

ATTACHMENT D

EXECUTIVE SUMMARY



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Conventions, Sports & Leisure International (CSL), with the assistance of Sycamore Advisors, was retained by the Northwest Indiana Regional Development Authority (NWRDA), with participation by the 19 municipalities within Lake County, to conduct a feasibility study associated with a potential new convention center.

The attached report presents our research, analysis and findings and is intended to assist the NWRDA and other project stakeholders in evaluating the viability of facility development. The full report should be reviewed in its entirety to gain an understanding of the study's methods, limitations and implications.

INTRODUCTION & METHODS

With the recent closures of the Star Plaza Theatre and the Radisson Hotel and Conference Center in Merrillville, many within the community believe that Lake County now lacks the proper facilities to accommodate high economic impact event activity, including conventions, conferences and tradeshow of all sizes. This loss of share in the regional event marketplace represents the impetus for this study, and an important study objective is to investigate whether a Lake County convention facility could recapture lost business, while also attracting new economic impact generating events to Lake County.

The feasibility study contracted for this engagement consists of a detailed set of research and analysis designed to generate informed conclusions regarding a potential new convention center in Lake County as to market demand, building program, event and market performance levels, order-of-magnitude construction costs, financial operations, economic impacts and funding.

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

1. Experience garnered through more than 1,000 convention and event facility planning and benchmarking projects throughout the country.
2. Local market visits at the outset of the project, including community and facility tours, and discussions with study stakeholders.
3. In-person and telephone interviews, meetings and focus groups with nearly 100 local Lake County area individuals including NWIRDA representatives, County government, South Shore Convention and Visitors Authority, representatives from each of the 19 communities within Lake County, local hoteliers and business leaders; and, other visitor industry and other community stakeholders.
4. Benchmarking research and analysis of facility data and interviews conducted with 33 competitive/regional and 18 comparable national convention event facilities.
5. Completed telephone interviews with over 120 potential new users of a Lake County Convention Center, representing nearly 1,700 rotating events.

EXECUTIVE SUMMARY

MARKET DEMAND

A detailed set of research and analysis was conducted for this study to form conclusions about market demand and opportunities for a potential new convention center in Lake County. Based on interviews of meeting/event planners, which includes corporate/independent meeting planners, state/regional association and SMERF event planners, and key past users of the Radisson Hotel at Star Plaza, we have made the following observations and preliminary recommendations:

- With the loss of the both the Star Plaza and the Radisson Hotel at Star Plaza, significant local demand exists for an event space that could accommodate a number of civic gatherings and local consumer shows, as well as small meetings, banquets, receptions. These and other events have been forced to look for space at venues outside of Lake County or within sub-optimal event venues within Lake County.
- Given Lake County's local market characteristics and the event profiles of other comparable convention facilities in similar markets, it is believed that the primary non-local event markets for a new convention center in Lake County would be events hosted by state and regional groups, in addition to corporate and other types of event activity from the Chicago/Northwest Indiana greater metropolitan area and throughout the state of Indiana. This demand represents an opportunity to enhance and diversify demand for hotel room nights, inject new spending into the region and introduce Lake County to a wide array of event attendees unfamiliar with the area.
- Overall, survey results suggest that the level of unmet demand from rotating state and regional convention and conference markets is moderate to strong. Existing Lake County convention and event facilities are unable to accommodate the majority of state/regional markets that are interested in the Lake County destination.
- Based on survey results and experience with past project, demand would suggest an opportunity for 55,000 to 75,000 square feet of sellable space with a 35,000 to 45,000 contiguous exhibition hall. For optimal market capture, the Center would need to be attached to a 225- to 275-room hotel property (assuming a 70 percent committable room block rate from the hotel for convention center events) and be in close proximity to approximately 400 to 450 committable hotel rooms.
- Should White Lodging develop any new hotel & conference center product to replace the closed Radisson Hotel, the market opportunity for a new convention center may be impacted. The impact of such a development could either be favorable or unfavorable for a potential new Lake County convention center project, depending on a variety of factors/issues.
- Key challenges of the Lake County destination (and a primary reason for non-local event planners' disinterest) include its non-centralized location (within the state) and the number of event planning groups are primarily oriented in and around the Indianapolis metropolitan area.
- Based on responses of potentially interested event organizers, it will be important to position a new convention center in Lake County with strong highway/transportation access, and near restaurants and nightlife options.

