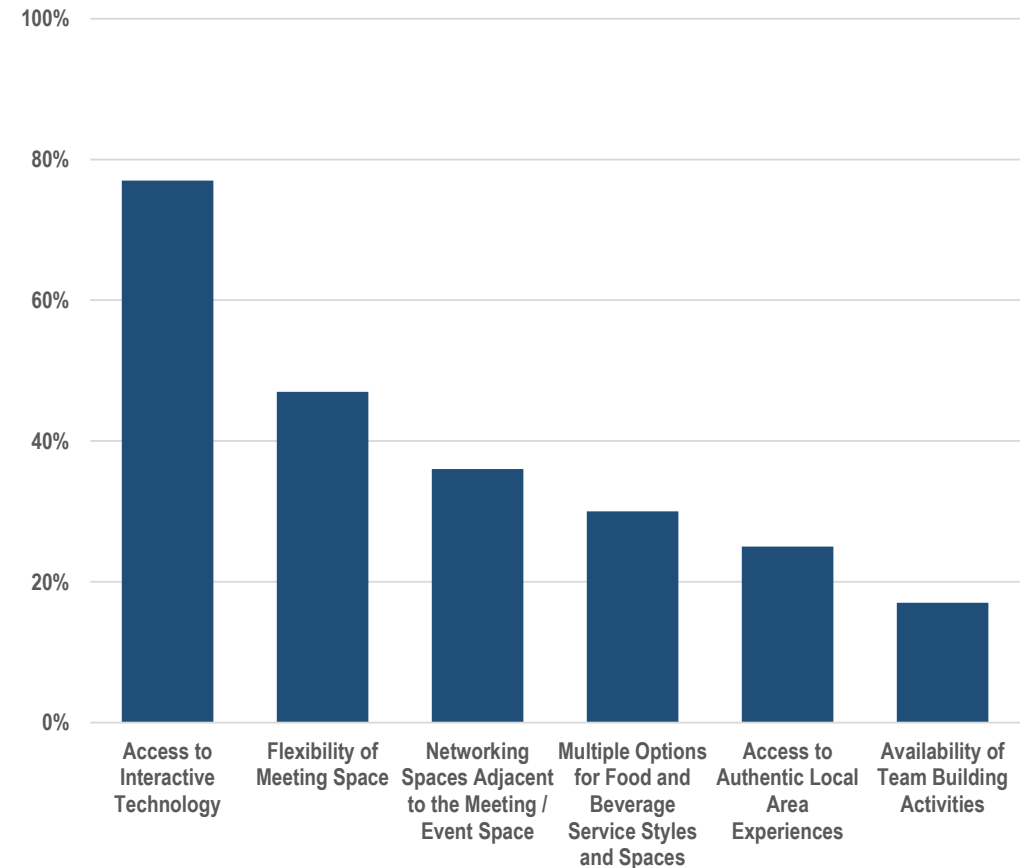
Consumer Needs

As participant demographics change and evolve, a different set of convention, conference, and exhibition elements take on different levels importance to attendees and planners. Figure 4.5 to the right lists the elements that are growing in importance to meeting planners. The Meeting Professionals International (“MPI”) reveals a 33% projected growth from 2012 to 2022 in the meeting, convention and event planner profession. This profession’s growth is 22 percentage points higher than the average growth rate of other occupations, suggesting that planners expectations will continue to evolve significantly.

Preferences

The most important meeting venue element over the next five years is access to interactive technology (78%), followed by flexible meeting space (47%), and networking spaces (37%). Comparatively less important factors include multiple options for food and beverage, access to local area experiences, and availability of team-building activities.

What Meeting Venue Elements Will Be Most Important Looking Toward the Next Five Years?



Source: IACC Annual Report 2016. Recreated by B&D

FIGURE 4.5: Important Meeting Elements Over the Next Five Years

4.0 – DEMAND ANALYSIS

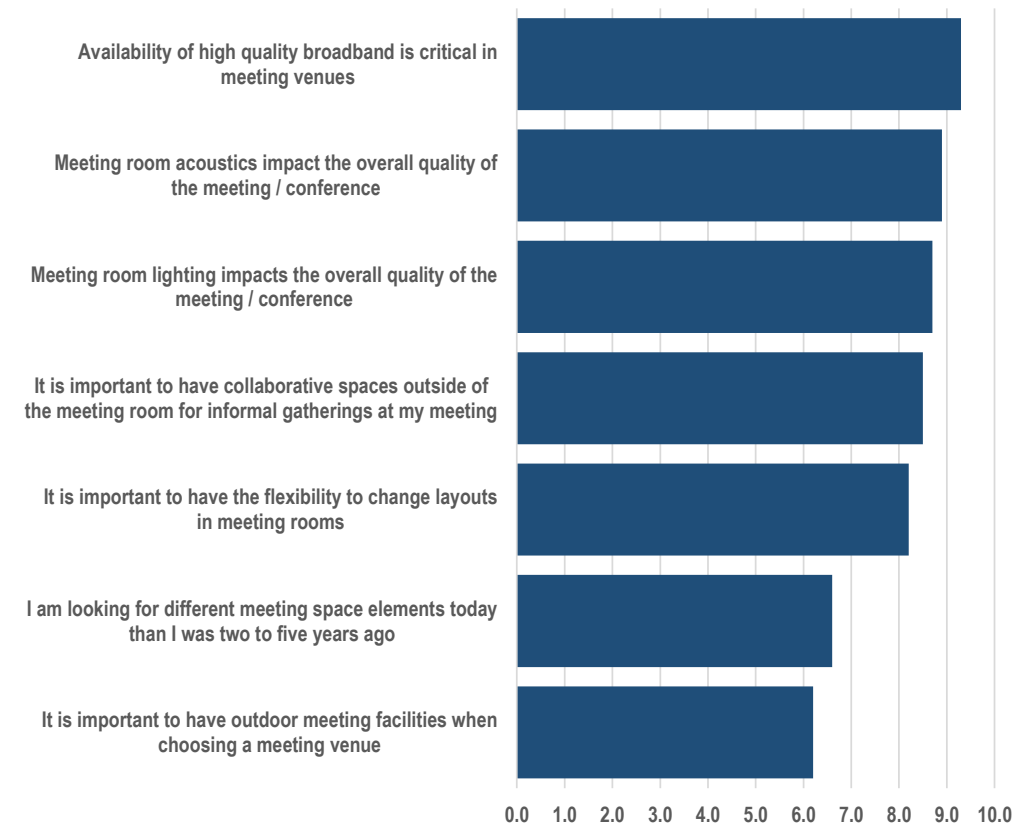
Convention and Conference Center Trends

Experience Creation

Seventy-five percent of meeting planners report a growing importance of “experience creation” in their professional role. The term “experience creation” involves collaboration and the exchange of ideas in an engaging manner in contrast to the conventional speaker-audience relationship. As such, incorporation of technology and collaboration is growing in importance over one-way presentations.

Figure 4.6 to the right highlights several important elements to meeting planners regarding what culminates in creating a positive experience. Quality broadband internet is the highest concern among meeting planners. The lowest concern is the availability of outdoor space. Although depicted as the lowest concern in Figure 4.6, a ranking of above 5.0 still reflects agreement with the statement.

Degree to Which Respondents Agree with the Following Statements (on a scale of 1 (strongly disagree) to 10 (Strongly agree))



Source: IACC Annual Report 2016. Recreated by B&D

FIGURE 4.6: Experience Creation Elements

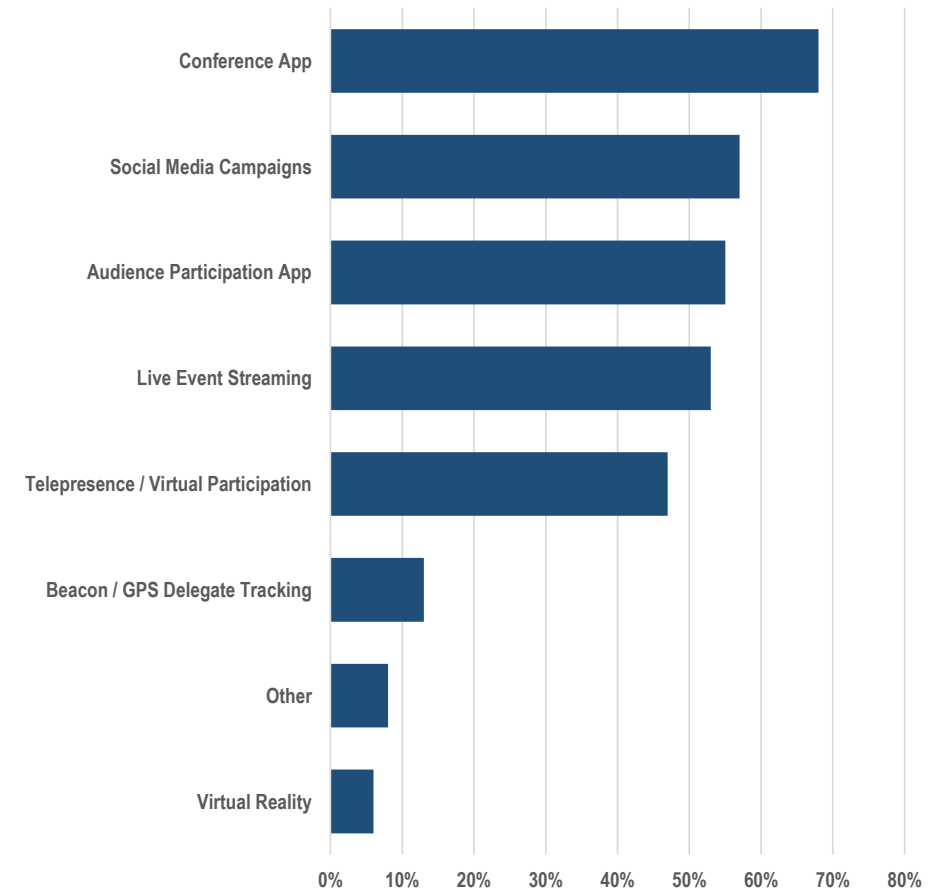
4.0 – DEMAND ANALYSIS

Convention and Conference Center Trends

Technology Integration

Over 75% of meeting planners express interactive technology integration is more important than five years ago. Interactive technology stimulates audience participation and provides alternative communication platforms. According to IACC, technology elements that are becoming facility requirements include modern A/V capabilities and high-quality broadband internet. IACC also conducted a survey to view respondents growth expectation of meeting and conference attendance. While respondents that project live attendance to increase has dropped from 62% to 50% (2015 to 2016), 55% of respondents report expected growth in virtual meeting attendance. Virtual attendance is an element of modern conference and meeting facilitated and supported by innovated new technologies as listed in figure 4.7 to the right. The most important innovations are a conference web-app, a social media campaign, and audience participation.

Meeting Technologies Implemented in the Past Five Years



Source: IACC Annual Report 2016. Recreated by B&D

FIGURE 4.7: Meeting Technology Changes

4.0 – DEMAND ANALYSIS

Regional Competitive Markets

Market Identification

B&D Identified four regional competitive markets based on proximity to San Luis Obispo County. Figure 4.8 to the right shows the location and MSA boundaries of the four competitive markets, which include: Fresno, Monterey, Bakersfield, and Santa Barbara. The distance from San Luis Obispo city center to each regional market's major population center is listed below:

- **Santa Barbara:** 94 miles
- **Monterey:** 142 miles
- **Fresno:** 138 miles
- **Bakersfield:** 136 miles

The County is compared and contrasted with these markets on the basis of demographic characteristics, business climate, lodging inventory, and meeting space inventory. The purpose is to evaluate the County's positioning in relation to these sub-markets and its overall suitability for development, understanding that conference centers attract patrons from a catchment area that overlaps these regional markets.



FIGURE 4.8: Regional Competitive Markets

4.0 – DEMAND ANALYSIS

Regional Competitive Markets

Demographic and Business Climate Comparison

Figure 4.9 below provides a demographic and corporate overview of San Luis Obispo County in comparison to the four competitive markets. MSA Population is greatest in Fresno at 983,000, while the County ranks fifth at 284,000. Average household income is highest in Santa Barbara at nearly \$97,000, while San Luis Obispo County ranks third at just over \$84,000. Consistent with its market size, Fresno’s corporate community ranks first among competitive markets, with over 16,000 businesses (94 of which employ more than 250 people). The County’s corporate community ranks fifth with just over 8,000 businesses. Consistent with all markets besides Monterey, Healthcare and Social Assistance is the industry with the most establishments (excluding Retail).

		<u>San Luis Obispo</u>		<u>Fresno</u>		<u>Monterey</u>		<u>Bakersfield</u>		<u>Santa Barbara</u>	
		Total	Rank	Total	Rank	Total	Rank	Total	Rank	Total	Rank
Demographics (MSA)	Population	283,892	5	982,784	1	437,404	4	890,015	2	448,759	3
	Population Growth (%)	0.7%	4	1.0%	1	0.6%	5	1.00%	1	0.80%	3
	Average HH Income	\$84,356	3	\$67,290	5	\$86,372	2	\$69,573	4	\$96,979	1
	Median Age	38.5	1	31.1	4	33.2	2	30.6	5	32.9	3
Business Statistics (MSA)	Total Establishments	8,028	5	16,119	1	8,420	4	12,480	2	11,296	3
	(> 250 Employees)	21	5	94	1	27	4	78	2	44	3
	Retail Trade Establishments	1,150	5	2,493	1	1,319	4	1,929	2	1,508	3
	Top Industry [1]	Healthcare and Social Assistance		Healthcare and Social Assistance		Accommodation and Food Services		Healthcare and Social Assistance		Healthcare and Social Assistance	

[1] Top industry excludes retail trade establishments

Source: NAICS Business Patterns, SitesUSA, CVENT, Internet research, STR

FIGURE 4.9: Competitive Markets Demographics and Corporate Overview

4.0 – DEMAND ANALYSIS

Regional Competitive Markets

Hotels and Meeting Space Comparison

Figure 4.10 below shows a hotel and conference space overview of San Luis Obispo County in comparison to the competitive markets. San Luis Obispo County ranks second in number of hotels (153), behind Monterey (250). The County's ADR is third highest at \$132, significantly below both Santa Barbara and Monterey but also significantly greater than Fresno and Bakersfield. Monterey has the highest ADR in the most recent year at \$196. Monterey also has the largest ballroom in comparison to other markets at nearly 20,000 SQ FT, while San Luis Obispo County ranks last in ballroom size. Santa Barbara possesses a number of larger exhibit space and offers the greatest amount of sellable SQ FT with over 470,000 SQ FT. In comparison, San Luis Obispo County ranks third with nearly 346,000 SQ FT (27% variance).

		<u>San Luis Obispo</u>		<u>Fresno</u>		<u>Monterey</u>		<u>Bakersfield</u>		<u>Santa Barbara</u>	
		Total	Rank	Total	Rank	Total	Rank	Total	Rank	Total	Rank
Hotel Statistics	Hotels	153	2	93	3	250	1	46	5	81	4
	Sleeping Rooms	8,887	2	4,895	4	12,224	1	4,675	5	4,897	3
	Average Daily Rate (ADR)	\$132	3	\$93	4	\$196	1	\$78	5	\$190	2
	RevPAR	\$106	3	\$60	4	\$145	1	\$48	5	\$142	2
Conference Space	Largest Exhibit Space (SQ FT)	20,000	4	66,371	1	0	5	29,450	3	34,375	2
	Largest Ballroom / Meeting Room (SQ FT)	5,708	5	13,120	3	19,600	1	7,560	4	14,000	2
	Total Sellable SQ FT	345,989	3	229,274	4	391,000	2	177,000	5	470,790	1
	SQ FT per Hotel Room	38.7	3	46.8	2	32.0	5	37.9	4	96.1	1

Source: NAICS Business Patterns, SitesUSA, CVENT, Internet research, STR

FIGURE 4.10: Competitive Markets Hotel and Conference Space Overview

4.0 – DEMAND ANALYSIS

Regional Competitive Markets

Five Largest Spaces

Figure 4.12 to the right shows the largest indoor meeting / event spaces in each of the competitive markets. The comparison reveals the following key findings:

- The County’s cumulative space inventory among the five largest properties (59,000 SQ FT) is similar to Bakersfield and Monterey. However, the inventory is dominated by exhibit space that has limited utility for the purpose of attracting non-local patrons.
- Fresno, Monterey, and Bakersfield all have dedicated conference centers or arenas that represent their largest spaces. San Luis Obispo lacks such a space.
- In relation to Santa Barbara and Monterey, San Luis Obispo is at a significant disadvantage in terms of ballroom space.

