DRAFT HOTEL AND MEETING SPACE DEMAND STUDY

Monona Terrace Community and Convention Center

MADISON, WISCONSIN

SUBMITTED TO:

Bill Zeinemann
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November 6, 2020

Bill Zeinemann
City of Madison
One John Nolen Drive
Madison, Wisconsin 53703
wzeinemann@mononaterrace.com

Re: Monona Terrace Community and Convention Center
Madison, Wisconsin

Dear Mr. Zeinemann:

Attached you will find our DRAFT Hotel and Meeting Space Demand Study of a Monona Terrace Community and Convention Center in Madison, Wisconsin.

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

It has been a pleasure working with you. We look forward to hearing your comments.

Sincerely,
HVS Convention, Sports & Entertainment
Facilities Consulting

DRAFT

Thomas Hazinski
Managing Director

DRAFT

Brian Harris
Senior Director

DRAFT

Jorge Cotte
Project Manager

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1. Introduction and Executive Summary

Nature of the Assignment

The City of Madison engaged HVS Convention, Sports & Entertainment Facilities Consulting ("HVS") to conduct an analysis of Hotel and Meeting Space Demand Study for the Monona Terrace Community and Convention Center ("MTCC") in Madison, Wisconsin. The City of Madison could enhance the demand potential for convention and meeting business in Madison and allow it to compete more effectively against local and regional competitors. This report should inform the City's strategic planning for continued growth of the downtown hotel market, expansion of meeting space at the MTCC, and redevelopment of public spaces in downtown and on the Lake Monona waterfront.

Facility Ownership

The Frank Lloyd Wright-designed Monona Terrace Community and Convention Center opened in 1997. First proposed in 1938, it was approved by City voters in 1992. In 2001, the Hilton Madison Monona Terrace opened, adding 240 attached rooms to the venue.

The facility is owned by the City of Madison and serves dual functions, as a meeting space that serves the surrounding community and as a convention center that attracts out-of-town business. Its mission to serve the City and provide accessible options for local meetings and internally produced events for Madison residents is key to any considerations of future development and expansion of the MTCC.

Methodology

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

1. Thomas Hazinski, Brian Harris, and Jorge Cotte from HVS travelled to Madison, Wisconsin on January 13, 2020 for a site visit and client meeting. During this visit, we toured the facility, performed a site inspection, met with facility management and other key industry participants, and gathered relevant data.
2. Analyzed the economic and demographic data that indicate whether, and the extent to which, the local market area supports the City of Madison lodging market and MTCC operations.
3. Surveyed current and potential users of the MTCC to understand their event needs, their overall impressions of Madison and the MTCC, and the likelihood of booking events in the expanded facility.

4. Reviewed and analyzed historical demand and attendance data, as well as lost business, provided by the City of Madison.
5. Reviewed and analyzed sales and marketing data provided by Destination Madison.
6. Compiled data on 17 competitive and comparable convention centers to inform and test the reasonableness of the building program recommendations.
7. Recommended a facility program expansion based on the above steps.
8. Prepared event demand and attendance forecasts based on the implementation of the program recommendations.
9. Prepared a hotel market analysis and forecast the impact of MTCC expansion on the hotel market.
10. Prepared a financial forecast for the proposed City of Madison operations.
11. Prepared an economic and fiscal impact analysis for the proposed City of Madison expansion.

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

Description of Existing Facility

Located in downtown Madison, the MTCC serves the city as the primary public venue for conventions, conferences, and trade shows. It also hosts sporting events, consumer shows, banquets, and local meetings.

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

AERIAL VIEW OF THE MTCC

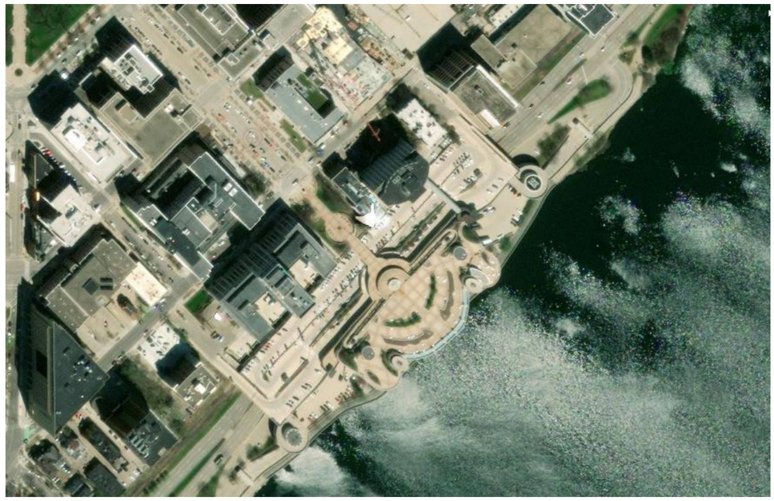


FIGURE 1-1
CURRENT FACILITY PROGRAM AND CAPACITIES

Event Space	Total Area (SF)	Capacities: Theatre	Banquet	Classroom	Exhibit Booths (10'x10')
Exhibit Hall	**37,200**	**3,300**	**2,000**	**3,300**	**212**
Hall A	18,600	1,600	1,000	928	106
Hall B	18,600	1,600	1,000	928	106
Ballroom	**13,524**	**1,518**	**936**	**832**	
Ballroom A	3,822	418	234	224	
Ballroom B	3,822	418	234	224	
Ballroom C	2,940	330	180	176	
Ballroom D	2,940	330	180	176	
Hall of Ideas	**6,840**	**792**	**450**	**48**	
Hall E	1,140	112	72	72	
Hall F	1,140	112	72	72	
Hall G	1,140	112	72	72	
Hall H	1,140	112	72	72	
Hall I	1,140	112	72	72	
Hall J	1,140	112	72	72	
Meeting Rooms					
Main Level Meeting Rooms					
k through r (eight rooms)	460	40	27	21	
Mezzanine Meeting Rooms					
Wisconsin	493	50	30	30	
Dane	493	50	30	30	
Hall of Fame	600	70	30	40	
Total Meeting Space	**5,266**				
TOTAL FUNCTION SPACE	**62,830**				
Lecture Hall	5,540	315			

Source: MTCC

Market Area Analysis

The Madison, WI MSA contains Madison—the state capital of Wisconsin—and the University of Wisconsin-Madison. Given its importance in the state, Madison maintains a high level of connectivity to the remainder of Wisconsin and the Midwest through a well-developed highway network and highly-functioning regional airport. The population and economy of Madison is projected to grow from 2019 to 2025, bolstered by growing technology and state and local government sectors. Due to a high level of business and leisure demand, the Madison, WI MSA contains a well-developed lodging supply—found mostly in Madison and Wisconsin Dells. Tourism to Madison can either focus on the many, diverse tourist attractions. Group meeting demand is generated by the MTCC, the Alliant Energy Center, the University of Wisconsin, and several full-service hotel properties.

Comparable Venue Assessment

HVS analyzed 17 competitive convention centers in the state of Wisconsin and across the United States. This analysis provides a basis for building program recommendations by comparing the function spaces and other amenities in each of the facilities along with other characteristics of the markets relevant to the success of the venue.

FIGURE 1-2
COMPETITIVE VENUE ANALYSIS – RANK OF SELECTION CRITERIA

Name of Venue	Location	Total Function Space (sf)	Exhibiton Space	Ballroom Space	Meeting Space
Regional Comparable Venues					
Minneapolis Convention Center	Minneapolis	591,411	475,200	27,522	88,689
Alliant Energy Center	Madison	390,320	370,000	0	20,320
Wisconsin Center	Milwaukee	265,841	188,695	37,506	39,640
Schaumburg Convention Center	Schaumburg	145,265	97,200	39,892	8,173
Kalahari Resorts - Wisconsin Dells	Wisconsin Dells	115,078	0	89,760	25,318
La Crosse Center	La Crosse	80,646	50,342	19,592	10,712
KI Convention Center	Green Bay	72,982	35,003	25,228	12,751
Monona Terrace Convention Center	**Madison**	**62,830**	**37,200**	**13,524**	**12,106**
Grand Geneva Resort & Spa	Lake Geneva	48,166	13,770	28,516	5,880
Oshkosh Convention Center	Oshkosh	18,510	0	15,400	3,110
National Comparable Venues					
Americas Center	St. Louis	644,369	485,000	27,625	131,744
Huntington Convention Center of Cleveland	Cleveland	318,225	225,000	43,175	50,050
CHI Health Center	Omaha	258,226	194,300	41,876	22,050
DeVos Place	Grand Rapids	234,243	162,000	40,000	32,243
Iowa Events Center	Des Moines	223,951	146,926	28,800	48,225
Raleigh Convention Center	Raleigh	212,061	146,843	32,617	32,601
Central Bank Center	Lexington	105,709	66,000	23,498	16,211
Buffalo Niagara Convention Center	Buffalo	102,869	64,410	12,367	26,092
Monona Terrace Convention Center	**Madison**	**62,830**	**37,200**	**13,524**	**12,106**

Source: HVS and respective venues

The MTCC function space capacity is smaller than most regional competitors including smaller cities. Its capacity ranks last among national comparable venues.

HVS ranked Madison among competitors on its suitability as a meeting and group destination. Site selection criteria include hotel supply, drive time population, travel costs, air access, median income, and surrounding amenities. The rank is based on the numerical data associated with each criterion and the weight of each criteria.

The figure below shows the rank of Madison and each of its competitive cities on each criterion and the total of all scores.

FIGURE 1-3
COMPETITIVE VENUE ANALYSIS – RANK OF SELECTION CRITERIA

Rank	Facility	Weighted Destination Score
1	Milwaukee, WI	0.745
2	Minneapolis, MN	0.744
3	Cleveland, OH	0.546
4	St. Louis, MO	0.521
5	Raleigh, NC	0.451
6	Schaumburg, IL	0.437
7	Buffalo, NY	0.432
8	Grand Rapids, MI	0.384
9	**Madison, WI (MTCC)**	**0.381**
10	Des Moines, IA	0.371
11	Lexington, KY	0.329
12	Omaha, NE	0.319
13	La Crosse, WI	0.303
14	Green Bay, WI	0.250
15	Oshkosh, WI	0.230
16	Madison, WI (Alliant)	0.204
17	Lake Geneva, WI	0.195
18	Wisconsin Dells, WI	0.019

Madison ranks ninth best in the overall score. Its strengths are in median income, surrounding housing occupancy, and nearby amenities, such as restaurants. It has weaknesses in population base and public transportation access. The overall results show that Madison has a below average potential for events as compared to national competitors but above average compared to Wisconsin venues.

User Survey and Interviews

HVS conducted a web-based survey of event planners to provide a basis for assessing the potential demand for an expanded MTCC and headquarters hotel development in Madison, Wisconsin. HVS obtained a list of 5,122 event planners from Destination Madison and the MTCC. About 8.4% of those solicited responded. Respondents included professionals from organizations representing national, regional, state, and local associations, government entities, and corporate and other organizations conducting or planning events. Key findings and conclusions include the following:

- Roughly half of the survey respondents have booked an event at the MTCC over the past five years. Overall, planners were pleased with the experience, giving the highest ratings to the size and quality of event spaces.
- Based on historical bookings, the MTCC's strongest competition comes from convention centers and hotels in Milwaukee, Chicago, and surrounding

Midwest markets. Wisconsin Dells and Green Bay compete with Madison for instate business.