EXECUTIVE SUMMARY

SUPPORTABLE PROGRAM

The market supportable program represents a convention center facility that would be optimized in terms of size and finish to address the majority of Lake County and Northwest Indiana’s measured market demand and to maximize economic impacts.

Based on the analyses, key aspects of a market supportable facility program for a potential Lake County convention center are presented to the immediate right.

The exhibit to the far right presents a visual representation of how the assumed convention center program would align with the typical product requirements and preferences of variety event types. Convention center space, such as that suggested for a Lake County project, is typically the most versatile facility product in the event industry—hosting a wide diversity of event types and customer/attendee bases.

1. CONVENTION CENTER SPACE (70,000 SF sellable, approx. 145,000 GSF)

A. Exhibit Hall:

- 40,000 SF subdividable, column-free, concrete floor
- 30 to 35-foot ceiling height, utility floor grids, state-of-the-industry loading/access

B. Ballroom:

- 17,000 SF subdividable, column-free, carpeted, upscale
- 25 to 30-foot ceiling height

C. Breakout Meeting Rooms:

- 13,000 SF of breakout meeting space, subdividable, carpeted, upscale space

2. OTHER REQUIREMENTS




- Headquarters Hotel: attached/adjacent 225-room or larger full-service hotel with national brand
- Primary Supporting Hotel Rooms: 400 or more quality hotel rooms within walking distance
- Secondary Supporting Hotel Rooms: 700 or more quality hotel rooms within ½ mile

Alignment of Facility with Event Types

Flat Floor / Business-Focused	
Conventions (with exhibits)	Strong alignment with facility
Conventions (without exhibits)	Moderate alignment with facility
Tradeshows	Moderate alignment with facility
Public/Consumer Shows	Moderate alignment with facility
Conferences	Moderate alignment with facility
Meetings	Moderate alignment with facility
Banquets	Moderate alignment with facility
Receptions	Moderate alignment with facility
Meetings	Moderate alignment with facility
Civic meetings/assemblies	Moderate alignment with facility

Entertainment / Spectator-Focused	
Concerts (touring)	Moderate alignment with facility
Concerts (local/community)	Moderate alignment with facility
Family Shows	Moderate alignment with facility
Ice Shows	Moderate alignment with facility
Boxing/MMA	Moderate alignment with facility
Professional/Minor League Sports (tenant)	Moderate alignment with facility
Professional/Minor League Sports (exhibitions)	Moderate alignment with facility
Rodeos	Moderate alignment with facility
Tractor Pulls / Motocross	Moderate alignment with facility
Broadway/Musicals	Moderate alignment with facility
Theatricals/Plays	Moderate alignment with facility
Opera	Moderate alignment with facility
Ballet / Dance Productions	Moderate alignment with facility

Entertainment/Leisure / Participant-Focused	
Basketball tournaments, camps/clinics	Moderate alignment with facility
Volleyball tournaments, camps/clinics	Moderate alignment with facility
Gymnastic meets, camps/clinics	Moderate alignment with facility
Wrestling meets, camps/clinics	Moderate alignment with facility
Cheer/dance competitions, camps	Moderate alignment with facility
Futsal tournaments, clinics	Moderate alignment with facility
Table tennis tournaments	Moderate alignment with facility
Indoor soccer tournaments, camps/clinics	Moderate alignment with facility
Pickleball tournaments, camps/clinics	Moderate alignment with facility
Open recreation	Moderate alignment with facility
Civic events	Moderate alignment with facility
Festivals/fairs	Moderate alignment with facility
Graduations/commencements	Moderate alignment with facility
Cultural/heritage events	Moderate alignment with facility

Legend:
 Strong alignment with facility = 
 Moderate alignment with facility = 
 Weak alignment with facility = 

EXECUTIVE SUMMARY

SITE ANALYSIS

As important as size and configuration, the location and site of a convention facility can have a significant impact on the facility's operational success and its ability to generate new visitation and associated economic impact in a host community. An assessment of potential site/locations within Lake County was conducted to determine what general areas might be best suited as a host site/location for a convention center in Lake County.