	Facility	Venue Type	Largest Indoor Space	
			Space Type	SQ FT
San Luis Obispo	Madonna Inn	Hotel	Exhibition Hall	20,000
	Paso Robles Event Center	Special Event Venue	Exhibition Hall	18,624
	Cal Poly San Luis Obispo	University	Ballroom	9,228
	SLO Veteran's Hall	Special Event Venue	Ballroom	5,708
	Embassy Suites Hotel	Hotel	Ballroom	5,100
	Total			58,660

FIGURE 4.11: San Luis Obispo County Largest Meeting Spaces

Source: Internet research, CVENT

	Facility	Venue Type	Largest Indoor Space	
			Space Type	SQ FT
Santa Barbara	Earl Warren Showgrounds	Special Event Venue	Exhibition Hall	22,000
	Chumash Casino Resort	Resort	Ballroom	14,000
	The Fess Parker - A DoubleTree by Hilton Resort	Resort	Ballroom	11,960
	Bacara Resort & Spa	Resort	Ballroom	11,310
	Carriage & Western Arts Museum of SB	Museum	Ballroom	6,400
Total			65,670	
Fresno	Fresno Convention Center	Convention Center	Exhibition Hall	66,371
	Fresno Convention Center	Convention Center	Exhibition Hall	32,000
	Save Mart Center	Arena	Arena Floor	26,000
	DoubleTree by Hilton Fresno Convention Center	Hotel	Ballroom	13,120
	Radisson Hotel Fresno Conference Center	Hotel	Ballroom	6,890
	Total			144,381
Monterey	Monterey Conference Center [1]	Conference Center	Ballroom	19,150
	Hyatt Regency Monterey Hotel and Spa	Hotel	Ballroom	11,970
	Monterey Marriott	Hotel	Ballroom	9,730
	Monterey Tides	Hotel	Ballroom	4,500
	Monterey Plaza Hotel & Spa	Hotel	Ballroom	3,334
Total			48,684	
Bakersfield	Rabobank Arena, Theater & Convention Center	Special Event Venue	Exhibition Hall	29,450
	DoubleTree by Hilton Hotel Bakersfield	Hotel	Ballroom	7,560
	Bakersfield Marriott at the Convention Center	Hotel	Ballroom	7,344
	Four Points by Sheraton Bakersfield	Hotel	Ballroom	2,898
	Hotel Rosedale	Hotel	Ballroom	2,800
	Total			50,052

FIGURE 4.12: Competitive Markets Largest Meeting Spaces

Source: Internet research, CVENT

[1] Undergoing renovation

4.0 – DEMAND ANALYSIS

Comparable Facilities Analysis

Facility Identification

B&D identified 11 comparable conference / convention centers based on market population and ownership structure. As previously mentioned, the 100-mile population radius is utilized to select comparable markets that possess a conference center. For those markets, B&D selected only those that have conference centers owned by a municipality or public agency. While Monterey Conference Center is not a comparable facility based on 100-mile market population, B&D included it as a comparable facility due to its proximity to San Luis Obispo County.

These comparable facilities are all publicly owned and have a mix of management operations. Original construction dates range from 1977 (Monterey Conference Center) to 2010 (Wilmington Convention Center) while renovation dates range from 2008 (Wenatchee Convention Center) to 2016 / 2017 (Monterey Conference Center).

Facility	Location	Population (2016)		
		25 Mile	100 Mile	MSA
Monterey Conference Center	Monterey, CA	434,712	8,594,377	437,404
Wenatchee Convention Center	Wenatchee, WA	101,702	4,005,791	117,150
Salem Convention Center & The Grand Hotel	Salem, OR	562,200	3,709,748	413,764
The Conference & Event Center Niagara Falls	Niagara Falls, NY	929,516	2,881,496	1,135,679
Wilmington Convention Center	Wilmington, NC	350,294	2,636,085	282,507
Pueblo Convention Center	Pueblo, CO	164,287	2,288,761	164,458
Yakima Convention Center	Yakima, WA	207,320	2,040,497	249,745
Emerald Coast Convention Center	Fort Walton Beach, FL	258,670	1,991,868	267,553
Vicksburg Convention Center	Vicksburg, MS	69,363	1,506,599	56,327
South Padre Island Convention Center	South Padre Island, TX	227,201	1,328,510	424,954
Two Rivers Convention Center	Grand Junction, CO	146,087	366,234	148,749
Proposed Conference Center	San Luis Obispo, CA	284,580	1,858,167	283,892
Comparable Rank		5th / 12	9th / 12	5th / 12

Source: SitesUSA

FIGURE 4.13: Comparable Facilities Market 25 Mile, 100 Mile, and MSA Population

4.0 – DEMAND ANALYSIS

Comparable Facilities Analysis

Demographics

Figure 4.14. shows average household income within 25 miles of the facility, 100 miles of the facility, and the center of the MSA. Average household income within a 100-mile radius ranges from \$52,500 (South Padre Island) to \$113,900 (Monterey). Average household income within a 100-mile radius of San Luis Obispo is \$78,900, which ranks fifth out of 12 in the set. The data set on the right examines median age by the same criteria. Median ages within a 100-mile radius range from 29.8 (South Padre Island) to 40.2 (Niagara Falls). Median age within a 100-mile radius of San Luis Obispo is 33.2, which makes San Luis Obispo the second youngest market.

Facility	Location	Average Household Income			Median Age		
		25 Mile	100 Mile	MSA	25 Mile	100 Mile	MSA
Monterey Conference Center	Monterey, CA	\$87,088	\$113,919	\$86,372	35.1	37.2	33.2
Wenatchee Convention Center	Wenatchee, WA	\$70,490	\$94,777	\$68,712	38.1	36.8	38.2
Salem Convention Center & The Grand Hotel	Salem, OR	\$64,944	\$75,629	\$64,742	37.1	38.5	35.8
The Conference & Event Center Niagara Falls	Niagara Falls, NY	\$67,242	\$69,595	\$70,644	39.6	40.2	39.8
Wilmington Convention Center	Wilmington, NC	\$72,277	\$60,034	\$72,274	40.7	38.0	38.4
Pueblo Convention Center	Pueblo, CO	\$57,119	\$89,856	\$57,491	38.5	37.8	38.3
Yakima Convention Center	Yakima, WA	\$63,612	\$79,950	\$62,099	33.7	35.7	31.9
Emerald Coast Convention Center	Fort Walton Beach, FL	\$79,932	\$64,627	\$74,761	37.9	39.0	37.6
Vicksburg Convention Center	Vicksburg, MS	\$56,266	\$57,827	\$55,970	38.0	36.8	36.8
South Padre Island Convention Center	South Padre Island, TX	\$51,482	\$52,512	\$51,375	30.3	29.8	30.7
Two Rivers Convention Center	Grand Junction, CO	\$69,948	\$74,575	\$69,928	38.8	39.8	38.0
Average		68,585	76,022	68,227	37.2	36.9	36.4
Proposed Conference Center	San Luis Obispo, CA	82,622	78,957	84,356	38.7	33.2	38.5
Comparable Rank		2nd / 12	5th / 12	2nd / 12	4th / 12	11th / 12	2nd / 12

Source: SitesUSA

FIGURE 4.14: Comparable Facilities Average Income and Median Age

4.0 – DEMAND ANALYSIS

Comparable Facilities Analysis

Total Sellable Space

Figure 4.15 below shows the total count of spaces at comparable facilities while Figure 4.16 shows total sellable SQ FT. Sellable square footage is the space advertised as sellable space for a variety of functions, including ballrooms, exhibition halls, board rooms, auditoriums, pre-function space, and meeting rooms. Wilmington Convention Center offers the most sellable square footage at nearly 58,000. Two Rivers Convention Center offers the least at under 21,000. The comparable facilities offer an average of 37,000 SQ FT. Five of the six facilities with sellable SQ FT greater than this figure possess exhibit space, which inflates the totals.

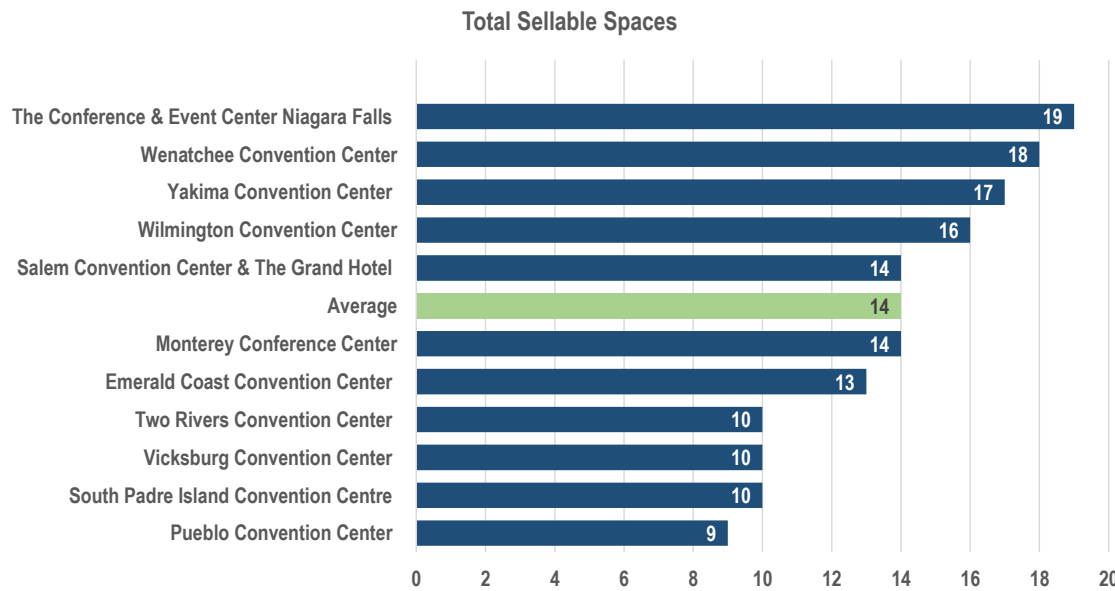


FIGURE 4.15: Comparable Facilities Total Sellable Spaces

Source: Internet research, CVENT

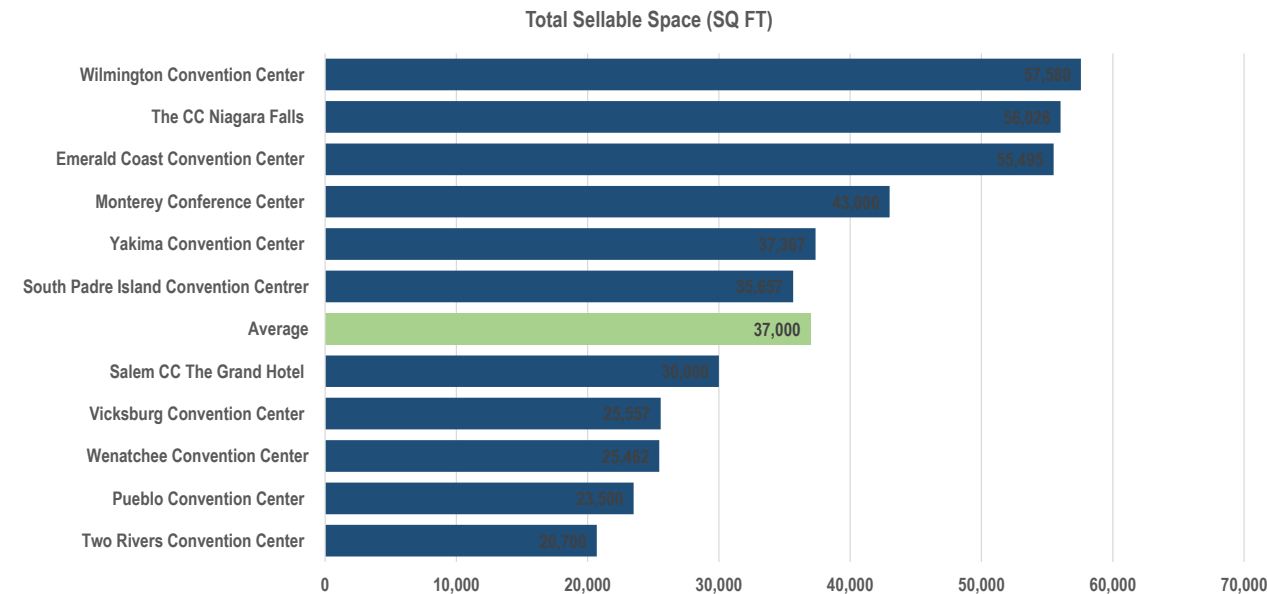


FIGURE 4.16: Comparable Facilities Total Sellable Space

Source: Internet research, CVENT

4.0 – DEMAND ANALYSIS

Comparable Facilities Analysis

Exhibition Space

Six of the 11 comparable facilities offer exhibition space. Exhibition space ranges from 7,560 SQ FT at Wenatchee Convention Center to 32,200 SQ FT at The Conference & Events Center Niagara Falls. Exhibition space is normally the most prominent facility component in convention centers located in larger markets, whereas ballrooms generally fulfill that role in communities of similar scope and scale to San Luis Obispo County.

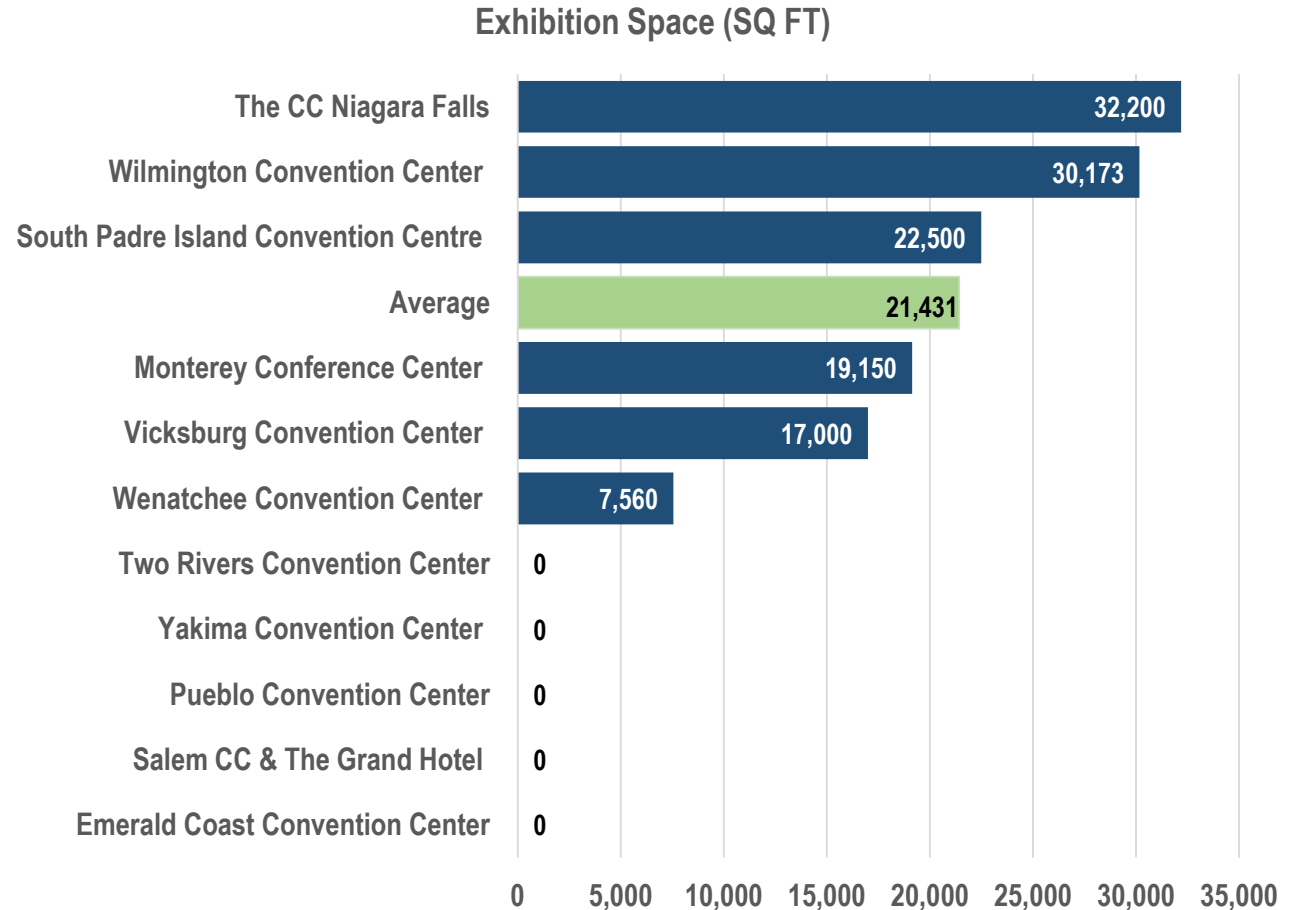


FIGURE 4.17: Comparable Facilities Exhibition Space

Source: Internet research, CVENT

4.0 – DEMAND ANALYSIS

Comparable Facilities Analysis

Ballroom Size

Figure 4.18 to the right examines the ballroom size at comparable facilities. Nine of the 11 comparable facilities have dedicated ballroom space. Ballroom sizes ran from 10,080 SQ FT at Wenatchee Convention Center to 29,568 SQ FT at Yakima Convention Center. The chart to the right shows that ballroom size at comparable facilities is largely consistent. The average ballroom size is 17,588, which is nearly 12,000 SQ FT larger than San Luis Obispo County’s largest ballroom.