- Aside from external factors, such as geographic location and weather, the greatest deterrents to event planners considering the MTCC for an event include air access, parking and transportation options, and the overall cost of the destination.
- Madison has several strengths as a group event destination, including its entertainment and recreation opportunities, dining option, and the overall destination appeal. Other planners note the quality of function spaces.
- In the current configuration of the MTCC, the exhibit hall and meeting rooms can accommodate over 86% of the events described by event planners. Banquet capacity can accommodate over 90%. These results indicate a greater need for an expansion to host simultaneous events rather than much larger events.
- For a significant majority of planners, high quality hotel rooms within walking distance of an event venue is an absolute necessity. Planners prefer to book room blocks in full-service properties in upper upscale brands.
- Lodging requirements vary with an average peak room block of approximately 360 rooms. About 93% of events can be accommodated by 1,000 room block at their peak.
- 65% of planners indicate that they would be very likely or likely to book an event at the MTCC given the development of a headquarters hotel and expansion of the MTCC.

The survey results indicate that the development of hotel adjacent to and expansion of the MTCC would create a modest increase in demand at the convention center. Expansion and improvements to the MTCC's ballroom and meeting space would allow the facility to relieve some scheduling conflicts with the ability to host more simultaneous mid-size events that require exhibit, ballroom, and meeting spaces.

Building Program Recommendations

HVS developed building program recommendations for a MTCC expansion. This recommended facility program can serve as a guide for subsequent physical planning aimed at providing the desired program elements.

HVS program recommendations would position the City of Madison to attract new conventions and conferences and expand its ability hold simultaneous events in different parts of the building. HVS recommends expansion and headquarters hotel development be part of the City's strategic planning to redevelop Law Park and expand access and amenities to the Lake Monona waterfront.

HVS recommends the following elements to allow the venue to compete effectively:

- A 37,000 square foot multipurpose/flex space,
- A 5,250 square foot block of flexible meeting space, and
- a rentable 10,450square-foot terrace overlooking Law Park.

The following figure shows the recommended amounts and capacities of event function spaces and the total function space of the expanded MTCC.

FIGURE 1-4
BUILDING PROGRAM RECOMMENDATIONS

Function Space	Existing MTCC	Recommended Expansion	Expanded MTCC
Exhibit Space	37,200		37,200
Multipurpose Space		37,000	37,000
Ballroom(s)	13,524		13,524
Meeting Room Blocks	10,520	5,250	15,770
Boardroom	1,586		1,586
Total Space	62,830	42,250	105,080

Demand Projections

MTCC and Destination Madison provided HVS with historical bookings, including event types, length, attendance, and booked room nights. The following figure summarizes the historical performance of the MTCC from 2015 through 2019.

FIGURE 1-5
HISTORICAL FINANCIAL OPERATIONS

	2015	2016	2017	2018	2019
Event					
Conventions	27	33	29	29	30
Conferences	31	29	28	29	26
Meetings	194	200	199	164	170
Consumer Shows	21	24	20	20	20
Banquets	218	236	217	190	167
Sports	5	5	3	4	5
Entertainment	43	31	16	11	10
Community Events	112	113	107	104	99
Community Meetings	9	8	10	6	4
Total	660	679	629	557	531
Attendee					
Conventions	18,527	23,129	21,089	19,878	21,002
Conferences	10,936	10,467	8,260	9,872	8,069
Meetings	26,973	29,722	32,775	28,512	29,657
Consumer Shows	108,521	112,861	112,263	115,784	117,279
Banquets	49,688	57,171	55,006	48,841	46,696
Sports	17,375	15,775	13,243	14,504	14,550
Entertainment	14,005	13,845	18,565	12,411	9,723
Community Events	42,627	43,147	39,793	43,598	38,469
Community Meetings	181	156	235	152	126
Total	288,833	306,273	301,229	293,552	285,571
Occupied Room Night					
Conventions	18,959	32,721	24,991	20,205	21,498
Conferences	5,135	4,319	4,900	4,853	4,115
Meetings	30	55	na	na	40
Consumer Shows	55	250	110	250	225
Banquets	na	na	na	89	na
Sports	7,450	7,435	5,935	7,235	5,475
Total	31,629	44,780	35,936	32,632	31,353

Source: MTCC and Destination Madison

Additional data provided detail on space utilization and occupancy. Occupancy percentage is measured as the number of days a space is occupied in a given year. At above 60%, the ballroom segments A and B are the most used spaces at the MTCC. Overall, the ballroom has a 54% average occupancy, followed by the Grand Terrace (52%) and the Hall of Ideas (49%). The meeting room block had below 40% occupancy in 2019. Given the seasonal nature of event demand and weekday booking patterns, the maximum practical occupancy of a convention center is approximately 70%.

An expanded MTCC with additional headquarters hotel development should allow the city to capture additional convention and other group business from regional corporations and associations, state associations, local corporations, and other groups. The expansion should allow the venue to expand utilization by its existing client base and attract conventions, conferences, and meetings that are not currently accommodated in existing spaces.

The following figure presents the difference in demand projections for a stabilized year, which would occur approximately three years after the opening of the expansion.

FIGURE 1-6
COMPARISON OF EVENT DEMAND

Event Type	Events		Average Attendance		Total Attendance	
	Base 2023	Stabilized 2026	Base 2023	Stabilized 2026	Base 2023	Stabilized 2026
Conventions	30	40	700	800	21,000	32,000
Conferences	29	50	330	400	9,570	20,000
Meetings	185	240	160	160	29,620	38,430
Consumer Shows	21	25	5,400	5,500	113,400	137,500
Banquets	206	250	250	250	51,500	62,500
Sports	4	5	3,500	3,500	14,000	17,500
Entertainment	22	22	800	800	17,600	17,600
Community Events	107	120	390	390	41,730	46,800
Total	611	762			298,600	372,580

Based on analysis of comparable venues, online surveys, and lost business, HVS estimates that the MTCC can grow it's business by attracting expanding its ability to hold simultaneous events. The addition of a 37,000 square foot ballroom and 5,250 square feet of breakout space, along with continued growth in the hotel market, will help the MTCC attract more conventions, conferences, meetings, and banquets. In a stabilized year, we estimated an expanded MTCC can generate 54,540 room nights in the market, an increase 19,250.

Financial Projections

For the purposes of this analysis, we assume that expansion opens in 2024, as described in the building program recommendations section of this report. As discussed in our demand analysis, a three-year ramp-up period would be necessary to stabilize the operation in 2026. We initially project financial operations in uninflated 2020 dollars for the opening year and the stabilized year, then apply an inflation rate of 2.5% to all line items (unless otherwise stated).

The figure below compares inflated projections for the base year before expansion (2023) with projections for a stabilized year of operations (2026).

FIGURE 1-7
COMPARISON OF FINANCIAL PROJECTIONS ($ THOUSANDS)

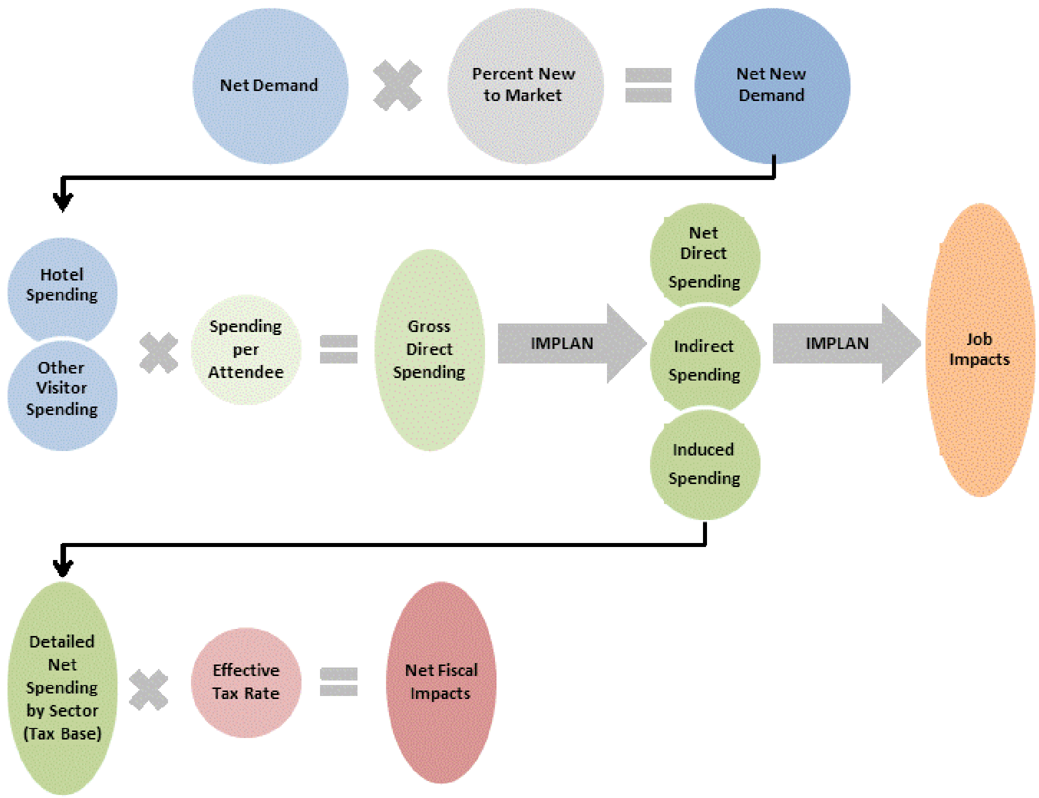
	Base Year		Post Expansion Stabilized Year	
	CY 2023		CY 2026	
	Amount	% Total	Amount	% Total
Revenue				
Facility Rental	$1,564	14%	$2,217	13%
Catering (Gross)	7,686	67%	11,848	68%
Event Services	2,263	20%	3,244	19%
Total Revenue	$11,513	100%	$17,308	100%
Salaries & Wages	$6,127	53%	$7,430	43%
Catering Costs	5,765	50%	8,293	48%
Purchased Services	2,470	21%	3,462	20%
Supplies & Equipment	600	5%	865	5%
Inter-Departmental Expenses	351	3%	519	3%
Total Operating Expense	$15,312	133%	$20,570	119%
NET OPERATING INCOME (LOSS)	($3,799)	-33%	($3,261)	-19%
Fixed Expense				
PILOT/Other	$338	3%	$338	2%
Total Fixed Expense	338	3%	338	2%
Non-Operating Income & Expense				
Transient Occupancy Tax	$4,295	37%	$4,625	27%
Total Non-Operating Income & Expense	$4,295	37%	$4,625	27%
TOTAL NET INCOME (LOSS)	$158	1%	$1,026	6%

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

Economic Impact Methodology

To estimate the economic impact of the proposed expansion, HVS followed the methodology outlined in the figure below.

FIGURE 1-8
METHODOLOGY FOR ECONOMIC AND FISCAL IMPACT ANALYSIS



HVS identified the new spending that would occur in the local economy due to the proposed renovation and expansion of the MTCC. HVS estimated the amounts of income and employment that new visitors, event organizers, and exhibitors would generate in the City of Madison and the State of Wisconsin. HVS analyzed the economic impact of the MTCC in two scenarios, current MTCC operations and an expanded MTCC as described in Sections 6, 7, and 8 of this report.

HVS uses estimates of the amounts of spending per visitor or attendee to estimate gross direct spending or income imported into the market. Gross direct spending provides the inputs into the IMPLAN model of the local area economics. IMPLAN then generates estimates of total net spending. Spending falls into three categories: net direct spending, indirect spending, and induced spending. Many refer to indirect and induced impacts as multiplier effects. The sum of direct, indirect, and induced spending estimates make up the total estimated spending impact of the MTCC operations. HVS used the IMPLAN model to estimate the increase in employment associated with the total net spending.

To estimate fiscal impacts, HVS identified the sources of net new spending that would generate tax revenues from Sales & Use Taxes and Lodging Taxes. The detailed outputs of the IMPLAN model quantify the tax base for each tax. We applied the appropriate tax rate to the estimate of spending to generate fiscal impact estimates.