For a convention center project, proximity to quality hotel inventory is the single most important factor. Without a sizeable, quality hotel property that is attached or adjacent, a convention center will be extremely limited in its ability to attract non-local conventions and tradeshow. Without this type of hotel support, the convention center will function more as a "local" venue, such as a community center or civic center. Given the nature of the Lake County destination and its lack of a traditional downtown central business district (offering a pedestrian-friendly environment with walkable restaurants, bars, nightlife, entertainment, retail with character, etc.), the importance of planning for mixed-use development in a larger district containing the convention center will likely be greater with any Lake County site.

Throughout the study process, with the assistance of the Study Committee and through the research and community outreach process, a large number of site/location ideas were forwarded to the project team. It was apparent that the large number of possible sites/locations that were initially cataloged were widely varied in terms of their suitability and strengths as a host site for any new convention center project. In fact, many of them were considered to have one or more fatal flaws that should remove them from consideration. As such, a first step in the analysis was to establish a set of Qualifying Criteria that removed prospective site/locations possessing fatal flaws or important weaknesses from the final analysis. In order to advance to the final site analysis step, each of cataloged site/location ideas must have passed or met each of the Qualifying Criteria. Fundamentally, the Qualifying Criteria limited consideration of sites/locations to the northern half of the Lake County and those in or near established areas of commerce. Based on industry best practices and our experience with project throughout the country, this is logical and appropriate, given the significantly higher concentration of visitor amenities (including the ability to leverage multiple proximate hotel properties), population base (in-county and regional), and transportation accessibility in north County relative to south County.

Of the nine sites that qualified to the final round, the following five ranked as the strongest potential sites/locations for a new convention center in Lake County: Radisson/Star Plaza, Century Mall, Hobart Silverstone, Kennedy Ave & I-94, and Majestic Star. The specific location, characteristics, and strengths/weaknesses of these sites, along with the other four site finalists, are detailed within the full report.

The five highest ranked sites are believed to offer the greatest combination of strengths and smallest impactful weaknesses among the site/location finalists. All five possess good accessibility, visibility, location proximity to population bases and/or visitor industry amenities, and ancillary economic development opportunities. The Radisson/Star Plaza site, in particular, would be assumed to greatly benefit from the addition of multiple hotel products (including a mix of full-service and focused-service properties) being planned in adjacent/proximate parcels by White Lodging.

EXECUTIVE SUMMARY

ESTIMATES OF PERFORMANCE AND COST/BENEFIT

An analysis was conducted to estimate potential utilization and costs/benefits associated with a new convention center in Lake County. Initially, based on the results of the market demand and building program analyses, modeling and analysis was performed to generate performance estimates for a potential convention center. Performance estimates for a potential convention center have been presented over a 20-year projection period. A stabilized year of operation is assumed to occur by the fifth full year of convention center operation. All dollar figures are represented in terms of 2018 dollars.

The development and operation of a potential new convention center in Lake County would be expected to generate quantitative benefits to Lake County and its residents. Based on the analysis, key annual and 20-year cumulative utilization and cost/benefit metric estimates include those indicated to the right. The quantified economic impact estimates represent spending that is estimated to be “new” to Lake County as generated by the construction and operation of a potential new convention center. The new Lake County spending is generated through the construction period and then from in-facility spending and out-of-facility spending by non-local convention center attendees

In addition to the quantifiable benefits associated with a new convention center in Lake County, there are a number of existing and potential benefits that cannot be quantified. In fact, these qualitative benefits tend to be a critical factor in the consideration of public and private investment in facilities of this nature. These include issues pertaining to quality of life (through attracting events that would not otherwise travel to Lake County, as well as hosting civic, entertainment and private events), ancillary economic development facilitation, employment opportunities, community pride, and other such items.