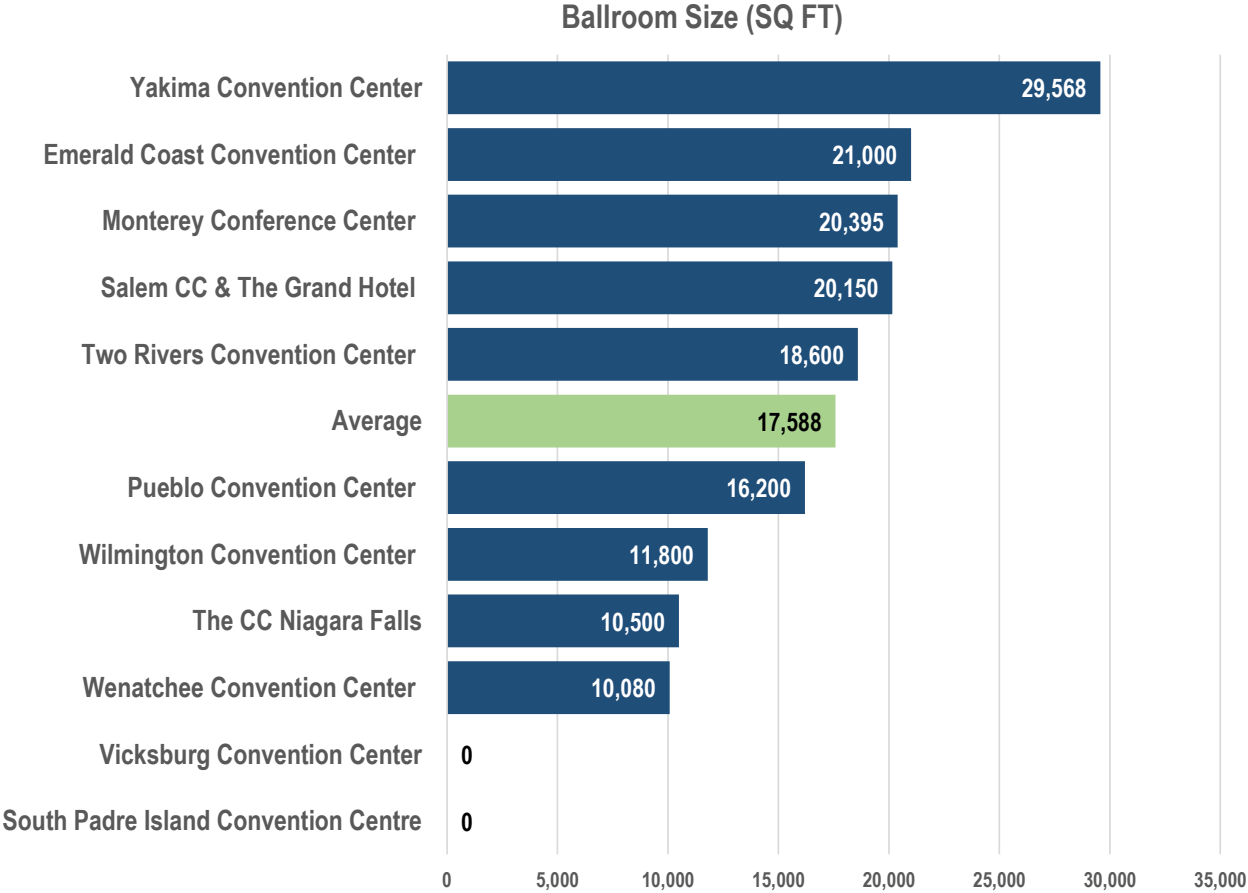


FIGURE 4.18: Comparable Ballroom Size
Source: Internet research, CVENT

4.0 – DEMAND ANALYSIS

Comparable Facilities Analysis

Meeting Rooms

All 11 comparable facilities have dedicated meeting rooms. Meeting room quantities range from seven at South Padre Island Convention Center to 18 at Wenatchee Convention Center. The average number of meeting rooms offered at comparable facilities is 12. Figure 4.20 below shows dedicated meeting rooms as a percentage of total sellable SQ FT. This analysis excludes ballrooms that are dividable into separate meeting rooms. Pueblo Convention Center’s building program is 35% composed of dedicated meeting space, while the comparable facilities are comprised of just over 17% of dedicated meeting rooms.

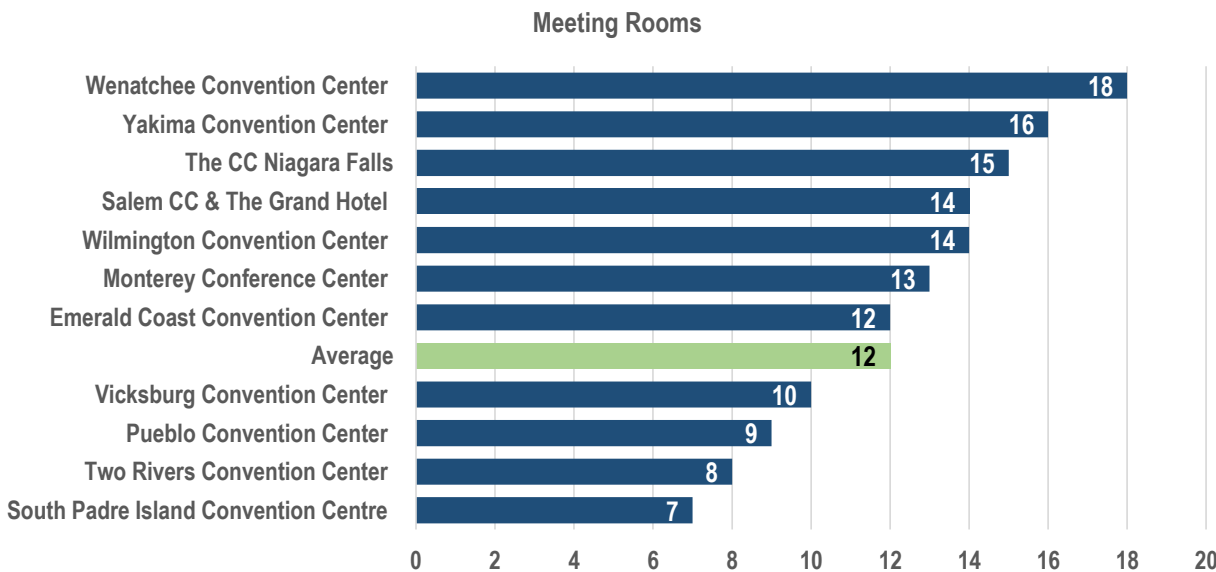


FIGURE 4.19: Comparable Facilities Meeting Rooms

Source: Internet research, CVENT

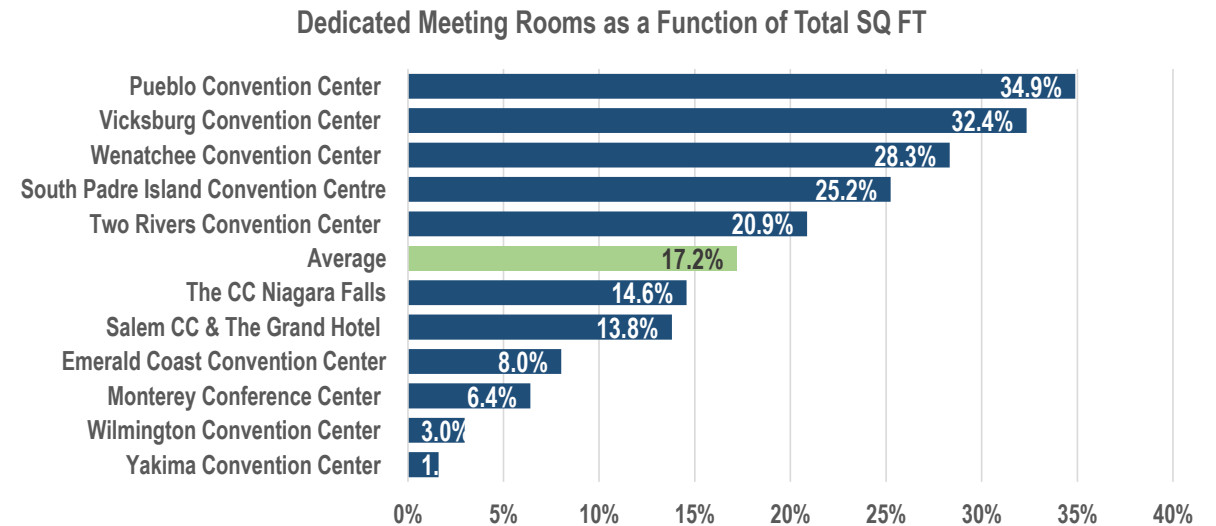


FIGURE 4.20: Comparable Facilities Meeting Rooms as a Function of Total SQ FT

Source: Internet research, CVENT

4.0 – DEMAND ANALYSIS

Comparable Facilities Analysis

Headquarter Hotel Rooms

Figure 4.21 to the right shows the number of rooms for peer facilities that contain a headquarter hotel. A headquarter hotel is a property that is located directly adjacent to and clearly integrated with the convention or conference facility. The Conference & Event Center Niagara Falls has the greatest number of headquarter hotel rooms with 392. In contrast, Wenatchee Convention Center has 147. Four of the 11 comparable facilities have no headquarter hotel. The comparable facilities' headquarter hotels, excluding the four without a headquarters hotel, offer an average of 226 rooms.

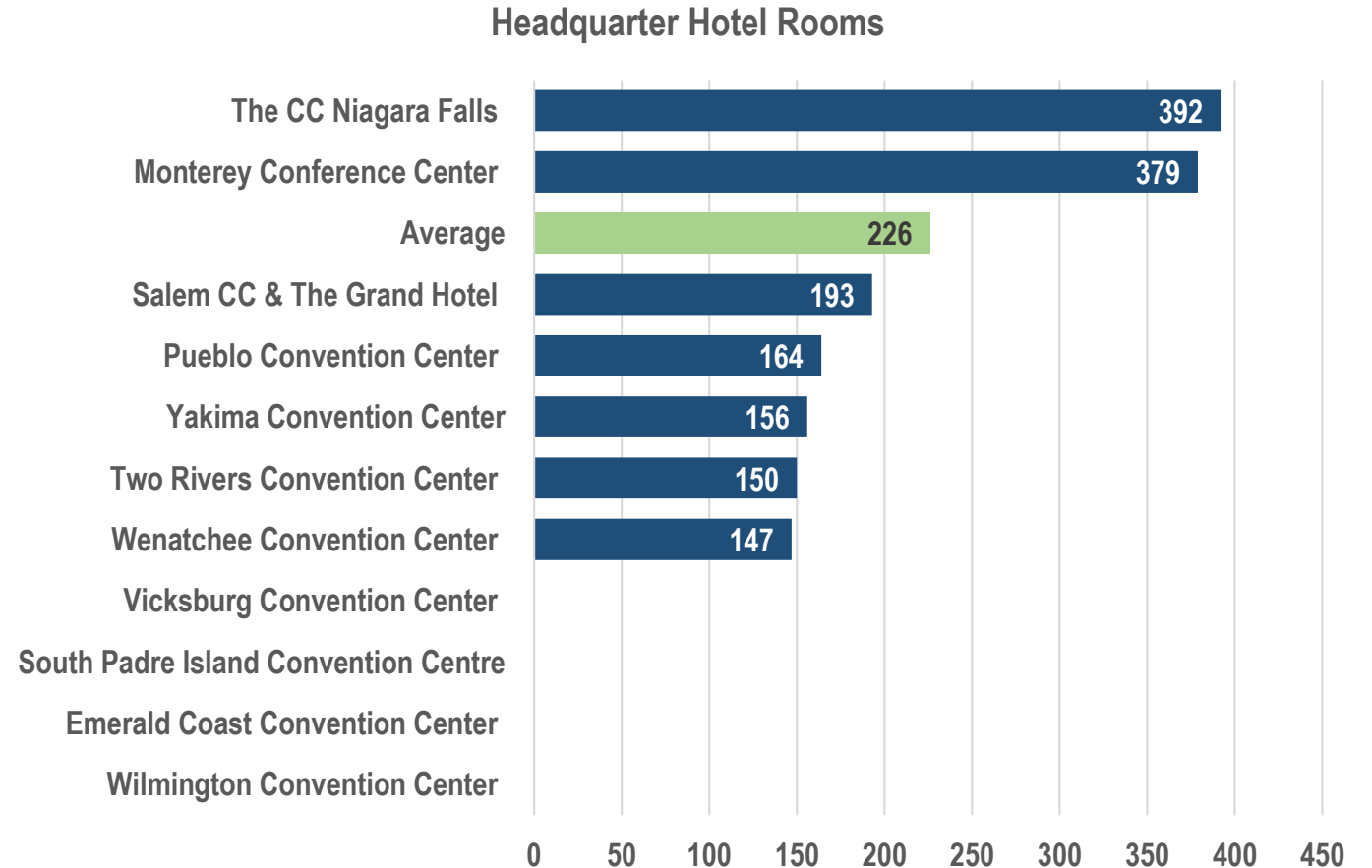


FIGURE 4.21: Comparable Facilities Headquarter Hotel Rooms

Source: Internet research

4.0 – DEMAND ANALYSIS

Comparable Facilities Analysis

Comparable Facility Hotel Inventory

Figure 4.22 to the right shows the total number of hotels within walking distance (0.5 miles) from the comparable facilities. The Conference and Event Center Niagara Falls has the greatest number of hotels (12) within walking distance. Vicksburg Convention Center has the fewest with only one. Excluding Niagara Falls, comparable facilities have an average of four hotels within walking distance.

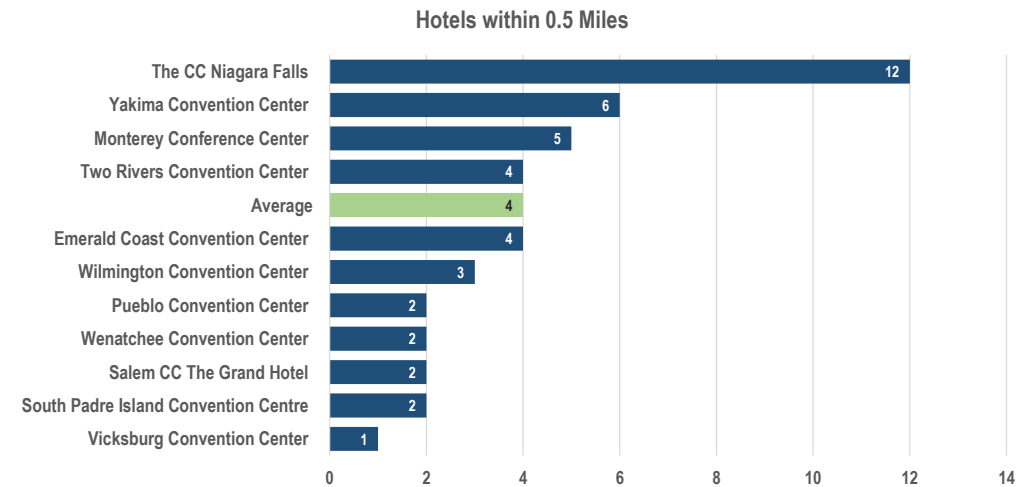


FIGURE 4.22: Comparable Facilities Hotels within .5 Miles

Figure 4.23 to the right shows the total number of hotel rooms within walking distance (0.5 miles) from the comparable facilities. Consistent with the number of hotels shown above, Niagara falls has the most rooms (2,047) within walking distance, while Vicksburg has the fewest at 80. Excluding Niagara Falls, comparable facilities have an average of 421 hotel rooms within walking distance.

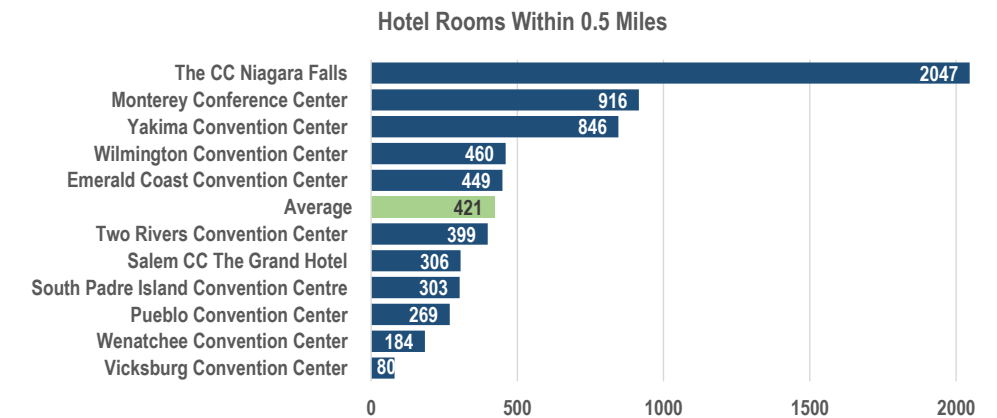


FIGURE 4.23: Comparable Facilities Hotel Rooms within .5 Miles

Source: Internet research

4.0 – DEMAND ANALYSIS

Comparable Facilities Analysis

Comparable Facility Attendance

Figure 4.24 to the right shows the annual attendance from 2015 / 2016 (Based on availability of information) of comparable facilities. Comparable facility annual attendance ranges from 48,000 at Pueblo Convention Center to 102,000 at Yakima Convention Center. Average annual attendance for comparable facilities, as shown by the green line, is nearly 68,000.