Economic and Fiscal Impact

HVS calculated economic impacts by comparing total spending with a MTCC expansion to total spending with no expansion. The following figure shows the increased net spending in the City of Madison and the State of Wisconsin in a stabilized year.

FIGURE 1-9
SUMMARY OF INCREASE IN ECONOMIC AND FISCAL IMPACTS AFTER EXPANSION

Summary of Impacts*	City of Madison	State of Wisconsin
Economic Impact (thousands)	$32,747	$23,068
Fiscal Impact (thousands)	$481	$1,559
Jobs	290	200

*In a stabilized year.

In a stabilized year, Madison could expect a net spending impact of over $32.7 million and Wisconsin could expect a net spending impact of $23.1 million. HVS estimates that spending would support approximately 290 full-time equivalent jobs respectively in Madison and 200 full-time equivalent jobs in Wisconsin. Lodging taxes on that increased spending could generate $481,000 in new tex revenue for Madison. Sales taxes on increased spending could generate approximately $1.6 million in new tax revenue for the State of Wisconsin.

COVID-19 Impact

COVID-19, a strain of the coronavirus, was identified in China in December 2019. It has since spread to most countries around the globe. As of this writing, the impact of the virus in the United States has been felt throughout the nation. Federal, state, and local governments, individual corporations, and other institutions have imposed travel restrictions and other safety measures. All 50 states have reported cases of COVID-19, with over 22 states reporting over 100,000 cases, including over 400,000 in Illinois.[1] In some regions of the country, the growth curve of infections, hospitalizations, and deaths has flattened or begun to decline. In contrast, in other regions, the daily reported number of infections has continued to grow. Currently, there is limited insight into how long it will take for the infection

[1] Centers for Disease Control and Prevention, October 30, 2020
https://www.cdc.gov/coronavirus/2019-ncov/cases-updates/cases-in-us.html

rate to decrease to an acceptable level. Growth in testing, improved treatments, and ultimately, a widely available vaccine will be necessary before a return to normalcy.

In addition to the cost of human life, the broader impact of the spread of COVID-19 and the response to it has triggered an unprecedented economic contraction, from which the negative effects are likely to be longer-lived than the virus itself. Starting in April 2020 and continuing through the date of this study, restaurants and entertainment venues, including movie theaters and bowling alleys, have temporarily ceased normal operations or been forced to operate on a limited basis.

Health experts offer a wide range of opinions on how long restrictions on travel or on operations of restaurants and entertainment venues should remain in place. Government responses have varied from state to state and among cities throughout the US. While the short-term impact on the economy is severe, it is difficult to assess the impact on activity and spending, given the lack of understanding of the longer-term impacts of the pandemic.

Ultimately, the impact of the COVID-19 pandemic on the hospitality industry will depend on its course, the extent and duration of travel restrictions, as well as the public's responses to these events. For this study, HVS assumes a gradual easing of travel restrictions and social distancing requirements through the end of the year and the second quarter of 2021.

HVS assumes that the US economy has entered a recession in the second quarter of 2020. HVS analyzed historical data to determine the lengths and patterns of prior recoveries from major economic downturns and based projections on those historical precedents. The recovery from an economic downturn spurred by the COVID-19 pandemic may mirror earlier recovery patterns; however, the rate of recovery for the economy remains unknown. Given the lack of certainty surrounding several key economic variables, HVS projections produced in this report should be considered to reflect assumptions and conditions at the time of the writing.

The time-frame of the projections in this study are beyond the more immediate period of likely impact of the current crisis. Consequently, we have assumed a return to normal function of the markets by the time the proposed expansion and hotel developments would take place.

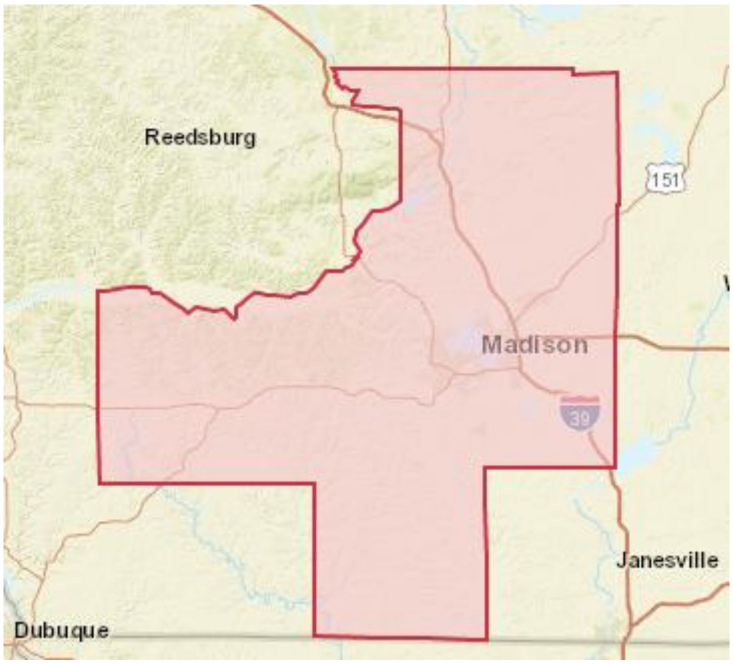
2. Market Area Overview

This market area analysis reviews economic and demographic data that describe the overall condition of the local economy in Madison, Wisconsin. The economic trends indicate growth or decline of the performance of the City of Madison market. HVS analyzed the following economic indicators: population, income, sales, work force characteristics, employment levels, major businesses, airport access, transportation, hotel supply, and tourism attractions.

Market Area Definition

The market area for a convention center consists of the geographical region that offers transportation access, lodging, and other amenities to users of the facility. For the purposes of this study, HVS defined the market area as the Madison, WI Metropolitan Statistical Area, which includes the Wisconsin counties of Columbia, Dane, Green, and Iowa.. The following map shows the market area.

MAP OF MARKET AREA



Madison is located in the south-central portion of Wisconsin and is the capital city and seat of government for the state. The cornerstone for the Wisconsin capitol was laid in 1837, and the legislature first met there in 1838. When Wisconsin became a state in 1848, Madison remained the capital, and the following year it became host to the University of Wisconsin - Madison, now a nationally respected research institution. Wisconsin state government and the University of Wisconsin remain two of the top employers in the region. The local economy is shifting from a government-based economy to a consumer services and high-tech base, especially in the healthcare, biotech, and advertising sectors.

Madison enjoys excellent highway connectivity. Interstates 39, 90, and 94 intersect near Madison and provide connections to larger markets in Milwaukee, Chicago, and Minneapolis-St. Paul. U.S. Highway 151 and 12 provide connections to Fond du Lac, Lake Geneva, and Dubuque, Iowa.

Wisconsin is located on the western edge of North America's Great Lakes region and covers 58,154 square miles of land. Neighboring states include Illinois and Iowa to the south, Minnesota to the west (across the Mississippi River), Lake Michigan to the east and the Upper Peninsula of Michigan and Lake Superior to the north. The state is well served by a network of interstate highways, including Interstate 90, 94, and 43. The state is also within easy driving distance from Chicago and Minneapolis/St. Paul.

Visitation to the City of Madison is driven by attendance at the Wisconsin State Capitol, the University of Wisconsin-Madison, Monona Terrace, and the Alliant Energy Center. Events such as the World Dairy Expo provide substantial tourism to Madison and encourage local spending in the economy. Tourism to the Madison, WI MSA is bolstered by the partial inclusion of the City of Wisconsin Dells and its national appeal.

The City of Madison houses the University of Wisconsin-Madison, Edgewood College, and Madison Area Technical College. The University of Wisconsin-Madison is the largest university in the State of Wisconsin.

Economic and Demographic Review

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

FIGURE 2-1
ECONOMIC AND DEMOGRAPHIC DATA SUMMARY

Economic Indicator/Area	Beginning Amount	2000	2010	2019	2025	Ending Amount	Estimated Annual Compound Change 2019 to 2025
Resident Population (millions)							
Dane County	0.4					0.6	1.1%
Madison, WI MSA	0.5					0.7	1.0%
State of Wisconsin	5.4					6.1	0.6%
United States	282.2					350.9	0.9%
Per-Capita Personal Income* (thousands)							
Dane County	$42.3					$55.7	1.1%
Madison, WI MSA	$40.7					$53.8	1.1%
State of Wisconsin	$35.7					$47.8	1.2%
United States	$36.8					$50.2	1.2%
W&P Wealth Index							
Dane County	119					114	-0.1%
Madison, WI MSA	114					110	-0.1%
State of Wisconsin	98					96	0.0%
United States	100					100	0.0%
Food and Beverage Sales* (billions)							
Dane County	$0.7					$1.1	1.4%
Madison, WI MSA	$0.8					$1.3	1.3%
State of Wisconsin	$6.4					$9.7	1.2%
United States	$368.8					$662.6	1.5%
Total Retail Sales* (billions)							
Dane County	$7.4					$11.6	1.5%
Madison, WI MSA	$10.6					$15.3	1.4%
State of Wisconsin	$77.0					$97.1	1.1%
United States	$3,902.8					$5,598.2	1.4%

* Inflation Adjusted

Source: Woods & Poole Economics, Inc.

Dane County's population growth and the growth in food and beverage and retail sales outpaces the broader MSA and State of Wisconsin. Per-capita personal income growth for Dane County and the Madison, WI MSA is approximately equal to that of the State of Wisconsin and the United States. While growth in the W&P Wealth Index for Dane County and the MSA trails that of Wisconsin and the United States, the projected values for Dane County and the Madison MSA outpace that of either the State of Wisconsin or the United States.

Workforce Characteristics

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

The following table shows the Madison, WI MSA workforce distribution by business sector.

FIGURE 2-2
HISTORICAL AND PROJECTED EMPLOYMENT

Sector/Geographic Area	Beginning Amount (thousands)	2000	2010	2019	2025	Ending Amount (thousands)
Dane County						
State And Local Government	66					85
Health Care And Social Assistance	28					53
Retail Trade	39					49
Professional And Technical Services	22					41
Accommodation And Food Services	20					37
Finance And Insurance	23					27
Manufacturing	31					27
Other Services, Except Public Administration	16					25
Administrative And Waste Services	14					24
Real Estate And Rental And Lease	11					22
Other	73					116
Total Dane County	343					506
U.S.	165,372					223,254

Source: Woods & Poole Economics, Inc.

The presence of the state capital and the University of Wisconsin places the State and Local Government as the largest employment sector in Dane County. The presence of Epic as a private health care software firm helps bolster the Health Care and Social Assistance Sector. Between 2019 and 2025, the Health Care and Social

Assistance, Retail Trade, and Professional and Technical Services sectors are projected to drive the most growth.

Major Business and Industry

Providing additional context for understanding the nature of the regional economy, the following table presents a list of the major employers in the market area.