The quantitative impact figures do not include economic impact that could be generated by other facility elements at the greater site (such as potential new hotel, restaurant, retail, residential and other such elements that could be developed in addition to the convention center itself). Some of the quantified economic impacts associated with convention center attendance would be quantitatively captured by some of these potential other facilities, but substantial additional economic impact could be generated by any additional mixed-use elements that are developed at, or near, the site. The net effect of a calculation of quantified economic impact could hypothetically be several times greater in magnitude (depending on the level of investment and development that is ultimately realized at, or near, the site).

Key Performance Estimates	Stabilized Year 1	20-Year Total
Events	273	5,291
Event Days	363	6,985
Utilization Days	485	9,306
Operating Revenue	\$1,888,822	\$36,363,528
Operating Expenses	\$2,334,421	\$46,037,400
Hotel Room Nights	47,549	894,310
Direct Spending	\$19,499,604	\$394,287,668
Total Economic Output	\$32,289,307	\$653,718,859
Personal Income (Earnings)	\$11,001,523	\$222,644,112
Employment (full & part-time jobs) (1)	449	761
Tax Revenue (2)	\$2,222,010	\$44,341,695

(1) 20-year Employment estimate represents the peak year during the period.

(2) Tax Revenue includes 5% County Innkeepers Tax, 1.5% County Income Tax, and 7% State Sales Tax.

EXECUTIVE SUMMARY

FUNDING ANALYSIS

An analysis was conducted for the purpose of summarizing various public and private sector funding opportunities that could represent potential sources of funding to develop a potential new convention center in Lake County and meet any on-going operating requirements and capital reserves. The funding analysis presented herein is not intended to be an exhaustive review of all potential sources, but rather a review of the most likely funding sources that may be available specific to this project.

While there are multiple revenue sources which could potentially be used to help support capital expenditures related to a new convention center in Lake County, realistically, two revenue streams are the most feasible: (1) a new Food & Beverage Tax; and (2) existing TIF revenues (assuming the final site is in a TIF District). The analysis used to arrive at these two revenue streams (1) excluded property taxes as a primary source of security; (2) excluded public sector revenues (such as water and sewer fees) restricted to other uses; and (3) assessed the relative ease in creating or accessing the revenue stream and a lack of prior claims to the revenue streams.

(1) Food & Beverage Tax. Under existing law, Lake County's fiscal body may authorize a 1% Food and Beverage Tax by ordinance without additional legislation from the Indiana General Assembly. Once the tax is adopted, *"The entire amount received from the taxes imposed by a county under this chapter shall be paid monthly by the treasurer of state to the treasurer of the northwest Indiana regional development authority."* Funds must be deposited in the 'development authority fund' and may be used for legally authorized purposes, including economic development projects in Lake County. LSA's 2018 fiscal impact statement for HB 1099 (which did not pass this session) included Food & Beverage Tax revenue projections for each county in Indiana, based on the collections of the current counties and municipalities that impose the tax. For Lake County, LSA estimated \$9.4 million in revenues for calendar year 2019 and \$9.8 million in 2020. It should be noted that if Lake County implements the Food & Beverage tax and desires to use those revenues to secure a bond issue, bondholders and rating agencies may require a backup source of funding, at least until the County has several years of actual revenues from this source.

(2) Existing TIF Revenues. There are currently 54 different Tax Increment Financing districts within Lake County. For calendar year 2015, the most recent year for which data is available online, the Indiana Department of Local Governments reported revenues of \$66.47 million from all 54 TIF districts, based on an incremental assessed value of \$1.657 billion. Individual TIF district revenues vary widely, with 8 districts reporting no revenues in 2015 while the Whiting Allocation Area reported \$15.46 million and two districts in Hobart reported revenues of over \$4 million each. If the site selected is in an existing TIF district that has capacity (i.e., available revenues), those revenues would become available for this project.

Other options considered include the County's Economic Development Tax (\$27.7 million county-wide in 2017; Lake County allocation was \$8.5 million, but these revenues are currently dedicated to existing projects); an increase in the Innkeeper's Tax, with allocation of the new revenues to this project (this would require approval of the Indiana General Assembly); and the creation of a Community Revitalization and Enhancement District, where Lake County could capture the incremental growth in state sales tax and income tax in the area and use it for the convention center project if the site meets the statutory criteria.