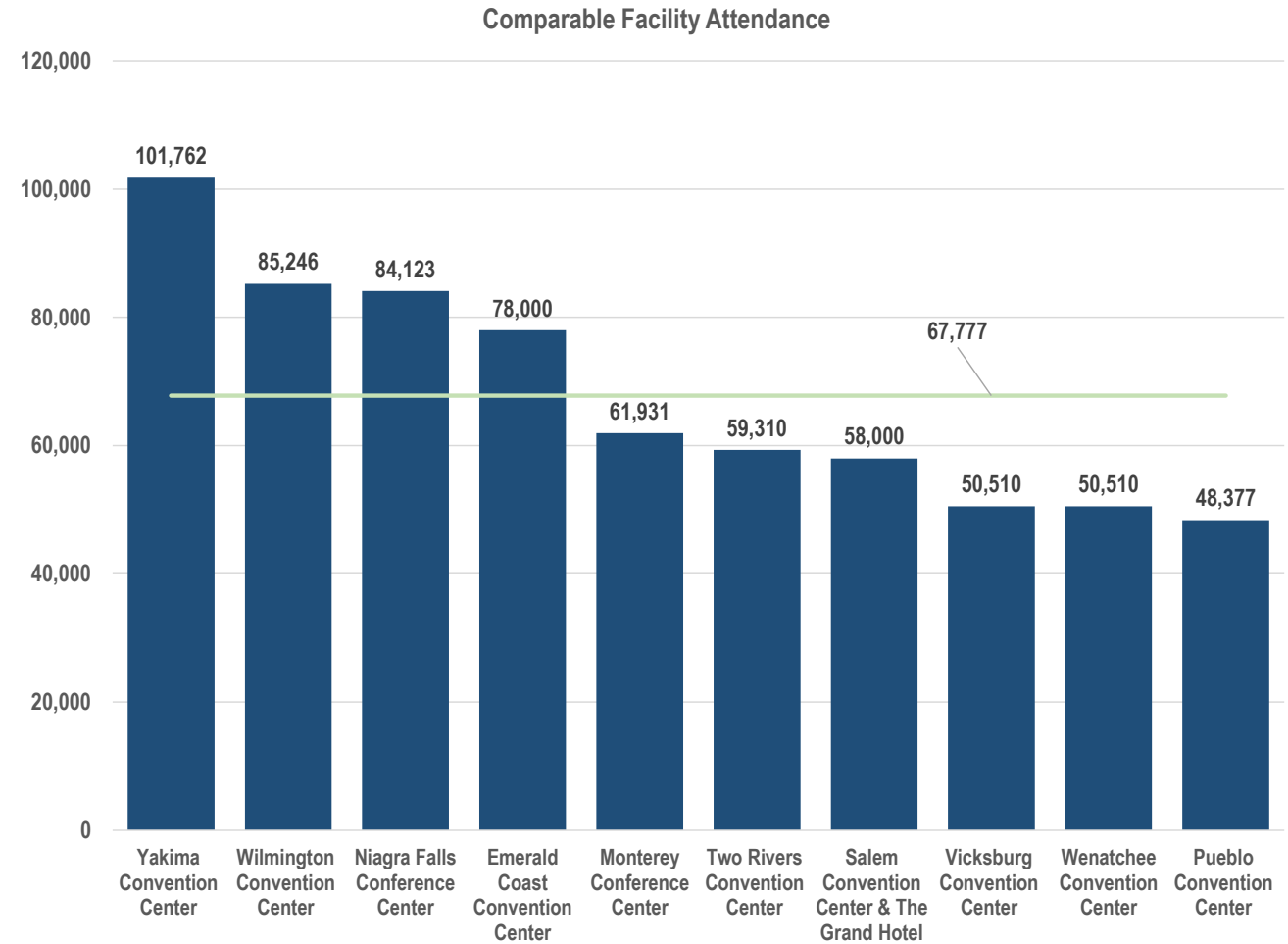


FIGURE 4.24: Comparable Facilities Annual Attendance

4.0 – DEMAND ANALYSIS

Comparable Facilities Analysis

Comparable Facility Event Totals and Attendance

Figure 4.25 below shows the number annual events hosted in either 2015 or 2016 (subject to information availability). Annual event count ranges from 116 (Vicksburg Convention Center) to 480 (Yakima Convention Center). The average annual events for comparable facilities, as shown by the green line is 259. Figure 4.26 below shows average attendance per event. Wilmington Convention Center has the highest average attendance per event at 550, while Pueblo Convention Center has the lowest at 115. Comparable facilities have an average of 329 attendees per event.

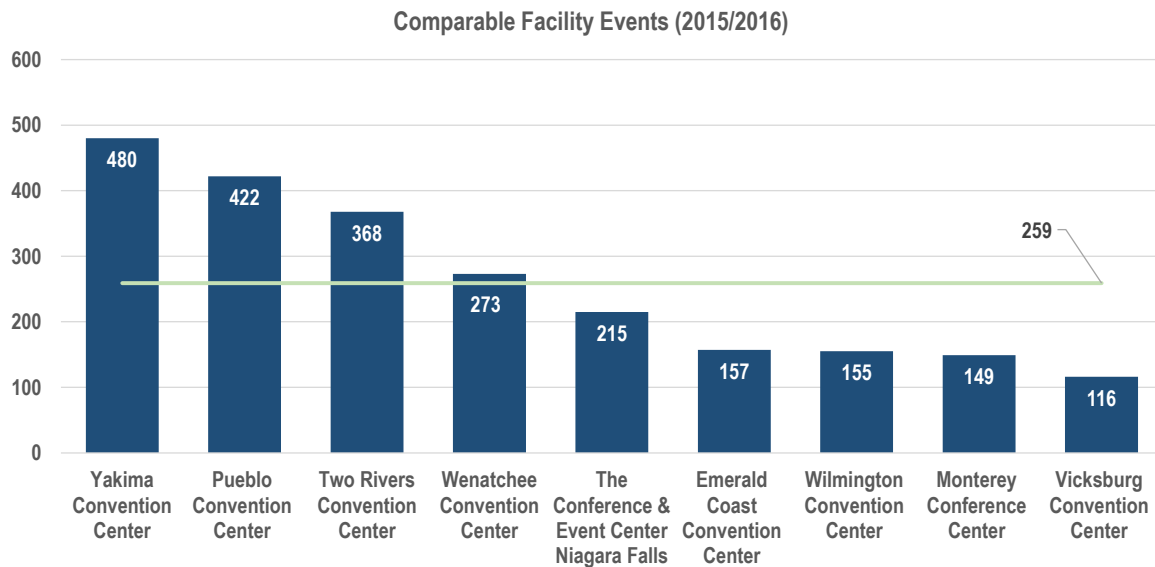


FIGURE 4.25: Comparable Facilities Events

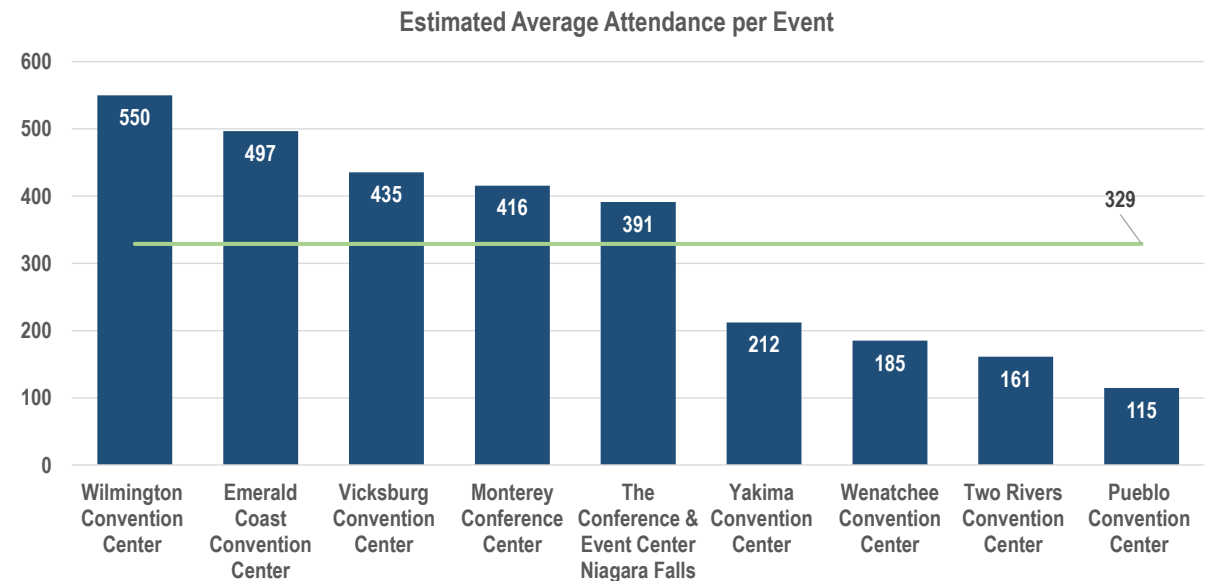


FIGURE 4.26: Comparable Facilities Attendance Per Event

4.0 – DEMAND ANALYSIS

Comparable Facilities Analysis

Attendance Ratios

Figure 4.27 to the right shows attendees per SQ FT as a function of annual attendance and sellable SQ FT at comparable facilities. B&D found that attendees per SQ FT of sellable space offered was fairly consistent, ranging from 1.4 (Monterey and Emerald Coast) to 2.9 (Two Rivers). The average and median measurements for facilities with data available were both 1.95 persons per SQ FT offered. Emerald Coast Convention Center, Wilmington Convention Center, and the Conference & Center Niagara Falls each have fewer attendees per square foot offered. Not coincidentally, these facilities all possess an exhibit hall. Ratios among facilities without an exhibit hall average 2.2 persons per SQ FT.

Conference Center	Attendance	Sellable SQ FT	Attendees per SQ FT
Two Rivers Convention Center	59,310	20,700	2.9
Yakima Convention Center	101,762	37,367	2.7
Pueblo Convention Center	48,377	23,500	2.1
Wenatchee Convention Center	50,510	25,462	2.0
Vicksburg Convention Center	50,510	25,557	2.0
Salem Convention Center & The Grand Hotel	58,000	30,000	1.9
The Conference & Event Center Niagara Falls	84,123	51,000	1.6
Wilmington Convention Center	85,246	57,580	1.5
Monterey Conference Center	61,931	43,000	1.4
Emerald Coast Convention Center	78,000	55,495	1.4
Average	67,777	36,966	1.95
Median	60,621	33,684	1.95
Maximum	101,762	57,580	2.87

Source: Internet research, telephone interviews with city officials, telephone interviews with site staff

FIGURE 4.27: Comparable Facilities Attendees per SQ FT

4.0 – DEMAND ANALYSIS

Comparable Facilities Analysis

Monterey Conference Center

Monterey Convention Center is located in Monterey, CA and is owned by the City of Monterey. The facility was originally built in 1977 and is undergoing a \$60 million renovation that will be completed in 2017. The city secured funding for the renovation by issuing Conference Center Facilities District (CCFD) bonds. These bonds, issued at a 3.95% rate will be repaid through the CCFD bed tax (Non-TOT) for adjacent hotels. From 2013 to 2015, the facility had an average cost recovery of 56%.

The conjoined Portola Plaza Hotel & Spa offers 379 sleeping rooms and the adjacent Monterey Marriott, which is across the street from the conference center, offers 341. The renovated facility will offer over 40,000 SQ FT of meeting space, including a 20,000 SQ FT ballroom. Combined, the Monterey Conference center and two adjacent hotels will offer over 77,000 SQ FT of meeting space. In it's most recent year, the conference center held 149 events with 62,000 total attendees.

	Financial History				Meeting Capabilities		
	2013	2014	2015	Three-Year Average	Space	Quantity	Total SQ FT
Revenues	\$1,299,460	\$1,147,733	\$1,159,911	\$1,202,368	Meeting Room	13	41,000
Expenses	\$2,167,477	\$2,140,745	\$2,197,316	\$2,168,513	Ballroom	2	20,395
Cost Recovery	60.0%	53.6%	52.8%	55.5%	Exhibition Space	1	19,150
					Auditorium	-	-
					Outdoor	1	2,000
					Total [2]	14	43,000

Source: Internet research, Phone interviews

[1] Total Spaces / SQ FT accounts for dividable space



4.0 – DEMAND ANALYSIS

Comparable Facilities Analysis

Wilmington Convention Center

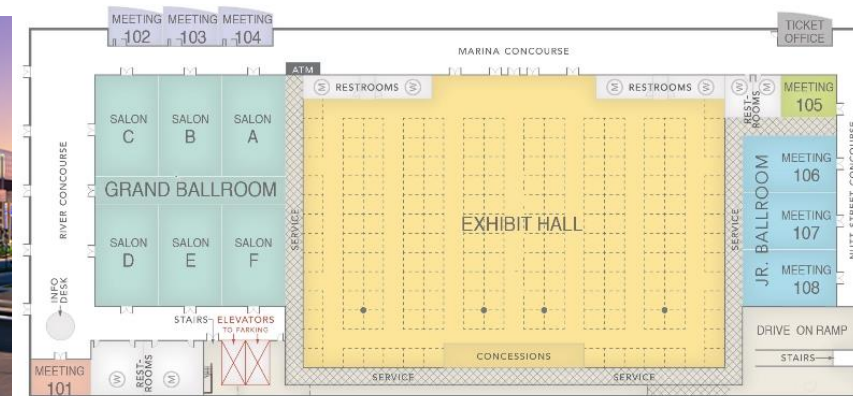
Wilmington Convention Center was built in 2010. The facility is located in Wilmington, NC, and measures 57,580 square feet. Funding was provided via 40% of a 3% increase in the transient occupancy tax. Financial performance has increased steadily from 2013 to 2015, reaching a cost recovery of 86% from 74% in 2013.

The convention center offers 16 sellable spaces totaling over 57,000 SQ FT. These spaces include meeting rooms, a ballroom, an exhibition space, and outdoor space. In 2015, 155 events were hosted that generated a total attendance level of over 85,000. These event types included nine conventions/trade shows/conferences, 14 consumer and trade shows, 39 meetings, and 93 banquets.

Financial History					Meeting Capabilities		
	2013	2014	2015	Three-Year Average	Space	Quantity	Total SQ FT
Revenues	\$2,572,462	\$2,681,520	\$3,387,176	\$2,880,386	Meeting Room	14	15,581
Expenses	\$3,479,069	\$3,310,145	\$3,942,487	\$3,577,234	Ballroom	1	11,800
Cost Recovery	73.9%	81.0%	85.9%	80.5%	Exhibition Space	1	30,173
					Auditorium	-	-
					Outdoor	1	11,826
					Total [1]	16	57,580

Source: Internet research, Phone interviews

[1] Total Spaces / SQ FT accounts for dividable space



4.0 – DEMAND ANALYSIS

Comparable Facilities Analysis

Emerald Coast Convention Center

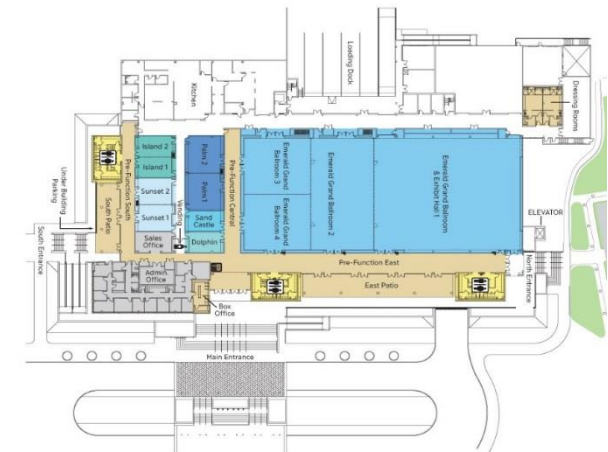
Emerald Coast Convention Center is located in Fort Walton Beach, FL. The facility was constructed in 2002 and funded by a 4% transient occupancy tax. Convention center operations are funded/subsidized by the third and fourth cents of the Tourist Development Tax on short-term rentals. In comparison to peer facilities, operational cost recovery is not as strong, as the facility achieved a cost recovery of 33% on average from 2013 to 2015. Fort Walton Convention and Visitors Bureau handles convention center marketing and booking.

The convention center offers 55,495 SQ FT of meeting space, including a 21,000 ballroom, 25,050 SQ FT of divisible meeting space, and 30,000 of outdoor space. In 2015, the convention center hosted 157 external events with a total attendance of 78,000. Average occupancy as a function of days rented is approximately 60%.

	Financial History				Meeting Capabilities		
	2013	2014	2015	Three-Year Average	Space	Quantity	Total SQ FT
Revenues	\$804,094	\$822,750	\$861,000	\$829,281	Meeting Room	12	25,050
Expenses	\$2,146,234	\$3,350,575	\$2,363,120	\$2,619,976	Ballroom	1	21,000
Cost Recovery	37.5%	24.6%	36.4%	32.8%	Exhibition Space	-	-
					Auditorium	-	-
					Outdoor	1	30,000
					Total [1]	13	55,495

Source: Internet research, Phone interviews

[1] Total Spaces / SQ FT accounts for dividable space



4.0 – DEMAND ANALYSIS

Comparable Facilities Analysis

The Conference & Event Center Niagara Falls

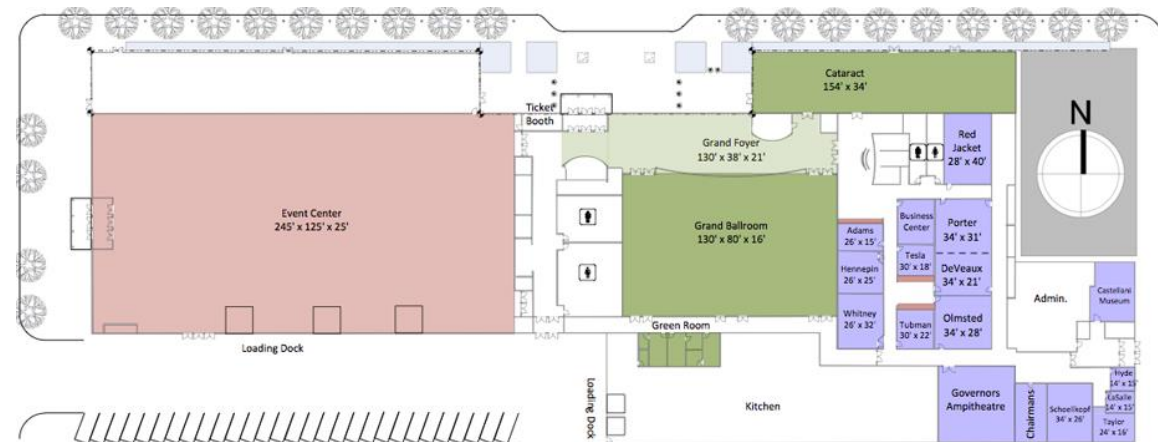
The Conference & Event Center Niagara Falls is located Niagara Falls, NY. The conference center achieved nearly 90% cost recovery in 2015, which is third highest among comparable facilities. Since 2004, the conference center has lowered its annual operating deficit from over \$1 million to only \$333,000. Furthermore, cost recovery has increased from 39% in 2004 to 88% in 2011 at a compound average of 12%.