FIGURE 2-3
MAJOR EMPLOYERS

Firm	Number of Employees
University of Wisconsin-Madison	10,000+
Epic Systems Corp	5,000-9,999
American Family Insurance	1,000-4,999
Colony Brands, Inc.	1,000-4,999
Land's End	1,000-4,999
Monroe Clinic	1,000-4,999
Sub-Zero	1,000-4,999
WPS Health Insurance	1,000-4,999
Divine Savior Healthcare, Inc	500-999
Monroe Truck Equipment, Inc	500-999

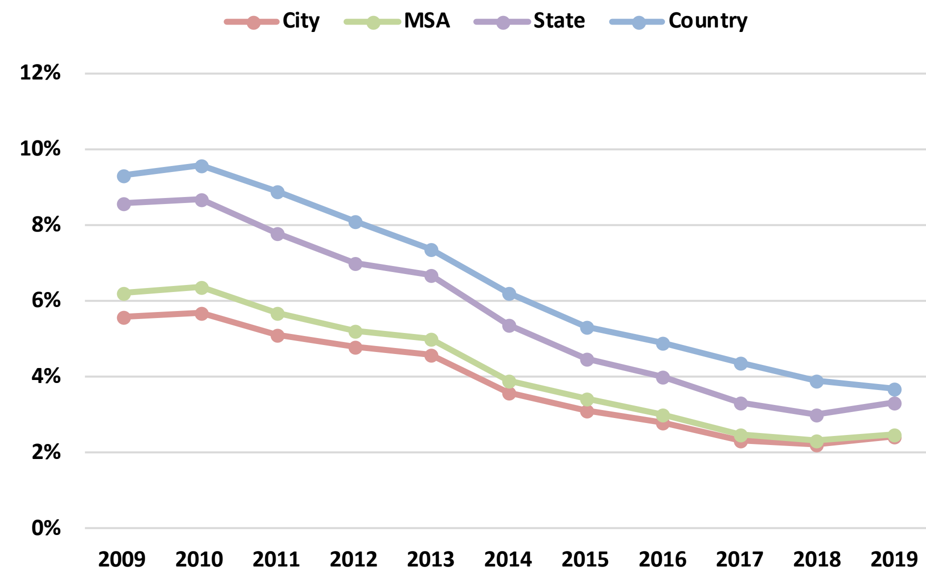
Source: Madison Region Economic Partnership

The Madison Region Economic Partnership provided potential ranges of the number of employees for various firms across the Madison, WI MSA. The major employers reinforce that the State and Local Government sector is the largest, while Health Care and Social Assistance and Retail Trade are strong as well. Additionally, the Manufacturing and Transportation sectors in Wisconsin have held steady as strong employers across the MSA.

Unemployment Statistics

Unemployment statistics provide a key measure of the health of the economy. The following table presents historical unemployment rates for the market area.

FIGURE 2-4
UNEMPLOYMENT STATISTICS



Like the rest of the country, the Madison, WI MSA experienced a spike in unemployment following 2009. National economic conditions rebounded during the decade following 2009. According to the Bureau of Labor Statistics, the national unemployment rate hit its lowest value since December 2000 in 2018. Unemployment decreased nationally in 2019 but increased slightly in Madison and Wisconsin. . Through May 2020, unemployment in Madison had increased to 9.5%, still trailing state-wide and national unemployment rates.

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Airport Traffic

Airport passenger counts indicate a market's ability to support conference events. Trends in passenger counts reflect local business activity and the area's economic health. Event planners consider airport access when choosing a destination for their conferences and meetings.

Dane County Regional Airport (MSN) offers a full range of flights to regional, national, and international destinations, with service by several commercial carriers. The airport maintains an emphasis on environmental sustainability and responsibility as an integral part of its operational plan. Its "EcoMentality" program fosters a reduction in global warming and noise pollution, as well as the improvement of air and water quality and the preservation of natural resources. In January 2015, the airfield maintenance building received the LEED Gold certification, joining the parking exit plaza, which received the LEED Silver designation in 2009.

The Dane County Regional Airport is a small-hub airport, but provides service for major airlines such as American, Delta, and United. Destinations from the Dane County Regional Airport include Atlanta, Detroit, Chicago, Los Angeles, and New York City. Later in 2020, service from Dane County Regional Airport will begin to Washington D.C., Boston, Nashville, Portland, and Seattle.

The following table illustrates the previous decade's passenger traffic statistics for Dane County Regional Airport.

FIGURE 2-5
AIRPORT STATISTICS - PASSENGER STATISTICS

Year	Passenger Traffic	Annual Percent Change
2009	1,501,000	
2010	1,515,000	0.9%
2011	1,520,000	0.3%
2012	1,616,000	6.3%
2013	1,686,000	4.3%
2014	1,669,000	-1.0%
2015	1,691,000	1.3%
2016	1,852,000	9.5%
2017	1,907,000	3.0%
2018	2,158,000	13.2%
2019	2,380,000	24.8%
YTD through Jun		
2019	1,151,833	
2020	542,215	-52.9%

After strong growth in 2019 and 2018, travel has declined strongly through June 2020 due to travel restrictions and general resistance to airline travel around the country. It remains to be seen how travel will recover from pandemic lows.

Lodging Supply

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

Smith Travel Research ("STR") maintains a database of approximately 140,000 hotel properties and 13 million hotel rooms around the world. The figures below show the STR database inventory of all hotel rooms in the Madison, WI MSA by service level and size. The quality of the hotels also indicates the market's ability to support the convention center. Section 8 of this report provides a more detailed analysis of the Madison, Wisconsin hotel market.

FIGURE 2-6
LODGING SUPPLY BY SIZE IN THE MARKET

Size (Number of Guest Rooms)	Number of Properties	Number of Guest Rooms
Less than 50	54	1,652
50 to 99	70	5,128
100 to 199	50	6,540
200 and over	16	6,918
Total	190	20,238

Source: STR

FIGURE 2-7
LODGING SUPPLY BY SERVICE LEVEL IN THE MARKET

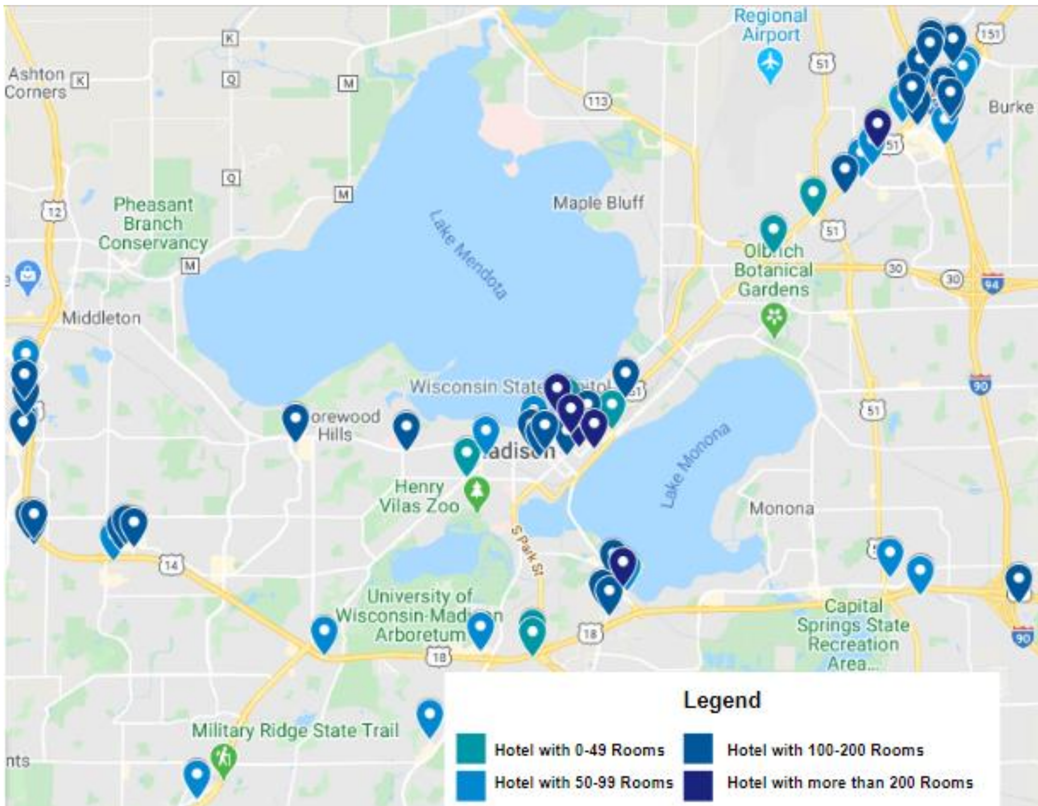
Chain Scale	Number of Properties	Number of Guest Rooms
Luxury	5	652
Upper Upscale	10	1,437
Upscale	31	4,948
Upper Midscale	43	5,863
Midscale	34	2,517
Economy	67	4,821
Total	190	20,238

Source: STR

Three quarters of the hotel properties in the market belong to the Economy, Midscale, or Upper Midscale Chain Scale. Over half the hotel properties in the market have fewer than 100 rooms. Over 70% of the hotel properties and nearly 80% of the hotel rooms in the market are found in either Madison or Wisconsin Dells.

The following map shows the location of hotel properties in the City of Madison, sorted by their size.

FIGURE 2-8
MAP OF EXISTING HOTEL INVENTORY



The largest clusters of hotel properties fall along U.S. Highway 151. The largest hotel properties are mostly found near on the isthmus between Lake Mendota and Lake Monona.

Tourist Attractions

The market benefits from a variety of tourist and leisure attractions in the area. The peak season for tourism in this area is from May to September. During other times of the year, weekend demand comprises travelers passing through en route to other destinations, people visiting friends or relatives, and other similar weekend demand generators. Primary attractions in the area include the following:

- The State Capitol Building, located between the waters of Lake Monona and Lake Mendota, is the beacon of Madison. It features unique textures of 43 varieties of stone from around the world, hand-carved furniture, and exquisite glass mosaics. The Capitol Square is the center of many of Madison's special events and activities.

- The Wisconsin Historical Museum offers visitors Wisconsin's distinctive heritage and a variety of other American history topics through artifacts, photographs, full-scale dioramas, audio-visual presentations, and interactive multimedia programs.
- The Overture Center for the Arts features seven venues, in addition to numerous art galleries. The center also houses the Madison Museum of Contemporary Art.
- Henry Vilas Zoo is free to the public, open year-round, and offers a children's zoo, a penguin exhibit, an aviary, and the Discovery Center and Herpetarium. Located within Vilas Park on the shores of Lake Wingra, the zoo also provides access to the Vilas Park Beach.
- Chazen Museum of Art houses the second largest collection of art in Wisconsin. This art museum, on the University of Wisconsin-Madison campus, offers over 22,000 paintings, sculptures, drawings, and other art forms from across history and the globe.
- The Olbrich Botanical Gardens, a partnership between the Olbrich Botanical Society and the City of Madison Parks Division contains 16 acres of outdoor gardens and the Bolz Conservatory. The Olbrich Botanical Gardens provides visitors with insight into the flora of Madison and the Midwest.
- Madison is known for its five lakes: Lake Mendota, Monona, Wingra, Kegonsa, and Waubesa. These lakes, and the surrounding area, provide options for swimming, fishing, hiking, and boating.

Conclusion

The Madison, WI MSA contains Madison—the state capital of Wisconsin—and the University of Wisconsin-Madison. Given its importance in the state, Madison maintains a high level of connectivity to the remainder of Wisconsin and the Midwest through a well-developed highway network and highly-functioning regional airport. Due to strong visitation, the Madison, WI MSA contains a built-out lodging market—found mostly in Madison and Wisconsin Dells. Before the COVID-19 pandemic, the population and economy of Madison was projected to continue to grow. While the depth of the pandemic's negative effects are yet to be seen, we expect Madison's recovery to be bolstered by its growing Tech sector

3. Comparable Venues

This analysis of comparable venues provides a basis for developing program recommendations and forecasts of event demand. HVS compared the function spaces, adjacent hotel capacities, and characteristics of the markets relevant to the success of a convention center.

Event planners select host cities for their events based on a wide range of criteria. These factors include the attributes of the convention facilities, lodging supply, the economic and demographic profile of the community, transportation access, tourism amenities, and overall destination appeal. At a minimum, a city must offer an event venue that meets user needs and for events that require lodging, enough hotel rooms near the venue. The price of venue rental and hotel rooms are also important to event planners. Cities that meet these threshold criteria, must then compete based on their destination appeal.

HVS analyzed two sets of venues and destinations.

- Comparable venues with which the MTCC competes in Wisconsin and surrounding States, and
- Larger venues in the Midwest with which the MTCC competes.

The venues and their locations are listed in the figure below along with their location and the total amount of rentable function space. Total function space excludes pre-function space, terraces, and outdoor spaces to facilitate a comparison between venues that may or may not rent those spaces for events.

FIGURE 3-1
COMPARABLE VENUES

Name of Venue	Location	Total Function Space (sf)	Exhibiton Space	Ballroom Space	Meeting Space
Regional Comparable Venues					
Minneapolis Convention Center	Minneapolis	591,411	475,200	27,522	88,689
Alliant Energy Center	Madison	390,320	370,000	0	20,320
Wisconsin Center	Milwaukee	265,841	188,695	37,506	39,640
Schaumburg Convention Center	Schaumburg	145,265	97,200	39,892	8,173
Kalahari Resorts - Wisconsin Dells	Wisconsin Dells	115,078	0	89,760	25,318
La Crosse Center	La Crosse	80,646	50,342	19,592	10,712
KI Convention Center	Green Bay	72,982	35,003	25,228	12,751
Monona Terrace Convention Center	**Madison**	**62,830**	**37,200**	**13,524**	**12,106**
Grand Geneva Resort & Spa	Lake Geneva	48,166	13,770	28,516	5,880
Oshkosh Convention Center	Oshkosh	18,510	0	15,400	3,110
National Comparable Venues					
Americas Center	St. Louis	644,369	485,000	27,625	131,744
Huntington Convention Center of Cleveland	Cleveland	318,225	225,000	43,175	50,050
CHI Health Center	Omaha	258,226	194,300	41,876	22,050
DeVos Place	Grand Rapids	234,243	162,000	40,000	32,243
Iowa Events Center	Des Moines	223,951	146,926	28,800	48,225
Raleigh Convention Center	Raleigh	212,061	146,843	32,617	32,601
Central Bank Center	Lexington	105,709	66,000	23,498	16,211
Buffalo Niagara Convention Center	Buffalo	102,869	64,410	12,367	26,092
Monona Terrace Convention Center	**Madison**	**62,830**	**37,200**	**13,524**	**12,106**

Source: Respective Venues

With 62,830 square feet of function space, MTCC ranks eighth in the amount of total function space among the Regional Comparable Venues, which ranges from 591,000 to 19,000 square feet.

MTCC ranks last in the amount of total function space among the National Comparable Venues, which ranges from 644,000 to 103,000 square feet.

Exhibition Space Assessment

The amount and quality of exhibition space determines the size and type of events that a venue can accommodate and is critical for several types of events such as conventions, tradeshows, and consumer shows. A comparison of the exhibition space available at each of the selected comparable facilities provides an indication of the appropriate amount of space for Madison and whether any further exhibition space is warranted.

FIGURE 3-2
TOTAL EXHIBITION SPACE IN COMPARABLE VENUES

Regional Comparable Venues

Name	Location	Exhibit Space (sf)
Minneapolis Convention Center	Minneapolis	475,200
Alliant Energy Center	Madison	370,000
Wisconsin Center	Milwaukee	188,695
Schaumburg Convention Center	Schaumburg	97,200
La Crosse Center	La Crosse	50,342
Monona Terrace Convention Center	**Madison**	**37,200**
KI Convention Center	Green Bay	35,003
Grand Geneva Resort & Spa	Lake Geneva	13,770
Kalahari Resorts - Wisconsin Dells	Wisconsin Dells	0
Oshkosh Convention Center	Oshkosh	0
	Average	158,426

National Comparable Venues

Name	Location	Exhibit Space (sf)
Americas Center	St. Louis	485,000
Huntington Convention Center of Cleveland	Cleveland	225,000
CHI Health Center	Omaha	194,300
DeVos Place	Grand Rapids	162,000
Iowa Events Center	Des Moines	146,926
Raleigh Convention Center	Raleigh	146,843
Central Bank Center	Lexington	66,000
Buffalo Niagara Convention Center	Buffalo	64,410
Monona Terrace Convention Center	**Madison**	**37,200**
	Average	169,742

Source: Respective Venues

With 37,200 square feet of dedicated exhibit space, MTCC ranks sixth in the amount of total exhibit space, which ranges from approximately 475,000 square feet to venues without any exhibition space among Regional Comparable Venues.

The MTCC ranks ninth in the amount of total exhibit space among National Comparable Venues.

Ballroom Space Assessment

In addition to social events that host banquets, several other types of events, such as conventions and tradeshows, typically require food services in a ballroom setting. General assemblies at conventions and tradeshows use a ballroom with a theater or banquet set-up. As facility operators attempt to grow food service revenues at their facilities and event planners seek a higher level of service for their attendees, the size of the ballroom often determines a venue's event size capacity. The figure below compares the amounts of available banquet space in the comparable and competitive venues.

FIGURE 3-3
BALLROOM SPACE IN COMPETITIVE VENUES

Regional Comparable Venues

Name	Location	Ballroom Space (sf)
Kalahari Resorts - Wisconsin Dells	Wisconsin Dells	89,760
Schaumburg Convention Center	Schaumburg	39,892
Wisconsin Center	Milwaukee	37,506
Grand Geneva Resort & Spa	Lake Geneva	28,516
Minneapolis Convention Center	Minneapolis	27,522
KI Convention Center	Green Bay	25,228
La Crosse Center	La Crosse	19,592
Oshkosh Convention Center	Oshkosh	15,400
Monona Terrace Convention Center	**Madison**	**13,524**
Alliant Energy Center	Madison	0
	Average	32,993

National Comparable Venues

Name	Location	Ballroom Space (sf)
Huntington Convention Center of Cleveland	Cleveland	43,175
CHI Health Center	Omaha	41,876
DeVos Place	Grand Rapids	40,000
Raleigh Convention Center	Raleigh	32,617
Iowa Events Center	Des Moines	28,800
Americas Center	St. Louis	27,625
Central Bank Center	Lexington	23,498
Monona Terrace Convention Center	**Madison**	**13,524**
Buffalo Niagara Convention Center	Buffalo	12,367
	Average	29,276

Source: Respective Venues

Among Regional Comparable Venues, the MTCC ranks ninth in the amount of total ballroom space, which ranges from 90,000 to venues without any ballroom space.

The MTCC ranks eighth in the amount of total ballroom space, which ranges from 43,000 to 12,000 square feet among National Comparable Venues.

Meeting Space Assessment

Meeting rooms can accommodate sub-groups as they break out of larger general sessions at conventions and tradeshows. Additionally, these smaller rooms can support self-contained meetings, training sessions, seminars, classes, and a variety of small meeting functions. A facility's meeting rooms are often its most frequently used function spaces. Generally, convention centers should offer meeting space proportionate to the amount of exhibition and ballroom space available at the facility. However, the optimum amount of meeting space can vary depending on type of events that a city may attract and the needs of event planners.

The following figure presents a comparison of available meeting space in the comparable and competitive venues.

FIGURE 3-4
MEETING SPACE IN COMPARABLE VENUES

Regional Comparable Venues

Name	Location	Meeting Space (sf)
Minneapolis Convention Center	Minneapolis	88,689
Wisconsin Center	Milwaukee	39,640
Kalahari Resorts - Wisconsin Dells	Wisconsin Dells	25,318
Alliant Energy Center	Madison	20,320
KI Convention Center	Green Bay	12,751
Monona Terrace Convention Center	**Madison**	**12,106**
La Crosse Center	La Crosse	10,712
Schaumburg Convention Center	Schaumburg	8,173
Grand Geneva Resort & Spa	Lake Geneva	5,880
Oshkosh Convention Center	Oshkosh	3,110
Average		22,670

National Comparable Venues

Name	Location	Meeting Space (sf)
Americas Center	St. Louis	131,744
Huntington Convention Center of Cleveland	Cleveland	50,050
Iowa Events Center	Des Moines	48,225
Raleigh Convention Center	Raleigh	32,601
DeVos Place	Grand Rapids	32,243
Buffalo Niagara Convention Center	Buffalo	26,092
CHI Health Center	Omaha	22,050
Central Bank Center	Lexington	16,211
Monona Terrace Convention Center	**Madison**	**12,106**
Average		41,258

Source: Respective Venues

Among Regional Comparable Venues, the MTCC ranks sixth in the amount of total meeting space, which ranges from 89,000 to 3,000 square feet.

The MTCC ranks ninth in the amount of total meeting space, which ranges from 132,000 to 12,000 square feet among National Comparable Venues.

Adjacent Hotel Capacity

The quality and proximity of hotel supply represents one of the most important selection factors for facility users. To attract out-of-town groups, an adequate supply of nearby hotel rooms should support the lodging needs of delegates, exhibitors, and other attendees. Event planners consider proximity and connectivity as critical factors when evaluating the overall hotel package. The number of rooms offered at adjacent or connected hotels is a key point of comparison. Other important factors include hotel brands, service levels, building conditions, quality of service, ease of access, and available meeting and banquet spaces in these hotels.

The figure below compares the number adjacent hotel rooms in the comparable and competitive venues.

FIGURE 3-5
ADJACENT HOTEL ROOMS IN COMPARABLE VENUES

Regional Comparable Venues

Name	Location	Adjacent Hotel Rooms
Minneapolis Convention Center	Minneapolis	1,787
Wisconsin Center	Milwaukee	1,368
Kalahari Resorts - Wisconsin Dells	Wisconsin Dells	750
Schaumburg Convention Center	Schaumburg	500
KI Convention Center	Green Bay	356
Grand Geneva Resort & Spa	Lake Geneva	355
La Crosse Center	La Crosse	283
Monona Terrace Convention Center	**Madison**	**240**
Oshkosh Convention Center	Oshkosh	176
Alliant Energy Center	Madison	140
Average		596

National Comparable Venues

Name	Location	Adjacent Hotel Rooms
Huntington Convention Center of Cleveland	Cleveland	1,484
Americas Center	St. Louis	1,422
DeVos Place	Grand Rapids	1,016
CHI Health Center	Omaha	600
Iowa Events Center	Des Moines	415
Raleigh Convention Center	Raleigh	400
Buffalo Niagara Convention Center	Buffalo	396
Monona Terrace Convention Center	**Madison**	**240**
Central Bank Center	Lexington	0
Average		747

Source: Respective Venues

With 240 adjacent hotel rooms, MTCC ranks eighth in the number of adjacent rooms, which ranges from 1,787 to venues without any adjacent rooms among Regional Comparable Venues.

With 240 adjacent hotel rooms, MTCC ranks eighth in the number of adjacent rooms, which ranges from 1,484 to venues without any adjacent rooms among National Comparable Venues.

Air Service Capacity

Transportation links, including airports, play a critical role in the success of convention centers that target regional and national user groups. Air service capacity, generally measured as total annual passenger volume, indicates the relative convenience of a destination.

The following figure presents 2019 passenger traffic data as measured by enplanements, for the primary airports serving the competitive markets.

FIGURE 3-6
ANNUAL AIRPORT ENPLANEMENTS

Regional Comparable Venues

City	Airport Name	Enplanements
Schaumburg	Chicago O'Hare International Airport	84,397,776
Minneapolis	Minneapolis St. Paul International Airport	39,555,035
Milwaukee	General Mitchell International Airport	6,894,894
Lake Geneva	General Mitchell International Airport	6,894,894
Madison	**Dane County Regional Airport**	**2,380,047**
Oshkosh	Outagamie County Regional Airport	790,199
Green Bay	Green Bay Austin Straubel International Airport	710,742
La Crosse	La Crosse Municipal Airport	188,134

National Comparable Venues

City	Airport Name	Enplanements
St. Louis	Lambert St. Louis International Airport	15,878,527
Raleigh	Raleigh-Durham International Airport	14,218,621
Cleveland	Cleveland Hopkins International Airport	10,040,817
Omaha	Eppley Airfield	5,023,668
Buffalo	Buffalo Niagara International Airport	4,967,859
Grand Rapids	Gerald R. Ford International Airport	3,587,767
Des Moines	Des Moines International Airport	2,919,904
Madison	**Dane County Regional Airport**	**2,380,047**
Lexington	Blue Grass Airport	1,465,049

Source: Respective Airports

Among comparable destinations, the Dane County Regional Airport ranks below average in enplanements. For planners and visitors from outside driving distance, air access could be considered a weakness of Madison as a destination.