The Conference & Convention Center Niagara Falls offers over 56,000 sellable SQ FT, making it the second largest peer facility, behind Wilmington. Over 57% of this facilities building program is attributed to it's 32,200 SQ FT exhibit hall, which is the largest in the comparable set. The facility is one of only two peer facilities (South Padre Island) that has an auditorium. In its most recent year, the conference center held 215 events with over 84,000 total attendees.

	Financial History				Meeting Capabilities		
	2013	2014	2015	Three-Year Average	Space	Quantity	Total SQ FT
Revenues	-	-	\$2,468,135	-	Meeting Room	15	10,426
Expenses	-	-	\$2,764,768	-	Ballroom	2	10,500
Cost Recovery	-	-	89.3%	-	Exhibition Space	1	32,200
					Auditorium	1	2,400
					Outdoor	-	-
					Total [1]	19	56,026

Source: Facility website, internet research

[1] Total Spaces / SQ FT accounts for dividable space



4.0 – DEMAND ANALYSIS

Comparable Facilities Analysis

South Padre Island Convention Centre

South Padre Island Convention Centre, owned by the City of South Padre Island, was built in 1992 at a cost of \$12.8 million. In 2015, the facility was renovated at a cost of \$1.2 million, under the original budget of \$4.8 million. The renovation funds came from 8% of the City's 14.5% hotel tax. The facility operates at a considerable deficit and is subsidized by the same portion of the City's hotel tax that funded the recent renovation. The facility had the lowest cost recovery from 2013 to 2015, with an average of only 14.6%. Event marketing and booking is handled by South Padre Island's CVB.

South Padre Island Convention Centre offers nearly 36,000 sellable SQ FT. Over 63% of this facilities building program is attributed to the 22,500 SQ FT exhibit hall. The convention center's auditorium measures over 2,600 SQ FT and has a seating capacity of 230. As previously mentioned, this facility and Niagara Falls are the only peer facilities with an auditorium.

	Financial History				Meeting Capabilities		
	2013	2014	2015	Three-Year Average	Space	Quantity	Total SQ FT
Revenues	\$212,737	\$217,361	\$242,217	\$224,105	Meeting Room	7	8,381
Expenses	\$1,858,146	\$1,637,241	\$1,100,763	\$1,532,050	Ballroom	-	-
Cost Recovery	11.4%	13.3%	22.0%	14.6%	Exhibition Space	1	22,500
					Auditorium	1	2,633
					Outdoor	1	4,776
					Total [1]	10	35,657

Source: Facility website, internet research

[1] Total Spaces / SQ FT accounts for dividable space



4.0 – DEMAND ANALYSIS

Comparable Facilities Analysis

Salem Convention Center & The Grand Hotel

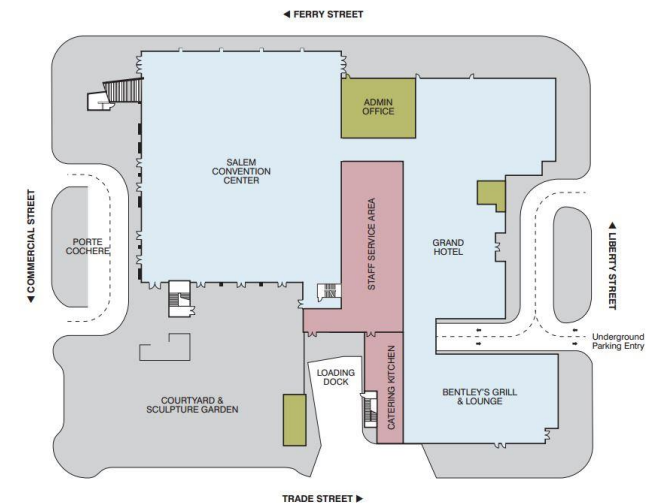
Salem Convention Center is located in Salem, OR. The convention center is connected to the 193-room Grand Hotel and Bentley's Grill & Lounge. The facility was built in 2005 at a cost of \$32 million and was later renovated in 2013. The City of Salem introduced a transient occupancy tax in 1974 that is presently 9%. This TOT was used to fund construction of the facility and is the current source used to subsidize the convention center as well as fund general marketing.

In 2016, the convention center averaged 23 events per month and 208 attendees per event. Extrapolated annually, these average figures suggest that Salem Convention Center hosts an average of 280 events and over 58,000 attendees. Event sizes in 2016 ranged from 12 ("Oregon Board of Chiropractic Examiners") to 1,000 attendees ("Chef's Night Out").

Financial History					Meeting Capabilities		
	2013	2014	2015	Three-Year Average	Space	Quantity	Total SQ FT
Revenues	\$3,425,715	\$3,476,830	\$3,739,372	\$3,547,306	Meeting Room	14	30,000
Expenses	\$2,389,263	\$2,458,456	\$2,585,052	\$2,477,590	Ballroom	2	20,150
Cost Recovery	143.4%	141.4%	144.7%	143.2%	Exhibition Space	-	-
					Auditorium	-	-
					Outdoor	-	-
					Total [1]	14	30,000

Source: Facility website, internet research

[1] Total Spaces / SQ FT accounts for dividable space



4.0 – DEMAND ANALYSIS

Comparable Facilities Analysis

Vicksburg Convention Center

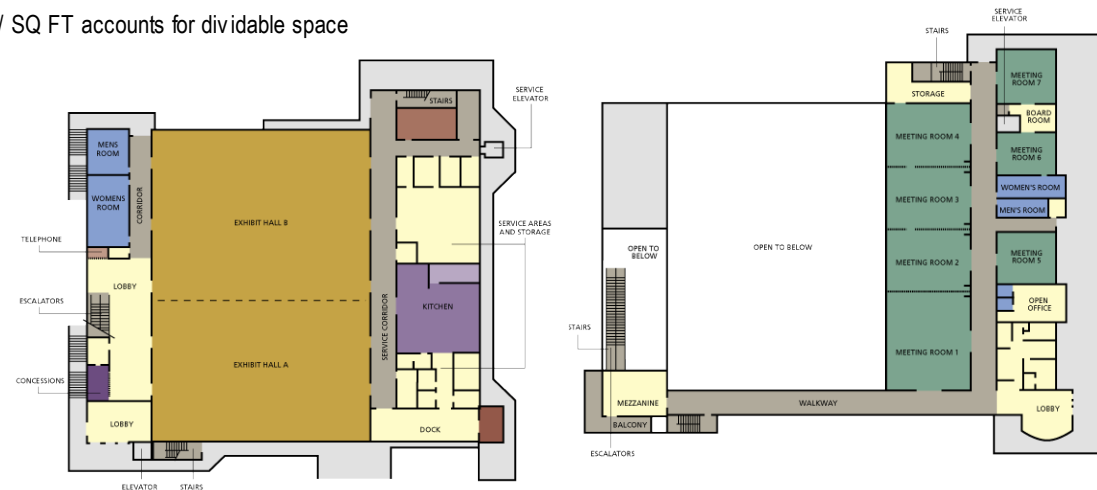
Vicksburg Convention Center is located in Vicksburg, MS. The facility was built in 1997 at a cost of \$12 million. The facility is located in downtown historic Vicksburg within walking distance from dining and retail establishments. Vicksburg is located nearly one hour from Jackson International Airport, which is the nearest airport. From 2015 to 2016, Vicksburg Convention Center has achieved an average of 87% cost recovery.

The facility's largest space is a 17,000 SQ FT exhibition hall that is dividable into separate meeting rooms. The facility can accommodate group sizes ranging up to 2,000. In 2016, the convention center had 116 events with 156 event usage days and total attendance of just over 50,000.

Financial History				Meeting Capabilities			
	2014	2015	2016	Two-Year Average	Space	Quantity	Total SQ FT
Revenues	-	\$841,935	\$838,928	\$840,432	Meeting Room	10	25,557
Expenses	-	\$960,563	\$970,874	\$965,719	Ballroom	-	-
Cost Recovery	-	87.7%	86.4%	87.0%	Exhibition Space	1	17,000
					Auditorium	-	-
					Outdoor	-	-
					Total [1]	10	25,557

Source: Facility website, internet research

[1] Total Spaces / SQ FT accounts for dividable space



4.0 – DEMAND ANALYSIS

Comparable Facilities Analysis

Wenatchee Convention Center

Wenatchee Convention Center is located in Wenatchee, WA. The facility is owned by the City of Wenatchee and is operated by Coast Hotels Inc. Gold Coast Hotel is connected to the convention center and offers 147 sleeping rooms. The convention center was built for just \$2.6 million in 1980 and was funded through an economic development grant. The facility underwent a \$3 million renovation in 2008 and 2009 that was financed through a 2007 limited tax general obligation bond. In 2015 and 2016, the facility achieved 117% cost recovery, which ranks second behind Salem Convention Center.

The convention center hosts an average of two national conferences a year and receives the majority of rental revenue through local event bookings. In 2015, the conference center hosted 273 events over 246 days.

[2] Financial History					Meeting Capabilities		
	2014	2015	2016	Two-Year Average	Space	Quantity	Total SQ FT
Revenues	-	\$1,700,000	\$1,700,000	\$1,700,000	Meeting Room	18	25,462
Expenses	-	\$1,450,000	\$1,450,000	\$1,450,000	Ballroom	1	10,080
Cost Recovery	-	117.2%	117.2%	117.2%	Exhibition Space	1	7,560
					Auditorium	-	-
					Outdoor	-	-
					Total [1]	18	25,462

Source: Facility website, internet research

[1] Total Spaces / SQ FT accounts for dividable space

[2] Revenue and expense figures were estimated by site staff and were said to be consistent in years 2015 and 2016



4.0 – DEMAND ANALYSIS

Comparable Facilities Analysis

Pueblo Convention Center

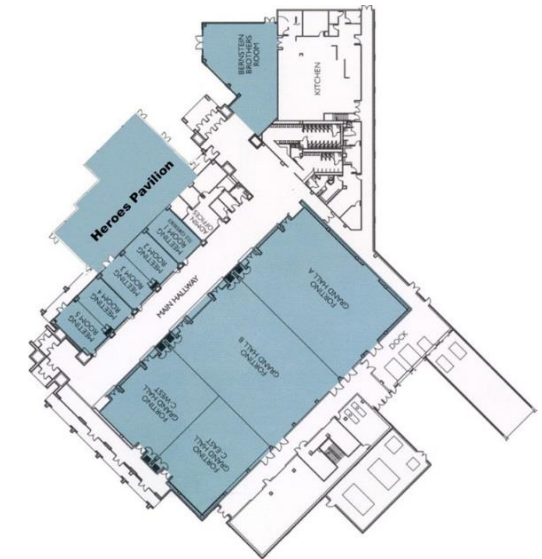
Pueblo Convention Center is located in Pueblo, CO which has a 100-mile population of nearly 2.3 million. The convention center was built in 1997 and is owned by the City of Pueblo. The headquarters hotel is a 164-room Courtyard by Marriott. Pueblo's cost financial performance has remained stable from 2013 to 2015 with an average of 77% cost recovery.

The facility's largest space is a 16,200 SQ FT ballroom. The facility's total 23,500 SQ FT can be divided into up to nine separate rooms. 2015, the convention center hosted 422 events with a total attendance of 48,377. Pueblo's event totals rank second in the comparable set, while attendance ranks last. On average, this is 114 attendees per event, smaller than the 329 average for comparable facilities. The convention center's in-house marketing agency promotes events and offers services including public relations, media buying, exterior signage, and in-facility promotion.

Financial History					Meeting Capabilities		
	2013	2014	2015	Three-Year Average	Space	Quantity	Total SQ FT
Revenues	\$1,688,709	\$1,722,058	\$1,770,892	\$1,727,220	Meeting Room	9	23,500
Expenses	\$2,189,836	\$2,187,694	\$2,369,865	\$2,249,132	Ballroom	1	16,200
Cost Recovery	77.1%	78.7%	74.7%	76.9%	Exhibition Space	-	-
					Auditorium	-	-
					Outdoor	-	-
					Total [1]	9	23,500

Source: Facility website, internet research

[1] Total Spaces / SQ FT accounts for dividable space



4.0 – DEMAND ANALYSIS

Comparable Facilities Analysis

Two Rivers Convention Center

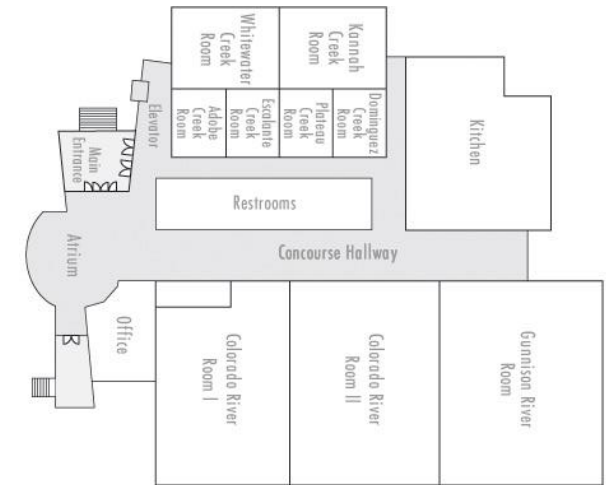
Two Rivers Convention Center is located in Grand Junction, CO. The 100-mile population of 366,000 from the facility is the smallest in the comparable set. The facility is currently undergoing minor renovations including the addition of solar panels and new recycled-material carpeting. In April of 2017, residents will vote on a proposed 0.25% increase to the existing 2.75% city sales tax. This increase will be used to fund a new events center, as well as proposed renovations to convention center. Two Rivers' financial performance has been steadily declining from 2013 at 77% to 65% in 2015.

The facility's largest space is an 18,600 SQ FT ballroom that is dividable into three separate ballrooms. The ballroom comprises nearly 90% of total sellable SQ FT. The facility's 20,700 SQ FT can be divided into up to eight separate meeting rooms. In it's most recent year, the convention center held nearly 370 events with just over 59,000 total attendees.

	Financial History				Meeting Capabilities		
	2013	2014	2015	Three-Year Average	Space	Quantity	Total SQ FT
Revenues	\$1,998,488	\$2,026,520	\$1,942,729	\$1,989,246	Meeting Room	8	20,700
Expenses	\$2,598,116	\$2,795,348	\$2,980,672	\$2,791,379	Ballroom	3	18,600
Cost Recovery	76.9%	72.5%	65.2%	71.5%	Exhibition Space	-	-
					Auditorium	-	-
					Outdoor	-	-
					Total [1]	8	20,700

Source: Facility website, internet research

[1] Total Spaces / SQ FT accounts for dividable space



4.0 – DEMAND ANALYSIS

Comparable Facilities Analysis

Yakima Convention Center

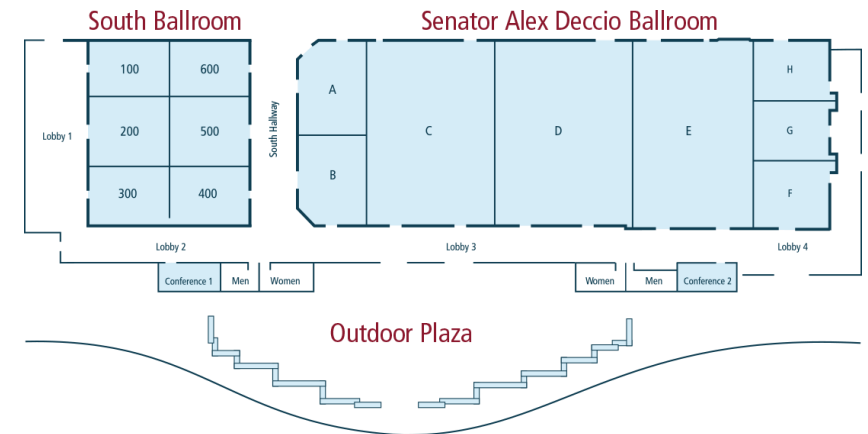
Yakima Convention Center is located in Yakima, WA. Yakima’s half-mile hotel room inventory of over 800 is comparatively larger than the comparable facility average of 421. Yakima Convention Center’s headquarter hotel has 156 rooms. Yakima’s average cost recovery from 2013 to 2015 is 50%.

The facility’s largest space is a 29,568 SQ FT ballroom that can be divided into eight breakout rooms. Not included in the sellable SQ FT is the facilities 11,600 SQ FT of pre-function space. Yakima Convention Center hosted 480 events in 2015 with a total attendance of 101,762, which is the highest in the comparable set. Of these 480 events, 128 were conventions, nine were trade shows, and 343 were classified as “other” events. Yakima’s operating deficit despite high total attendance suggests that event income is marginal compared to associated operating costs.

Financial History					Meeting Capabilities		
	2013	2014	2015	Three-Year Average	Space	Quantity	Total SQ FT
Revenues	\$745,415	\$757,307	\$733,567	\$745,430	Meeting Room	16	28,821
Expenses	\$1,428,120	\$1,440,164	\$1,610,885	\$1,493,056	Ballroom	2	29,568
Cost Recovery	52.2%	52.6%	45.5%	50.1%	Exhibition Space	-	-
					Auditorium	-	-
					Outdoor	1	7,000
					Total [1]	17	37,367

Source: Facility website, internet research

[1] Total Spaces / SQ FT accounts for dividable space



4.0 – DEMAND ANALYSIS

Meeting Planner Survey

Overview

B&D conducted an Internet-based survey that measured the opinions and desires of meeting planners related to location and building layout. Survey questions were designed to assess levels of unaccommodated demand, identify a preferred area within the County, and identify the optimal building program for meeting planners. The survey received 65 total responses over a two-week period in February 2016. B&D excluded survey responses that were part of an incomplete survey attempt; as a result, 57 were completed and subsequently utilized in B&D's survey analysis to reduce the margin of error. The themes addressed in the survey include the following:

- Region Familiarity
- City Preference
- Building Program
- Event Characteristics
- Hotel Requirements

Respondent Type

Survey respondents were asked to identify the type of organization that they represent. Figure 4.28 below shows the breakout of respondents by organization type. Nearly half of all respondents (46%) represent a non-profit organization. Corporate respondents were the second most represented group at 39%. Survey respondents representing a fraternal group were the least represented at just four percent.