Changes in Competitive Venue Supply

As the competitive landscape is constantly shifting, many cities have considered new or expanded convention center developments. The following list of developments shows that only some attempts to develop new venues or expand existing venues have been successful and some projects remain in an early planning stage.

The following figure shows comparable venues with expansion in some sort of planning stage.

FIGURE 3-7
PROJECT PLANNING STAGES

Venue	Location
Financing	
America's Center	St. Louis, MO
Design/Site Selection	
Alliant Energy Center	Madison, WI
La Crosse Center	La Crosse, WI
Wisconsin Center	Milwaukee, WI

Source: Trade Show Executive and HVS

These initiatives by the owners of comparable and competing convention centers demonstrate that ongoing investment in facilities and destination improvement is necessary to remain competitive. The following figure shows comparable venues and venues in comparable destinations that are in the process or recently completed expansion.

FIGURE 3-8
EXPANSIONS UNDER CONSTRUCTION

		Pre-Construction			Post-Construction				
Name	Location	Exhibit	Meeting	Flex	Exhibit	Meeting	Flex	Completion Quarter	Completion Year
Kalahari Resorts & Conventions	Wisconsin Dells, WI	37,760		100,000	87,760		212,000	Q3	2019
Lexington Center	Lexington, KY	30,000	40,000		100,000	54,000		Q2	2022
Brown County Convention Center	Green Bay, WI				125,000	6,600	3,212	Q1	2021
La Crosse Center	La Crosse, WI	75,000	95,000		60,000	18,000	19,600	Q4	2021

Source: Source: Trade Show Executive and HVS

Destination Analysis

To maximize attendance, event planners seek attractive destinations for their events. The availability of amenities that support tourist visitation and overall attractiveness of a destination play important roles in event planner decisions. To assess the suitability of a city for convention center events, we defined the destination as an area within a 15-minute walk of the convention center.

HVS used Esri Business Analyst Online ("Esri") to compare the suitability of an event destination to competitive cities. Esri is a well-regarded forecasting service that applies geographic information system technology ("GIS") to produce extensive demographic, consumer spending, and business data analyses. Esri employs a sophisticated location-based model to forecast economic and demographic trends.

Esri models rely on U.S. census data, the American Community Survey, and other primary research.

Using ESRI data, HVS ranked the convention destinations in the comparable venue set and the regionally competitive set on eight indicators of destination quality.

- 2020 Total Population (within 45 min drive)—Population indicates the ability of a region to attract local business, as well as support the amenities that strengthen a destination's appeal to event planners, such as restaurants, retail shops, and entertainment venues.

- 2020 Median Household Income (within 45 min)—Median household income provides an overall measure of community's well-being. It indicates the quality of the surrounding neighborhood.

- Storefront Businesses (within 15 min.)—A sum of the number of Food and Beverage Stores, Clothing and Accessory Stores, Sports, Hobby and Music stores, General Merchandise and Miscellaneous stores. This indicates the presence of retail shopping, grocery and liquor stores and other destination attractions for visitors.

- Food Service & Drinking Businesses (within 15 min.)—The number of food service and drinking businesses measures the presence of restaurants, bars and other outlets that support local and tourism visitation.

- Arts, Entertainment & Recreation Businesses (within 15 min.)—Arts, entertainment and recreation business enhance the quality and attractiveness of a destination.

- Hotel and Lodging Businesses (within 15 min.)—The quality and proximity of hotel supply represents one of the most important selection factors for facility users in recent years. To attract out-of-town groups, an adequate supply of nearby hotel rooms should support the lodging needs of delegates, exhibitors, and other attendees.

- Public Transportation Spending Citywide (within 45 min)—Total sales of public transportation indexed to enable comparisons between cities. Higher spending on public transportation indicates a more accessible city for visitors.

- Occupied Housing (%) (within 15 min)—The quality of the neighborhood around the convention center is very important. The more vacant housing indicates a lower quality area and is a large detractor from destination quality.

The following figures rank Madison among the set of comparable venue cities, on each of the criteria described above.

FIGURE 3-9
NATIONAL COMPARABLE DESTINATION ANALYSIS

2020 Total Population Citywide	
Schaumburg Convention Center	5,154,938
Minneapolis Convention Center	3,266,251
America's Center	2,432,420
Cleveland Convention Center	2,241,024
Raleigh Convention Center	1,926,760
Wisconsin Center	1,831,167
DeVos Place	1,331,750
Buffalo Niagara Convention Center	1,126,024
CHI Health Center	942,209
Iowa Events Center	813,447
Alliant Energy Center	762,812
Grand Geneva Resort & Spa	746,665
Monona Terrace	745,591
Central Bank Center	716,392
KI Convention Center	678,500
Oshkosh Convention Center	519,773
La Cross Center	232,510
Kalahari Resorts Dells	226,240

2020 Median Household Income ($) Citywide	
Minneapolis Convention Center	82,145
Schaumburg Convention Center	81,066
Grand Geneva Resort & Spa	75,402
Raleigh Convention Center	72,784
Monona Terrace	70,598
Alliant Energy Center	70,264
Iowa Events Center	68,300
CHI Health Center	66,464
America's Center	63,447
Kalahari Resorts Dells	62,534
KI Convention Center	61,100
DeVos Place	60,759
Wisconsin Center	60,582
Oshkosh Convention Center	60,542
La Cross Center	57,681
Cleveland Convention Center	57,668
Central Bank Center	56,938
Buffalo Niagara Convention Center	56,818

Storefront Businesses (within 15 min.)	
Wisconsin Center	97
Minneapolis Convention Center	90
Cleveland Convention Center	85
Central Bank Center	65
Raleigh Convention Center	63
La Cross Center	54
America's Center	51
DeVos Place	47
Buffalo Niagara Convention Center	43
Oshkosh Convention Center	38
Monona Terrace	37
KI Convention Center	37
CHI Health Center	34
Iowa Events Center	34
Schaumburg Convention Center	19
Kalahari Resorts Dells	6
Alliant Energy Center	1
Grand Geneva Resort & Spa	-

Food Service & Drinking Businesses (within 15 min.)	
Cleveland Convention Center	181
Wisconsin Center	169
Minneapolis Convention Center	164
Buffalo Niagara Convention Center	152
America's Center	143
DeVos Place	118
MTCC	111
Raleigh Convention Center	92
Central Bank Center	88
Iowa Events Center	71
CHI Health Center	60
La Cross Center	60
Oshkosh Convention Center	56
KI Convention Center	39
Schaumburg Convention Center	26
Kalahari Resorts Dells	18
Alliant Energy Center	6
Grand Geneva Resort & Spa	4

Arts, Entertainment & Recreation Businesses (within 15 min.)	
Wisconsin Center	59
America's Center	54
Cleveland Convention Center	49
Buffalo Niagara Convention Center	44
Raleigh Convention Center	43
Minneapolis Convention Center	39
Central Bank Center	35
MTCC	32
DeVos Place	31
Iowa Events Center	28
CHI Health Center	23
Oshkosh Convention Center	19
La Cross Center	17
KI Convention Center	14
Schaumburg Convention Center	5
Alliant Energy Center	4
Kalahari Resorts Dells	1
Grand Geneva Resort & Spa	-

Hotel and Lodging Businesses (within 15 min.)	
Wisconsin Center	28
Minneapolis Convention Center	22
America's Center	20
Cleveland Convention Center	20
Buffalo Niagara Convention Center	18
DeVos Place	13
Iowa Events Center	12
La Cross Center	11
CHI Health Center	9
MTCC	8
KI Convention Center	8
Raleigh Convention Center	7
Central Bank Center	7
Schaumburg Convention Center	6
Alliant Energy Center	5
Oshkosh Convention Center	4
Kalahari Resorts Dells	4
Grand Geneva Resort & Spa	2

Public Transportation Spending (Index)	
Schaumburg Convention Center	155
Minneapolis Convention Center	117
Alliant Energy Center	101
Monona Terrace	101
Raleigh Convention Center	100
Wisconsin Center	97
America's Center	95
Cleveland Convention Center	89
Iowa Events Center	89
CHI Health Center	87
Buffalo Niagara Convention Center	86
Grand Geneva Resort & Spa	86
Central Bank Center	81
La Cross Center	79
DeVos Place	78
KI Convention Center	76
Oshkosh Convention Center	76
Kalahari Resorts Dells	75

Occupied Housing (%)	
Grand Geneva Resort & Spa	100
Kalahari Resorts Dells	100
Wisconsin Center	95
Alliant Energy Center	95
MTCC	92
La Cross Center	90
Oshkosh Convention Center	90
Iowa Events Center	89
KI Convention Center	89
CHI Health Center	89
Minneapolis Convention Center	87
Schaumburg Convention Center	86
Central Bank Center	86
DeVos Place	86
Raleigh Convention Center	85
Buffalo Niagara Convention Center	79
Cleveland Convention Center	72
America's Center	70

Source: ESRI

Destination Ranking

To assess the relative strength of each destination, HVS calculated a score for each convention area's ranking within the criteria. Destination quality criteria were weighted to reflect their importance to event planners.

Besides the eight ESRI categories discussed above, the number of airport enplanements were included as criteria to calculate the aggregate ranking of cities. As described on Page 4-8, airport enplanements indicates the ease of access for the destination and is a major factor in event planner decisions.

Availability of hotel and lodging establishments was weighted highest, followed by food service and drinking businesses, storefront businesses, and arts, entertainment and recreation. Airport enplanements, occupied housing, and public transportation index were weighted the lowest. The figures below show the overall rank among the competitive cities.

HVS

FIGURE 3-10
RANK ON ALL DESTINATION CRITERIA

Rank	City	2020 Total Population Citywide	2020 Median Household Income ($) Citywide	Occupied Housing (%)	Public Transportation Spending (Index)	Arts, Entertainment & Recreation Businesses (within 15 min.)	Hotel and Lodging Businesses (within 15 min.)	Food Service & Drinking Businesses (within 15 min.)	Storefront Businesses (within 15 min.)	Airport Enplanements	Weighted Destination Score
	Weight (1 to 5)	2	2	1	1	3	5	3	3	1	
1	Minneapolis, MN	0.62	1.00	0.57	0.53	0.66	0.77	0.90	0.93	0.46	0.767
2	Milwaukee, WI	0.33	0.15	0.83	0.28	1.00	1.00	0.93	1.00	0.07	0.758
3	Cleveland, OH	0.41	0.03	0.08	0.18	0.83	0.69	1.00	0.88	0.11	0.611
4	St. Louis, MO	0.45	0.26	0.00	0.25	0.92	0.69	0.79	0.53	0.18	0.571
5	Buffalo, NY	0.18	0.00	0.30	0.14	0.75	0.62	0.84	0.44	0.05	0.476
6	Raleigh, NC	0.35	0.63	0.50	0.31	0.73	0.19	0.50	0.65	0.16	0.453
7	Schaumburg, IL	1.00	0.96	0.55	1.00	0.08	0.15	0.12	0.20	1.00	0.402
8	Grand Rapids, MI	0.22	0.16	0.53	0.04	0.53	0.42	0.64	0.48	0.03	0.402
9	**Madison, WI (MTCC)**	**0.11**	**0.54**	**0.72**	**0.33**	**0.54**	**0.23**	**0.60**	**0.38**	**0.02**	**0.386**
10	Des Moines, IA	0.12	0.45	0.65	0.18	0.47	0.38	0.38	0.35	0.03	0.358
11	Lexington, KY	0.10	0.00	0.53	0.08	0.59	0.19	0.47	0.67	0.01	0.333
12	Omaha, NE	0.15	0.38	0.62	0.15	0.39	0.27	0.32	0.35	0.05	0.304
13	La Crosse, WI	0.00	0.03	0.68	0.05	0.29	0.35	0.32	0.56	0.00	0.287
14	Green Bay, WI	0.09	0.17	0.63	0.01	0.24	0.23	0.20	0.38	0.00	0.227
15	Oshkosh, WI	0.06	0.15	0.68	0.01	0.32	0.08	0.29	0.39	0.00	0.215
16	Madison, WI (Alliant)	0.11	0.53	0.82	0.33	0.07	0.12	0.01	0.01	0.02	0.157
17	Lake Geneva, WI	0.11	0.73	1.00	0.14	0.00	0.00	0.00	0.00	0.07	0.138
18	Wisconsin Dells, WI	0.00	0.02	0.05	0.00	0.00	0.02	0.01	0.01	0.00	0.012

4. Survey Findings

Overview

HVS designed and conducted a survey of event planners to provide a basis for assessing the potential demand at the City of Madison ("MTCC"). This survey gathered information from professional event planners about their event needs and event destination preferences.

HVS collected contact information for 5,122 event planners from Destination Madison and the MTCC. Via email, HVS introduced the purpose of the survey and provided a link to the web-based survey. Survey responses included 288 completed survey and 145 partial surveys in which the respondent left one or more questions blank. The overall response rate to the survey was 8.4%.

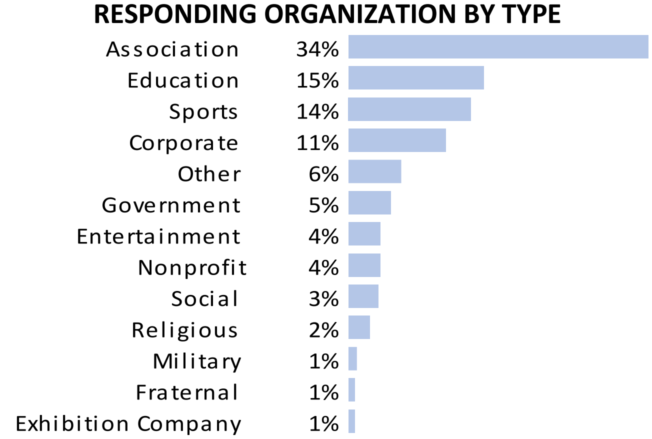
The following summary of responses highlights key results.

Survey Respondents

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

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

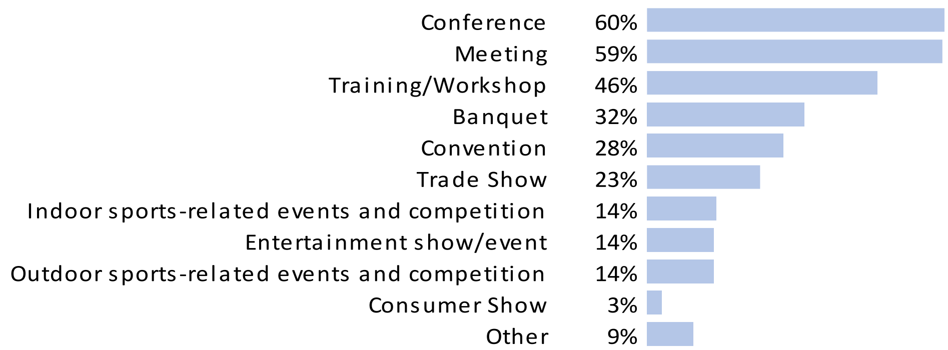
FIGURE 4-1
RESPONDING ORGANIZATION BY TYPE



Event planners representing associations make up 34% of the sample, followed by those representing education organization (15%) and sports organizations (14%).

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

FIGURE 4-2
TYPES OF EVENTS PLANNED



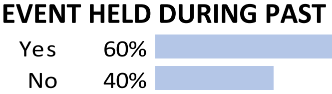
Meeting planners organize a wide variety of event types. Planners cited conferences, meetings, and trainings/workshops most often. Very few stated that they planned consumer shows.

The sample obtained through this survey reflects a cross-section of event planners that are typical of those currently hosting events in Madison and events pursued by Destination Madison.

Past Events

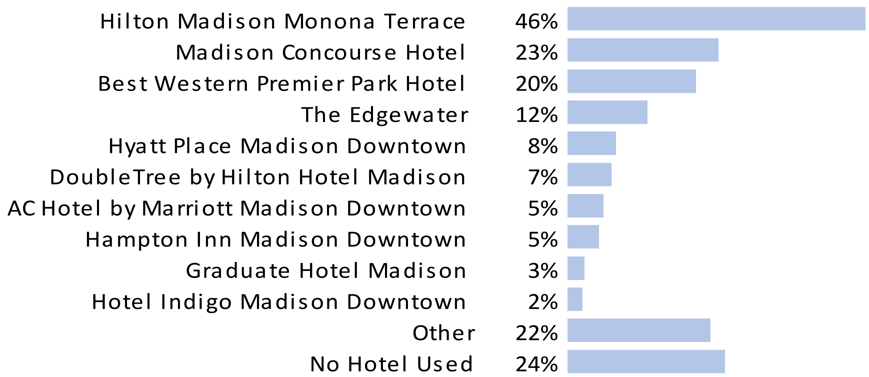
HVS asked event planners if they had planned an event at the MTCC during the past five years. See the figure below.

FIGURE 4-3
EVENT HELD DURING PAST 5 YEARS



Respondents are split between those who have hosted an event at the MTCC (60%) and those who have not (40%). For those planners who responded “yes” to the above question, HVS asked them to identify the hotels that participated in their hotel room block.

FIGURE 4-4
HOTELS IN ROOM BLOCK



As expected, respondents most frequently mentioned the headquarters hotel, Hilton Madison Monona Terrace, followed by the Madison Concourse and Best Western Premier Park.

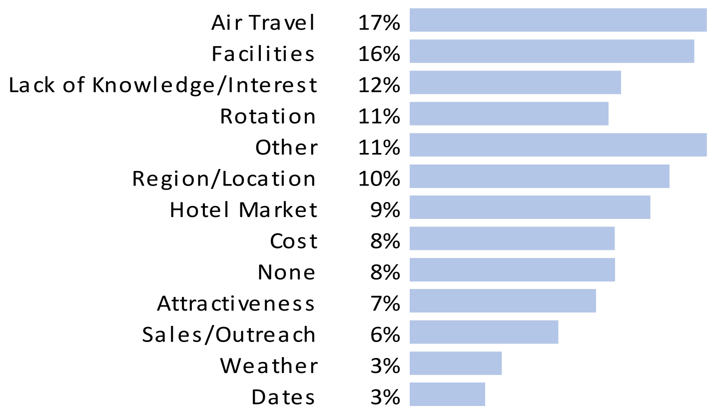
HVS asked event planners who had hosted an event at the MTCC to rate their satisfaction with the venue's event space, service, and other amenities. In the following figure, a score of five indicates fully satisfied, and a score of one indicates extremely dissatisfied with their experience at the MTCC.

FIGURE 4-5
PLANNERS SATISFACTION WITH ICC EVENTS

Most planners who have hosted at the MTCC have been satisfied with the facility's function spaces, as well as facility services such as food and beverage and A/V technology. Planners are less satisfied with surrounding neighborhood amenities and overall appeal of the area surrounding the MTCC.

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

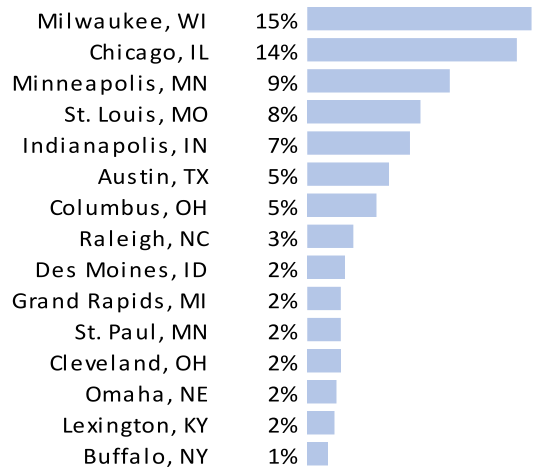
FIGURE 4-6
REASONS FOR NOT HOSTING EVENT IN MADISON



When explaining why they have not held an event in Madison, event planners expressed difficulty of air travel and lack of adequate facilities. Meeting planners also noted the lack of knowledge or interest in the destination and issues with the City's location or rotation of the event.

HVS asked all event planners to identify up to five other cities in which they have recently held or sponsored events. Planners reported hosting events in over 645 cities across the U.S. The following figures show the cities in which event planners most frequently place events.

FIGURE 4-7
CITIES IN WHICH PLANNERS HOLD EVENTS

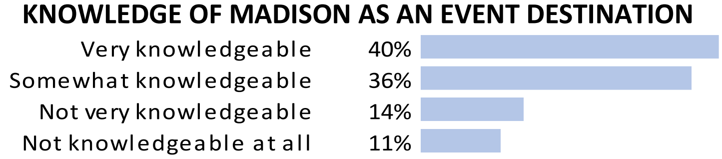


Venues throughout the Midwest and neighboring states received the most mentions from the event planners.

Meeting Planner Perceptions

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

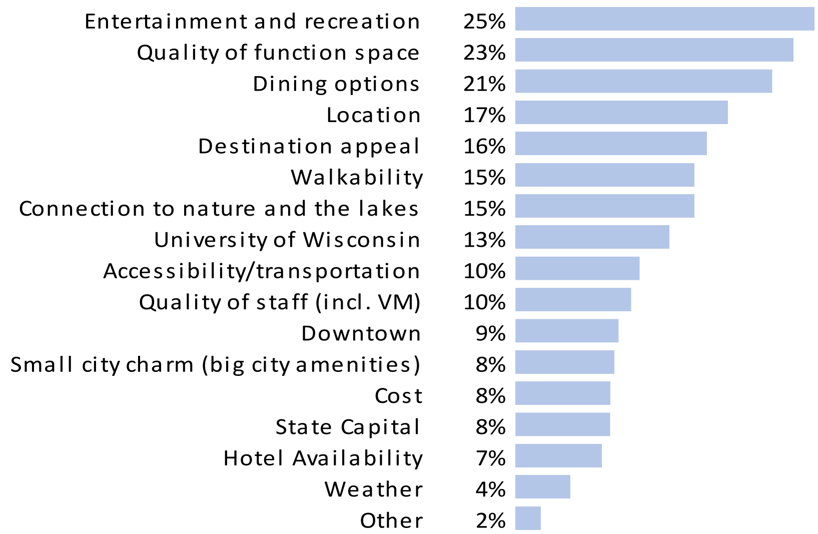
FIGURE 4-8
KNOWLEDGE OF MADISON AS AN EVENT DESTINATION



Over 75% of respondents report that they are at least somewhat knowledgeable of Madison. The remaining event planners claim to have little or no knowledge of Madison as an event destination.