Respondent Organization Type

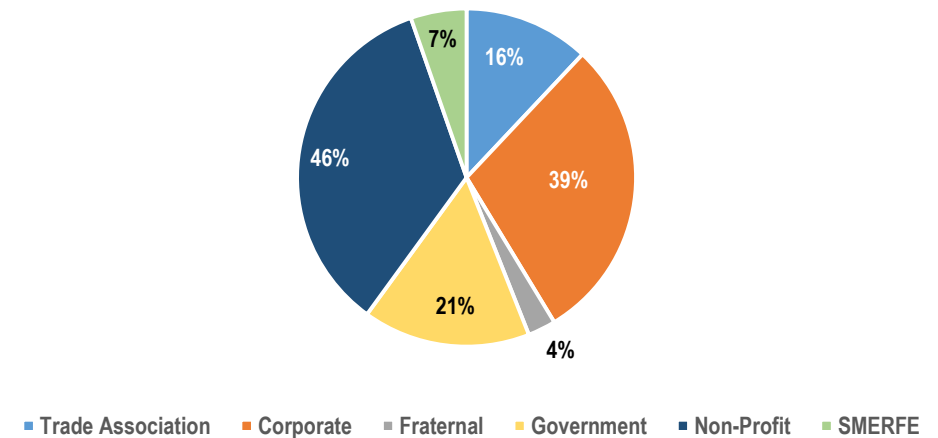


FIGURE 4.28: Respondent Type

4.0 – DEMAND ANALYSIS

Meeting Planner Survey

Region Familiarity

Respondents were asked to indicate if they have previously booked a meeting in San Luis Obispo County. Thirty-seven percent of 57 respondents have previously booked in San Luis Obispo County, while the remaining 63% have not. Respondents **that have not** booked a meeting or event in the County were asked to cite the location(s) (excluding Los Angeles, San Diego, and San Francisco) where they have chosen to book their events. Nearly two-thirds of respondents cited Monterey as the regional market where they previously booked events. Fresno and Santa Barbara were tied as the second most common answer with 22% each. Although not shown, respondents **that have** previously booked in the County most frequently utilized venues in Monterey (63%) and Santa Barbara (58%).

Has your organization booked meetings or events in San Luis Obispo county within the last three years? (n=57)

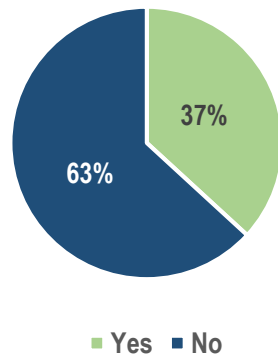


FIGURE 4.29: Previously Booked in the County within Past Three Years

Where has your organization booked meetings or events in California (Not including Los Angeles, San Diego, or San Francisco)? (n=36)

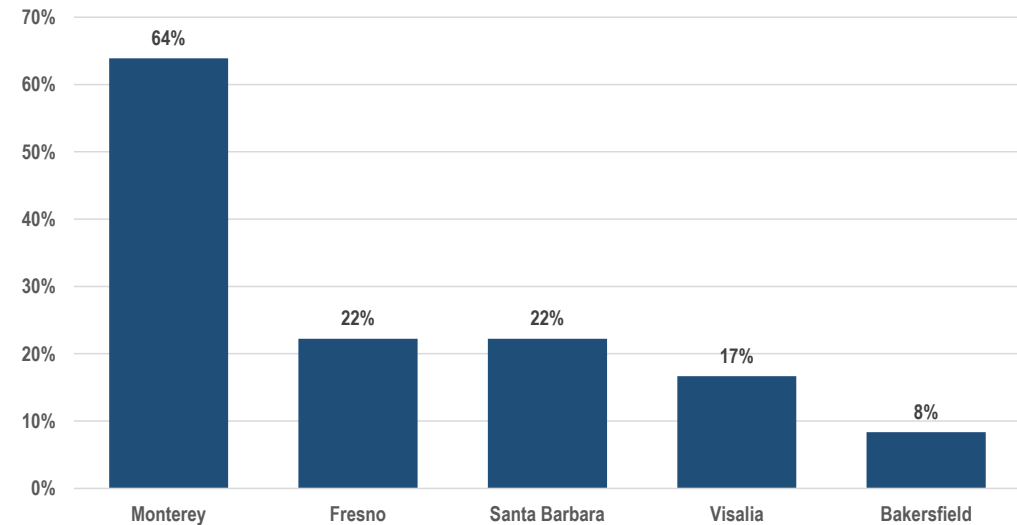


FIGURE 4.30: Regional Market Alternatives

4.0 – DEMAND ANALYSIS

Meeting Planner Survey

Region Familiarity

Respondents who have not booked meetings / events in San Luis Obispo County were asked to cite why they elected to book meetings or events in other markets. Respondents were asked to select up to three choices. The most common answer was a lack of meeting space inventory in the County at 45%, followed closely by hotel pricing at 35%. In contrast, only three percent of respondents reported choosing alternative markets based on entertainment options.

Why have you chosen these regional markets over San Luis Obispo County?
(Select up to three) (n=31)

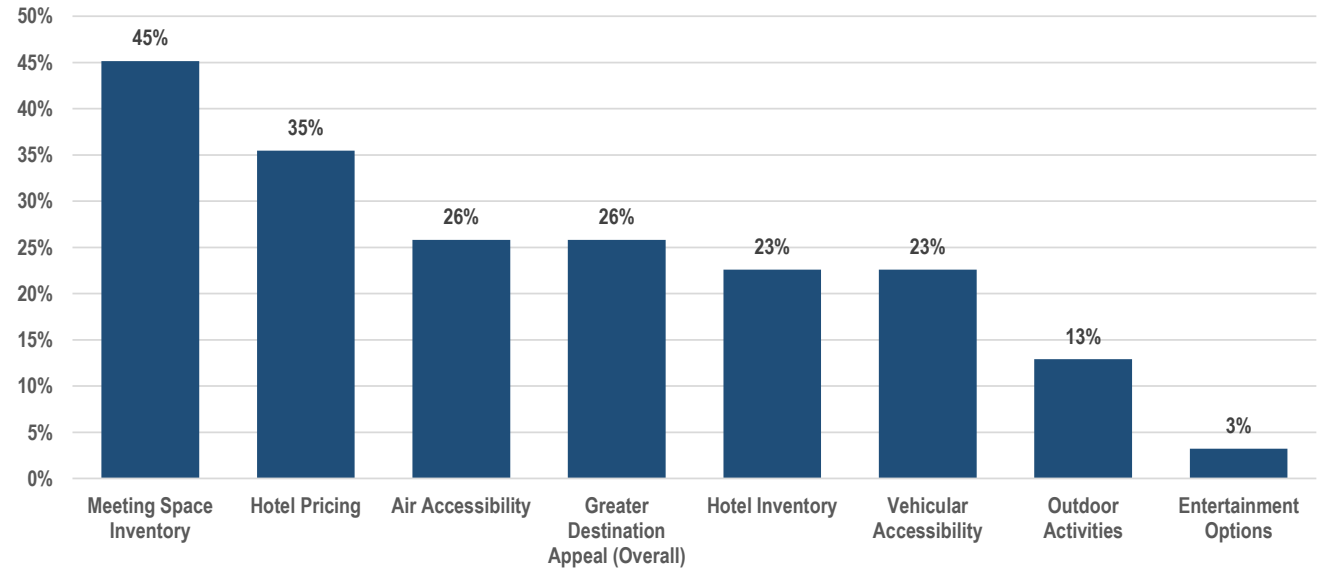


FIGURE 4.31: Reasons for Selecting Alternative Markets

4.0 – DEMAND ANALYSIS

Meeting Planner Survey

Region Familiarity

Figure 4.32 to the right examines the County's strengths as a destination according to those who have booked meetings or events in the County within the last three years. Respondents were asked to choose up to three answer choices. The County's greatest strength as a destination is outdoor activities, with a 71% response rate. The County's hotel pricing and entertainment options have the second and third-highest response rates at 47% and 35%, respectively. Hotel pricing as a strength is in direct contrast to the previous slide in which respondents indicated they choose other markets due to pricing. This suggests that respondents have stayed in different locations within the County and at different times of the year, thereby creating different perceptions regarding hotel affordability.

Figure 4.33 to the right shows the County's weaknesses as a destination according to respondents who have booked meetings or events in the County within the last three years. Respondents were asked to choose up to three answer choices. The most frequent response was the County's current meeting space inventory and air accessibility, with a 58% response rate. The County's remote location has the third highest response rate at 37%.

What are San Luis Obispo County's Greatest strengths as a destination? (n = 17)

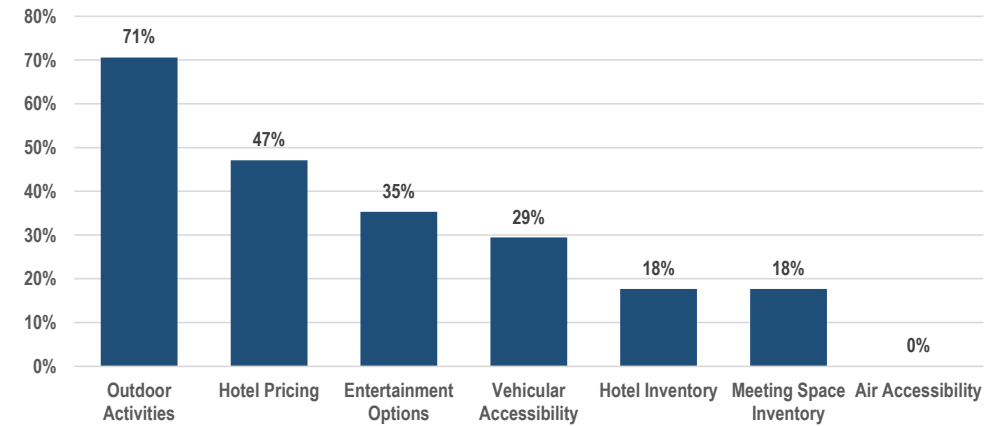


FIGURE 4.32: SLO County Strengths

What are San Luis Obispo County's greatest weaknesses as a destination? (n=19)

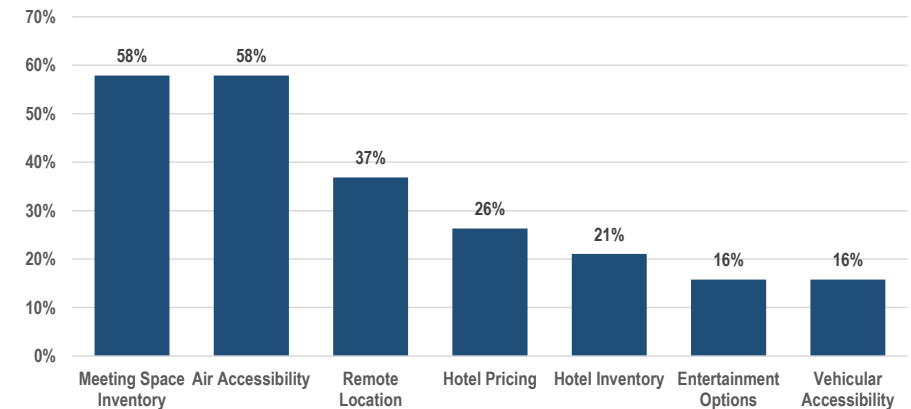


FIGURE 4.33: SLO County Weaknesses

4.0 – DEMAND ANALYSIS

Meeting Planner Survey

City Preference

Figure 4.34 to the right shows respondents' willingness to book a meeting or event in the County with the meeting venues currently available. For respondents who have booked in the County within the past three years, 79% would book another event. For respondents who have not booked an event, only 13% would book a meeting or event. However, this is greatly affected by those who have not previously booked in the County, as 63% indicated they are unaware of the meeting facilities currently available in the County. The high percentage of respondents indicating they are unfamiliar with the current allotment of facilities speaks to a limited overall awareness level of County properties.

Figure 4.35 to the right shows respondents' willingness to book a meeting or event in San Luis Obispo County if a new meeting venue was provided. For respondents who have previously booked in the County, 100% would book another event. Over 80% of respondents who have not previously booked would consider booking an event, which demonstrates the potential to capture presently unaccommodated demand.

Would your organization book a meeting or event in San Luis Obispo County with the meeting facilities that are currently available? (n = 19/32)

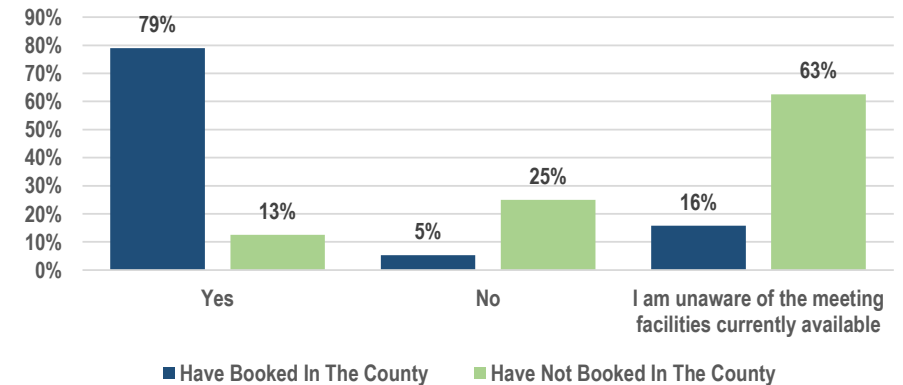


FIGURE 4.34: Current Facilities – Likelihood to Book an Event

Would your organization book a meeting or event in San Luis Obispo County with the meeting facilities that are currently available? (n = 19/32)

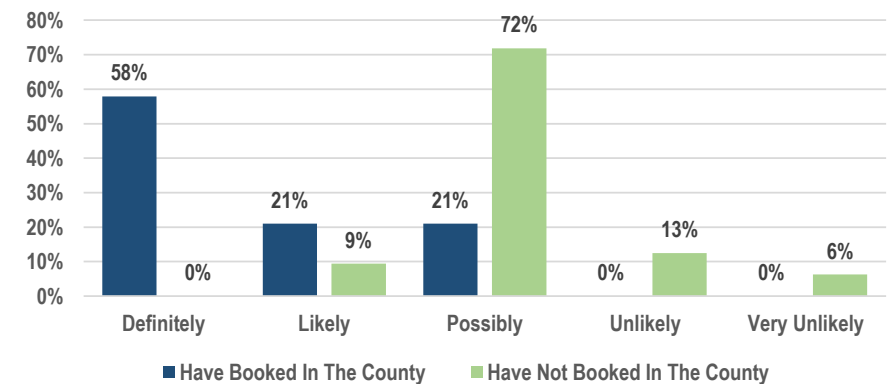


FIGURE 4.35: Current Facilities – Likelihood to Book an Event

4.0 – DEMAND ANALYSIS

Meeting Planner Survey

City Preference

Respondents were asked to indicate if the location within the County would impact their decision to book a meeting or event. For those respondents willing to book a meeting or event in the County, 65% indicated that the location impacts their likelihood of booking a meeting or event. Figure 4.37 to the right shows the city within San Luis Obispo County that holds the greatest appeal to respondents who have booked in the County before, as well as respondents who have not booked in the County. The City of San Luis Obispo holds the greatest appeal among meeting planners regardless of whether they have previously booked a meeting. Those who have previously booked in the County had less affinity for Paso Robles than those who have not previously booked in the County. B&D acknowledges that results are likely skewed toward San Luis Obispo due to its considerable brand recognition, location of Cal Poly, and status as regional commercial hub.

Does the choice of city within San Luis Obispo County impact your likelihood of booking a meeting or event? (n = 46)

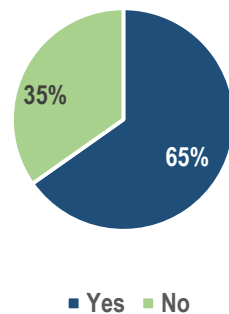


FIGURE 4.36: Choice of SLO County City

Which of the following locations presents the greatest appeal (accommodation and venue considerations notwithstanding)? (n = 19/28)

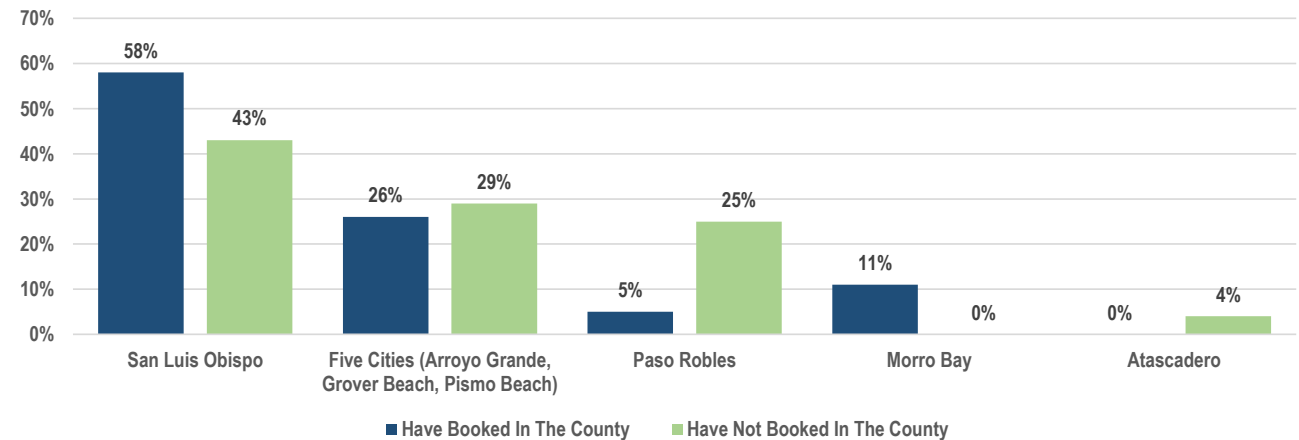


FIGURE 4.37: Which SLO County City

4.0 – DEMAND ANALYSIS

Meeting Planner Survey

City Preference

Respondents were asked to cite all cities in which they would be comfortable booking a meeting or event in. San Luis Obispo had the highest response rate at 78%. The Five Cities area and Paso Robles both rank second at 59% and Morro Bay ranks fourth at 37%. In contrast, Atascadero had a response rate of only 7%. B&D subjectively asserts that respondents may be predisposed to selecting the city of San Luis Obispo due to its brand recognition and familiarity.

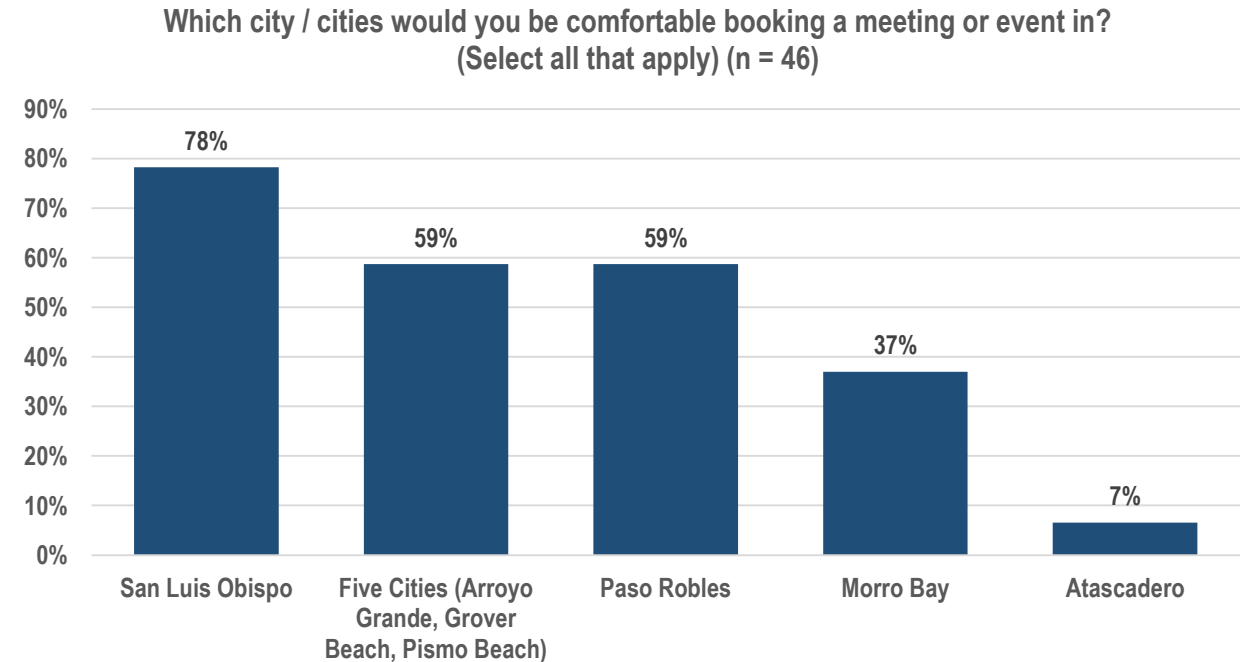


FIGURE 4.38: All Cities in which Respondents are Comfortable Booking In

4.0 – DEMAND ANALYSIS

Meeting Planner Survey

Building Program

B&D asked meeting planners a series of questions about their building program requirements and preferences. Respondents were directed to this line of questions if they indicated they would consider booking a meeting in the County. Figure 4.39 examines preference with regard to ballroom size. Over 70% of respondents indicated that a ballroom size of 15,000 SQ FT would be suitable for their needs. A ballroom size of 15,000 SQ FT to 20,000 SQ FT would meet the needs of 95% of respondents. Survey respondents' ballroom requirements are largely consistent with ballroom sizes in peer facilities (17,000 SQ FT, on average). The required capacity for the ballroom space ranges from less than 50 to 1,500+. Ninety-eight percent of respondents indicated that a capacity of 1,000 was required for the plenary session.

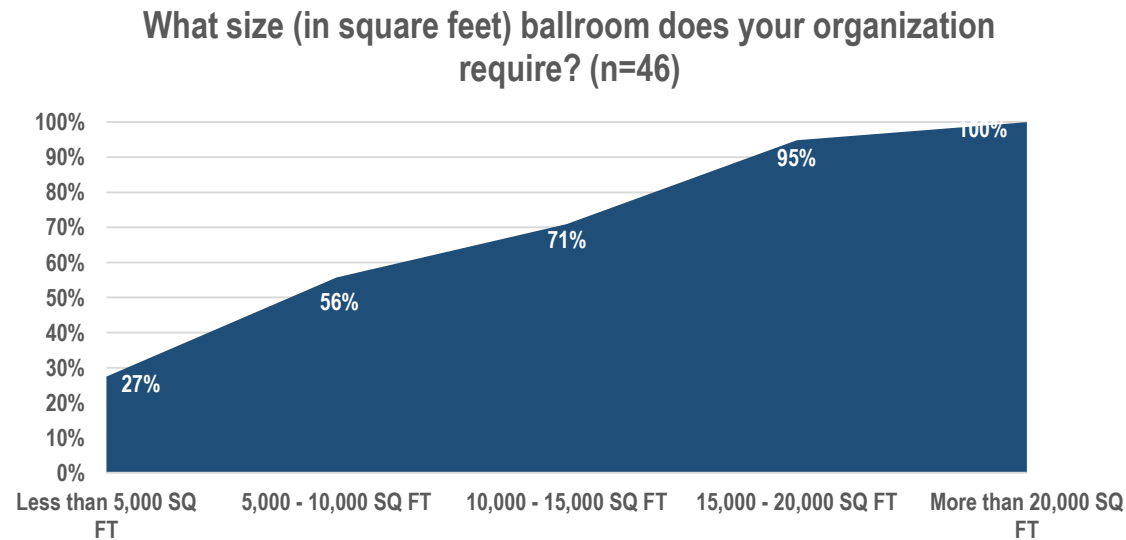


FIGURE 4.39: Ballroom Size

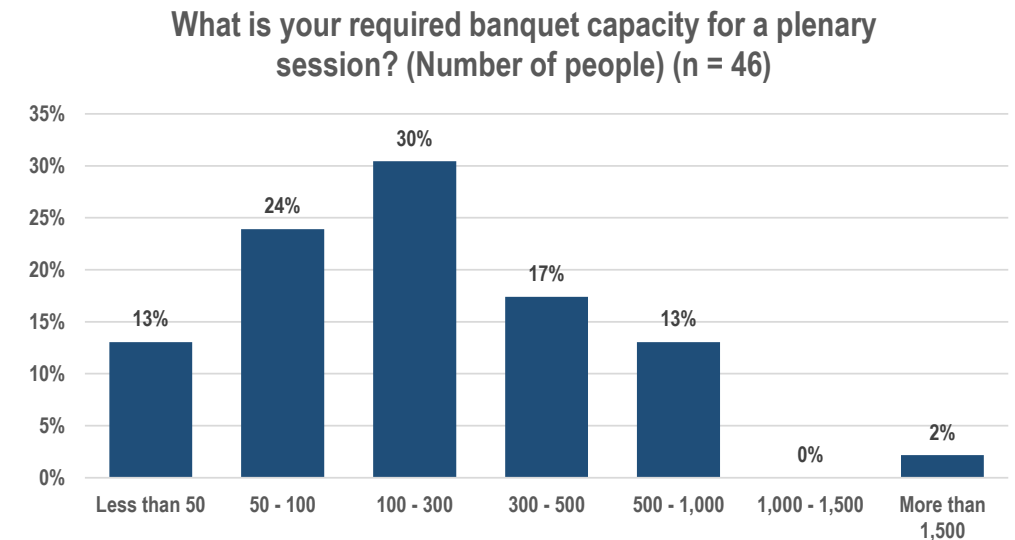


FIGURE 4.40: Banquet Capacity Requirement

4.0 – DEMAND ANALYSIS

Meeting Planner Survey

Building Program

Respondents were asked what size exhibit space they required in a meeting venue. The majority (59%) of respondents reported not needing any exhibit space. This is consistent with the low response rate for conventions, trade shows, and sporting events. Based on survey results and the analyses contained in the comparable facilities analysis, it is clear that exhibition space is not a required facility component.

What size (in square feet) exhibit hall does your organization require? (n=46)

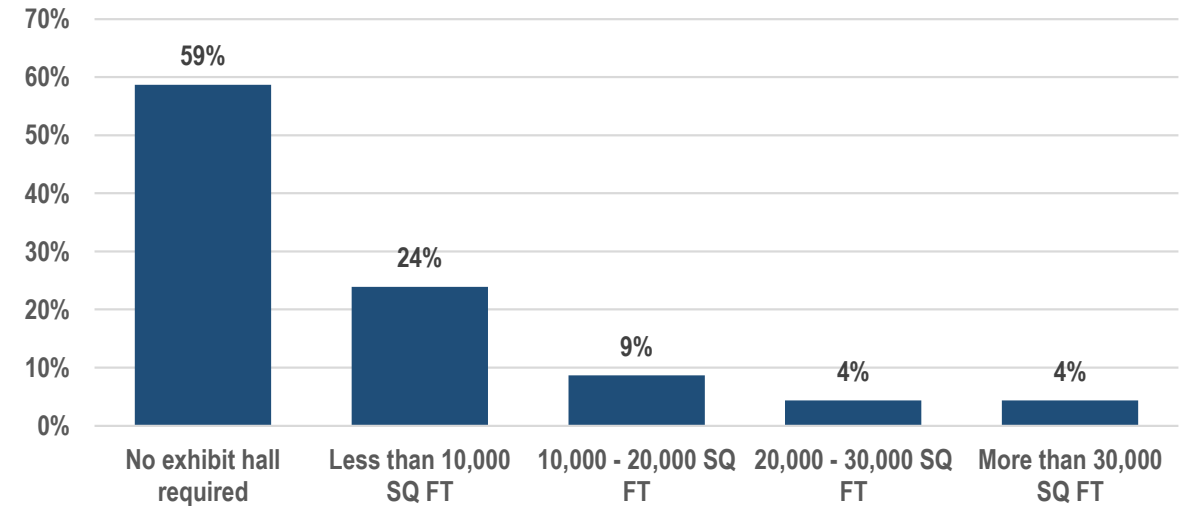


FIGURE 4.41: Exhibit Hall Size

4.0 – DEMAND ANALYSIS

Meeting Planner Survey

Building Program

Figure 4.42 below shows the number of total breakout spaces required by meeting planners. Ninety-two percent of demand would be accommodated by up to 15 break-out spaces, while 83% of demand would be accommodated by 10 break-out spaces.

Forty-three percent of respondents indicated that breakout spaces of 500 – 1,000 SQ FT is sufficient for their needs. Over 80% of planners indicated that breakout space of less than 500 SQ FT is too small, while just four percent of respondents indicated that a space of over 1,500 SQ FT is required. As such, responses indicate that breakout spaces of 1,000 – 1,500 would satisfy the needs of 96% of meeting planners.

How many breakout spaces does your organization require? (n=46)

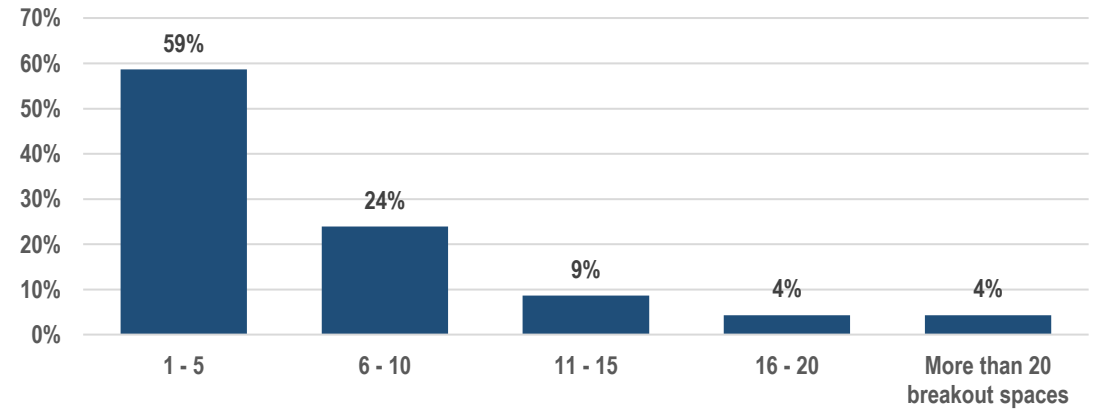


FIGURE 4.42: Breakout Space Quantity

What size (in square feet) does your organization require each breakout space to be? (n=46)

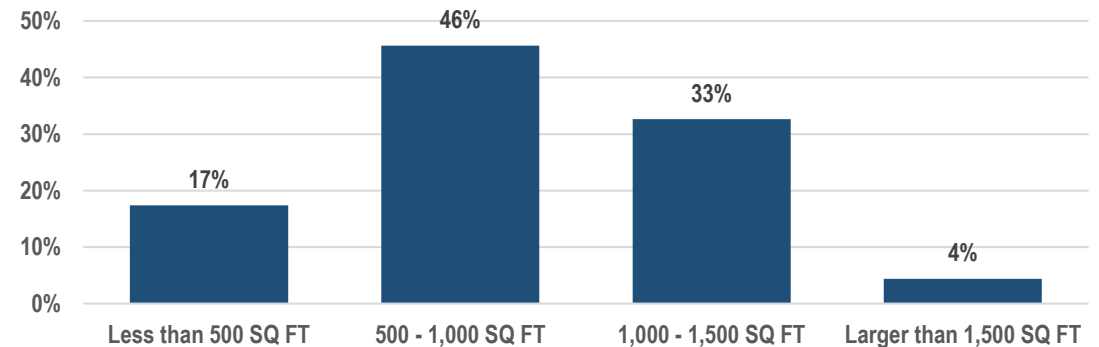


FIGURE 4.43: Breakout Space Size

4.0 – DEMAND ANALYSIS

Meeting Planner Survey

Building Program

Figure 4.44 below shows meeting planners' most important considerations when choosing to book a meeting or event. Respondents indicated that location and accessibility (79%) and hotel pricing (74%) were their most important considerations. Comparatively less important considerations were facility capacity, space configuration, and price flexibility. The presence of an on-site headquarter hotel (4%) and facility décor (0%) were cited as the least important considerations.

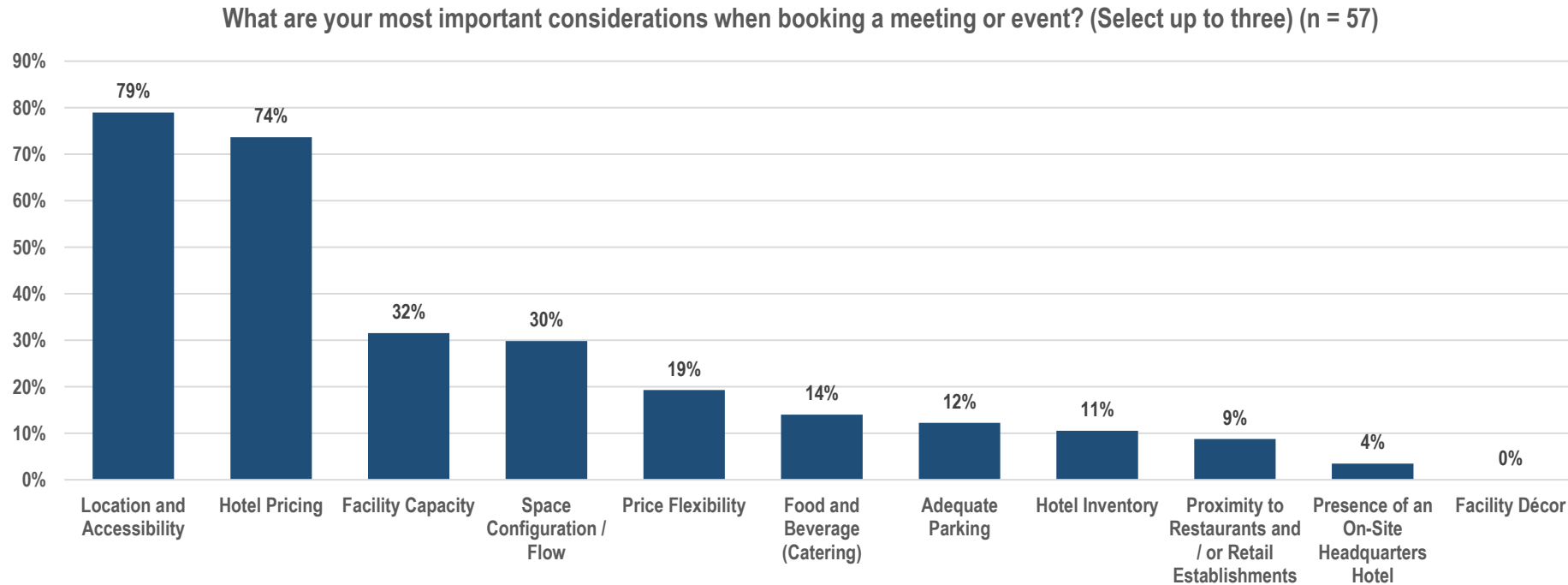


FIGURE 4.44: Breakout Space Size

4.0 – DEMAND ANALYSIS

Meeting Planner Survey

Event Characteristics

Meeting planners who responded positively to hosting an event if a new venue was provided were asked to estimate how frequently they would host an event. Nearly half of respondents indicated they would likely book an event once a year, 37% would book multiple events throughout the year, and 18% responded that they would book an event less frequently than once a year. Respondents were also asked to indicate the type of events they would hold. Conferences and meetings were the most popular answers with response rates of 88% and 76%, respectively. Trade shows and sporting events are less likely to occur, with response rates of 18% and 6%.

How frequently would your organization book a meeting or event? (n=46)

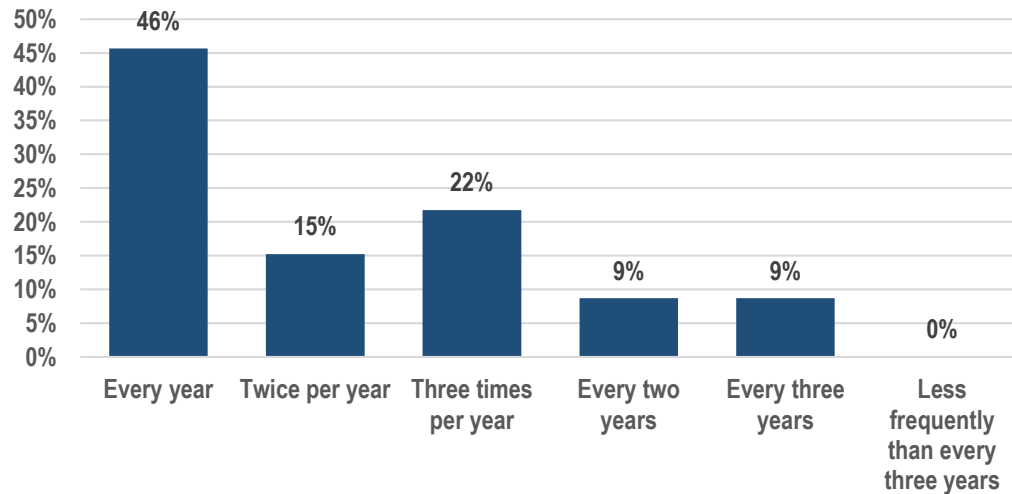


FIGURE 4.45: Meeting and Event Frequency

What types of events would your organization book? (Select all that apply) (n=46)

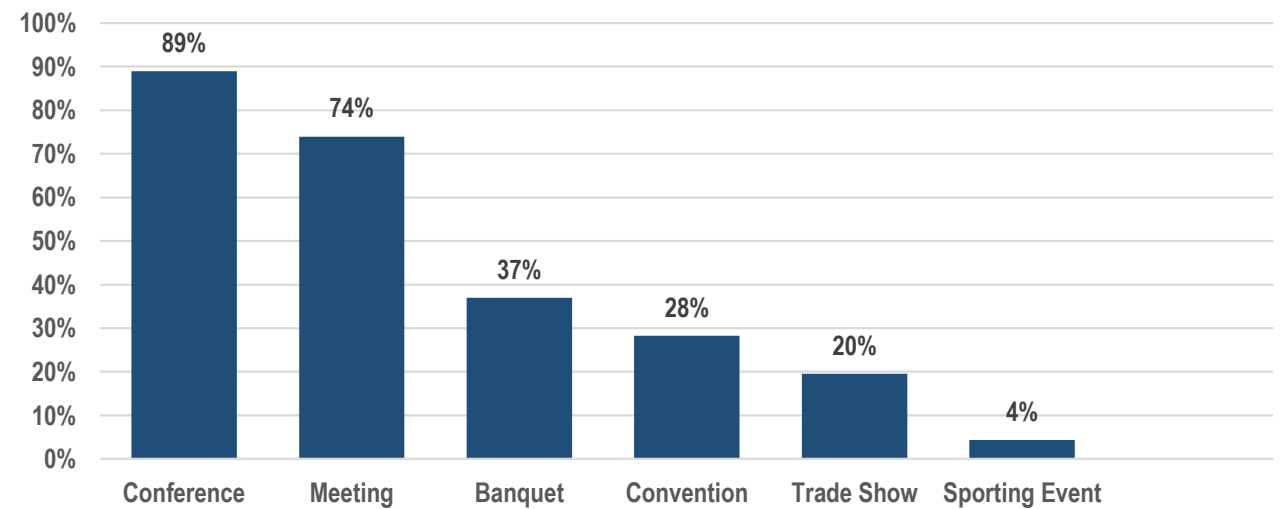


FIGURE 4.46: Meeting and Event type

4.0 – DEMAND ANALYSIS

Meeting Planner Survey

Event Characteristics

Meeting planners were asked to report the duration (in days) of their organization's largest event. The majority of respondents indicated that their organization's largest event would last between three and four days. Respondents were asked to report the average number of attendees that would be present at their organization's largest event. Respondents indicated an average of 465 attendees would be present at their largest event, but answers range from 20 to 4,000. This average attendance of 456 is considerably higher than comparable facility average attendance per event of roughly 330.

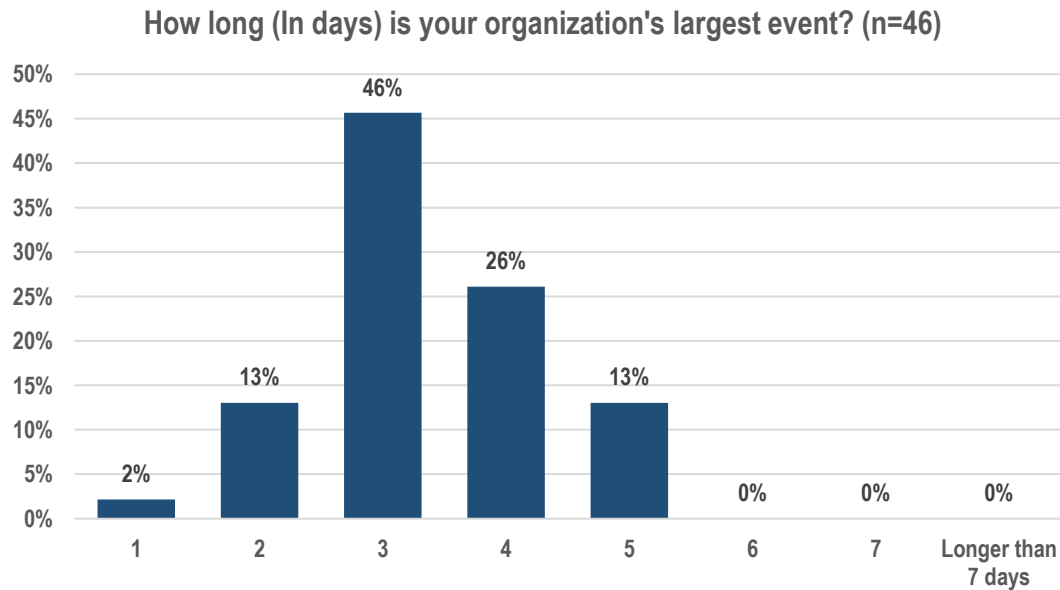


FIGURE 4.47: Event Length

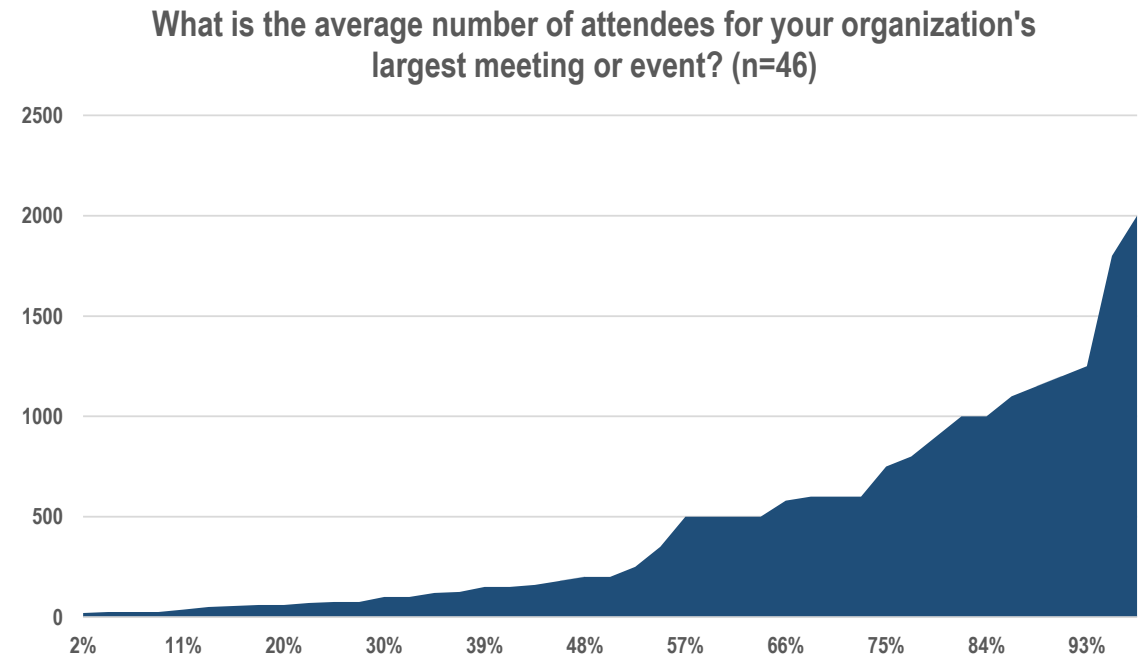


FIGURE 4.48: Average Attendance

4.0 – DEMAND ANALYSIS

Meeting Planner Survey

Event Characteristics

Figure 4.49 below shows the days of the week that respondents are likely to book meetings or events. Respondents were asked to select all options that apply. Respondents indicated that they are most likely to book meetings mid-week between Tuesday and Friday, with an average answer selection of 67%. Further, Figure 4.50 shows the seasons that respondents are most likely to book meetings or events in San Luis Obispo. There is a peak of event timing during the Spring and Fall at 34% and less demand during the winter and summer months at 16% and 17%, respectively.

What day(s) of the week is your organization most likely to book a meeting / event in San Luis Obispo County? (Select all that apply) (n=46)

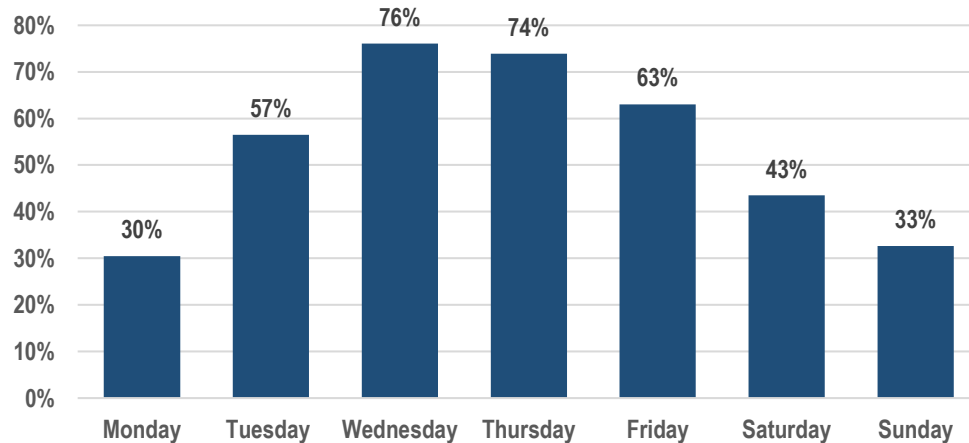
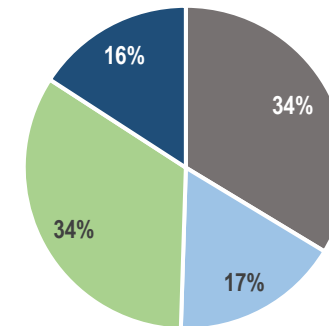


FIGURE 4.49: Day-of-Week Preference

What Month(s) is your organization most likely to book a meeting or event in San Luis Obispo County? (n = 46)



■ Spring ■ Summer ■ Fall ■ Winter

FIGURE 4.50: Season Preference

4.0 – DEMAND ANALYSIS

Meeting Planner Survey

Hotel Requirements

Respondents were asked to indicate if their organization required a headquarter hotel within walking distance from the meeting venue. The majority of respondents (74%) indicated that a nearby hotel was a requirement, while 26% indicated it was not. Respondents were also asked to indicate how many hotels within walking distance that they were willing to utilize. Nearly half of respondents indicated that they were only willing to use one hotel to accommodate their group. If one hotel could not accommodate the entire group, 33% indicated that two hotels would suffice. Interestingly, 15% indicated that they would be willing to use four or more hotels to accommodate their entire group, which is higher than the number of those willing to use three hotels (7%).

Does your organization require a headquarters hotel within walking proximity to the meeting space? (n=46)

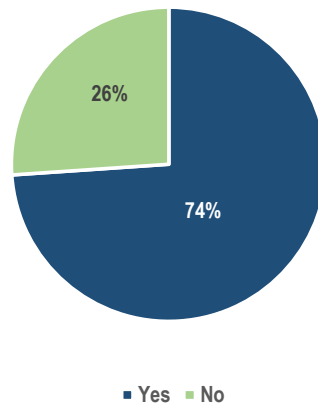


FIGURE 4.51: Headquarters Hotel Requirement

If a single hotel cannot accommodate all attendees how many hotels within walking proximity is your organization willing to use? (n=49)

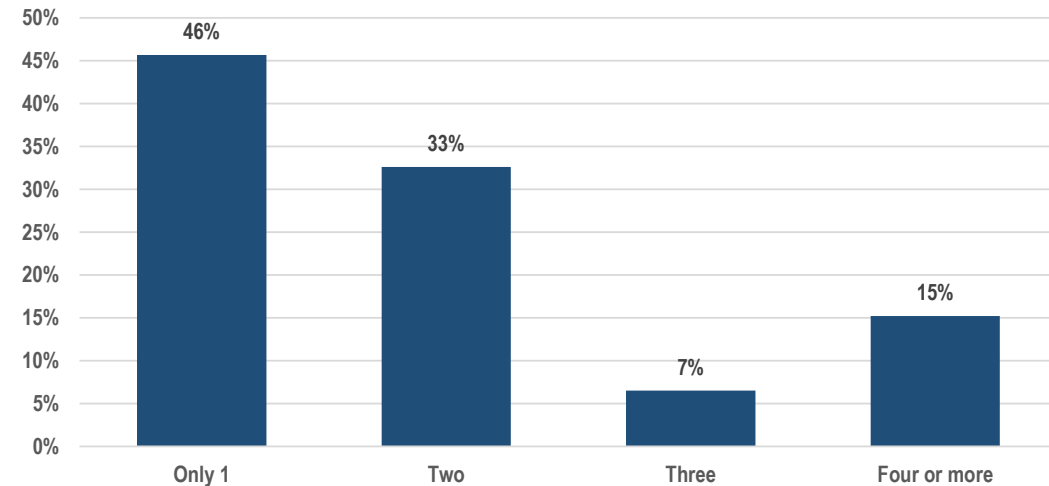


FIGURE 4.52: Hotel Quantity Preferences

4.0 – DEMAND ANALYSIS

Meeting Planner Survey

Hotel Requirements

Respondents were asked to cite how many rooms their organization would require for their largest event. Respondents answered with a range up to 4,000 (Not pictured). Meeting planners reported requiring an average of 289 hotel rooms for their largest events. Approximately 90% of demand would be accommodated by 500 hotel rooms, 300 would accommodate 77% of demand, while roughly 225 would accommodate 67% of demand.

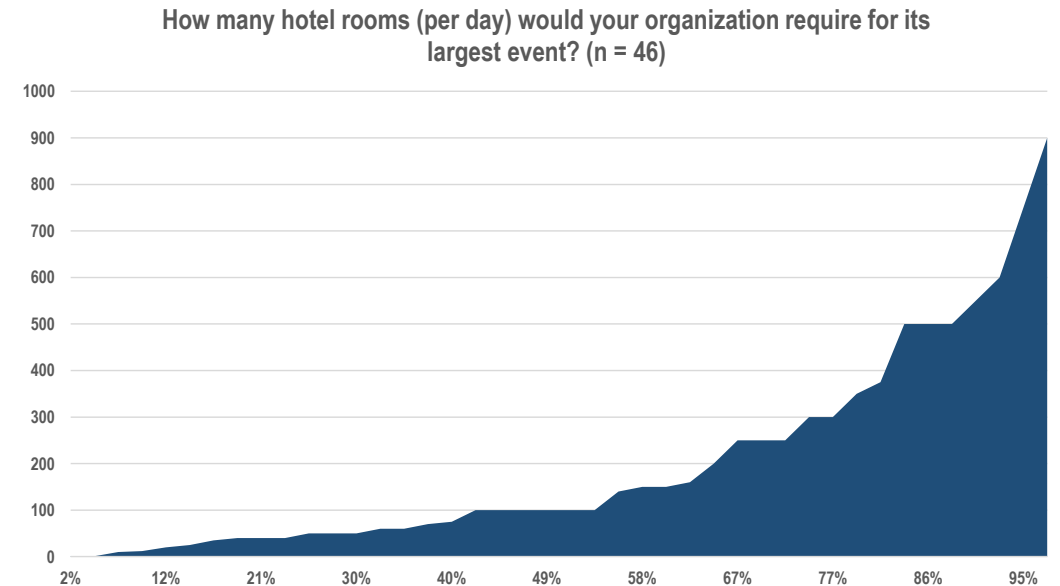


FIGURE 4.53: Estimated Required Hotel Rooms for Largest Event