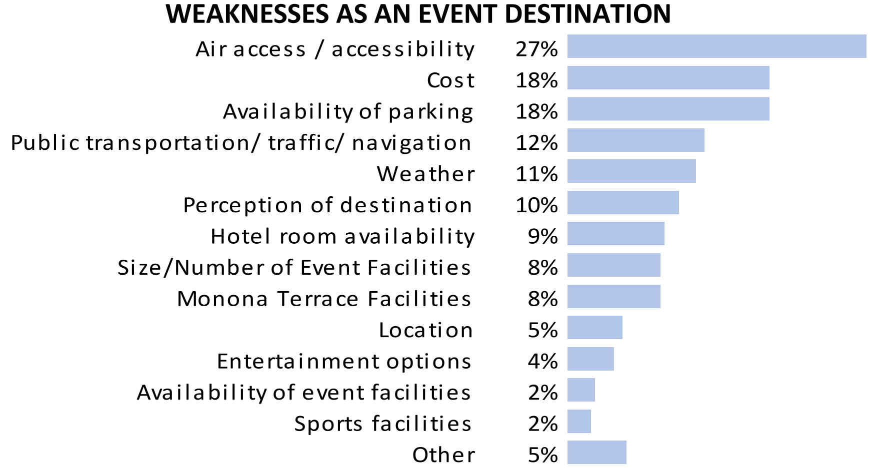
HVS asked meeting planners identify Madison's main strengths and weaknesses as an event destination. We classified their unaided responses as shown in the following figures.

FIGURE 4-9
STRENGTHS AS AN EVENT DESTINATION



More than half of event planners cite the entertainment and recreation opportunities and dining options as a destination strength. Relatedly, destination appeal and walkability were cited. Many planners also view the quality of the function space as a strength.

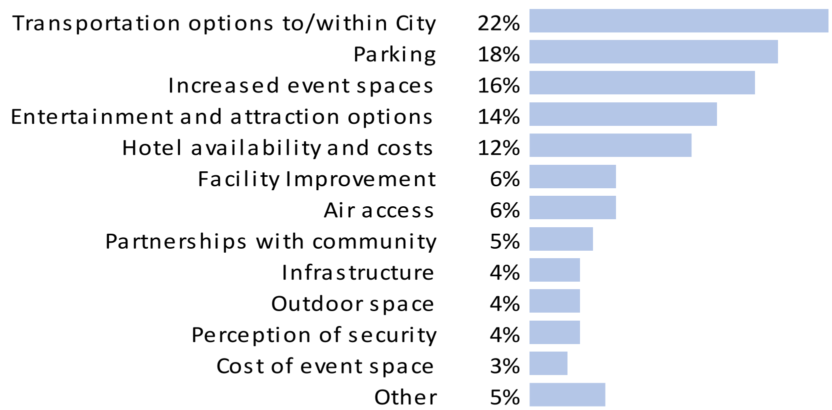
FIGURE 4-10
WEAKNESSES AS AN EVENT DESTINATION



Event planners cite air access and accessibility as the city's primary weakness as an event destination. Planners also cited the overall costs and other access issues, such as parking and public transportation, as weaknesses.

HVS asked meeting planners identify what they believe to be the most important improvements to Madison that would enhance the City as an event destination.

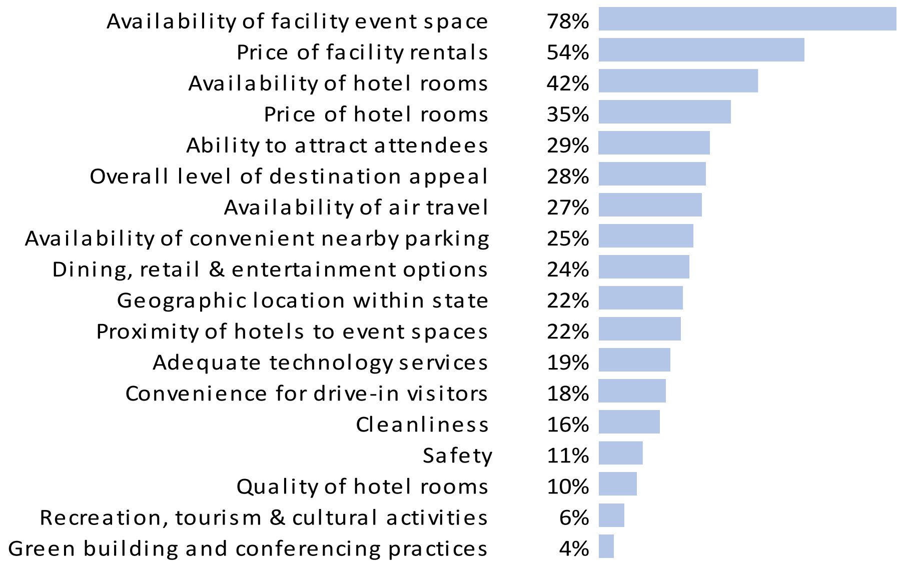
FIGURE 4-11
MOST IMPORTANT IMPROVEMENTS TO MADISON



Planners most frequently referenced transportation and access to around the City, including parking, as the most crucial improvements. Planners would also like to see increased event spaces, more opportunities for recreation, and increased hotel availability.

HVS asked survey respondents to identify their five most important criteria when selecting an event destination. The following figure presents the percentage of survey respondents who indicated each selection criteria ranked in their top five.

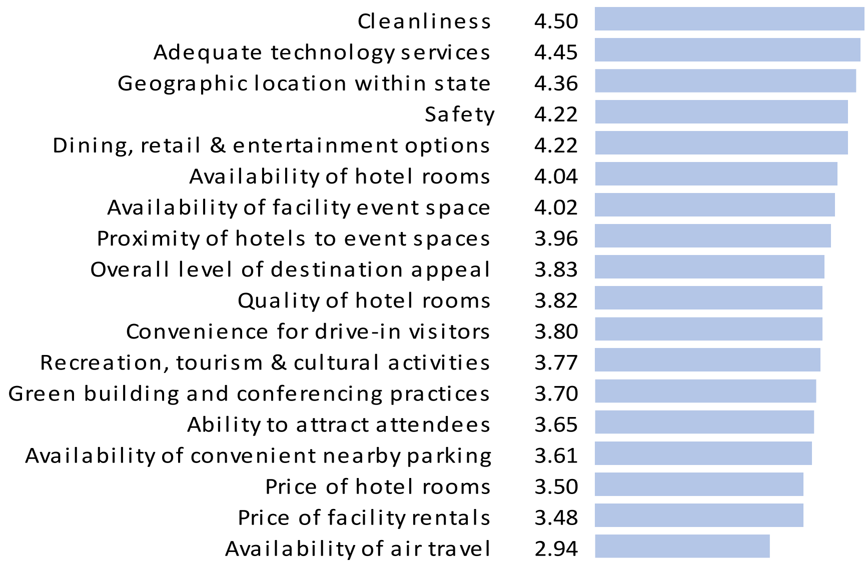
FIGURE 4-12
MOST IMPROTANT CRITERIA WHEN CHOOSING A DESTINATION



Most event planners cited the price and availability of event space and hotel rooms as the important criteria when selecting an event location. Overall destination appeal, location, and access are also important.

HVS then asked event planners to rate [CITY] on these same criteria. In the following figure, a rating of five means excellent and a rating of one means poor.

FIGURE 4-13
MADISON RATING ON DESTINATION CRITERIA



Madison received above average ratings on availability of facility event space and hotel rooms but below average ratings for the relatively important criteria of availability of price of facility rentals and price of hotels rooms. It ranks high on other criteria, such as safety, cleanliness, and technology services. However, these criteria are less important to event planners, and therefore, do not create a significant advantage for the destination.

To understand the relative impact of these perceptions, HVS created a net score or each criterion and weighted each net score by its importance as shown below.

FIGURE 4-14
PLANNERS' NET SCORE OF MADISON ON CRITERIA

Criteria		Score (Weighted by Importance)
Availability of facility event space	78%	0.1
Price of facility rentals	54%	(0.2)
Availability of hotel rooms	42%	0.1
Price of hotel rooms	35%	(0.1)
Ability to attract attendees	29%	(0.1)
Overall level of destination appeal	28%	(0.0)
Availability of air travel	27%	(0.3)
Availability of convenient nearby parking	25%	(0.1)
Dining, retail & entertainment options	24%	0.1
Geographic location within state	22%	0.1
Proximity of hotels to event spaces	22%	0.0
Adequate technology services	19%	0.1
Convenience for drive-in visitors	18%	(0.0)
Cleanliness	16%	0.1
Safety	11%	0.0
Quality of hotel rooms	10%	(0.0)
Recreation, tourism & cultural activities	6%	(0.0)
Green building and conferencing practices	4%	(0.0)

In interpreting these results, we assume that high and low scores make a meaningful difference in event planner decisions, and middle scores minimally affect their decisions. Net weighted scores below zero indicate a negative effect on demand. In the case of Madison, the lack of air travel and price of facility rentals have a negative effect on meeting demand potential.

Event Characteristics and Facility Requirements

HVS told event planners that headquarters hotel development and potential expansion of the MTCC is being contemplated in downtown Madison. Based on this information, HVS asked respondents how likely they would be to book an event at the MTCC if the hotel package met their event needs. The following figure presents the results of these responses.

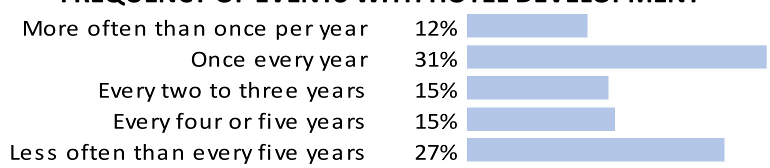
FIGURE 4-15
LIKELIHOOD OF BOOKING EVENTS AT ICC WITH HOTEL DEVELOPMENT

Very Likely	38%
Somewhat Likely	27%
Neutral	22%
Somewhat Unlikely	6%
Very Unlikely	6%

Well over half of the event planners (65%) would be very likely or somewhat likely to book an event at the MTCC. Almost one-quarter of the planners remain neutral, suggesting that continued marketing efforts are warranted to persuade planners to bring their events to the venue. Only 6% of planners report that they would be very unlikely to host an event at the MTCC.

The figure below shows the frequency with which event planners would book events at the MTCC with the development of another headquarters hotel and appropriate expansion

FIGURE 4-16
FREQUENCY OF EVENTS WITH HOTEL DEVELOPMENT

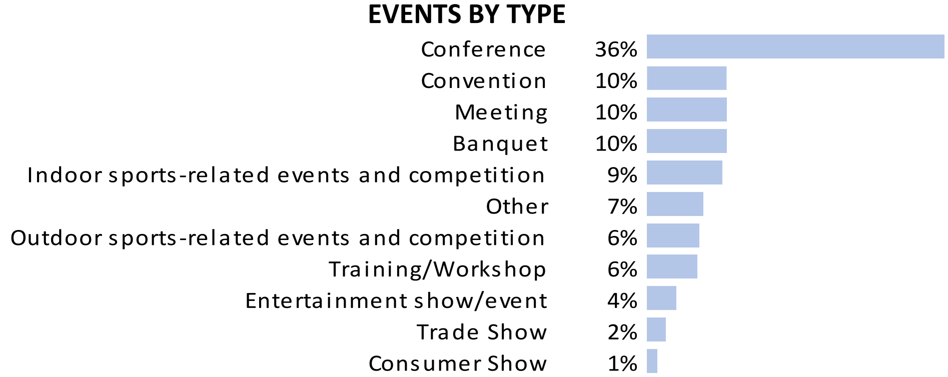


A plurality of event planners (43%) would rotate an event to the MTCC at least once a year. Around 30% would book less often or never. Around 30% would book the venue every two to five years.

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

The following figure breaks down the events by type.

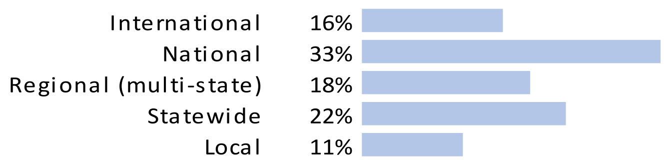
FIGURE 4-17
EVENTS BY TYPE



Over a third of the events described by meeting planners are conferences. Conferences, meetings, and banquets each make up an additional 10%. Other events with significant exhibitions space, such as trade shows and consumer shows, make up a small percentage of events.

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

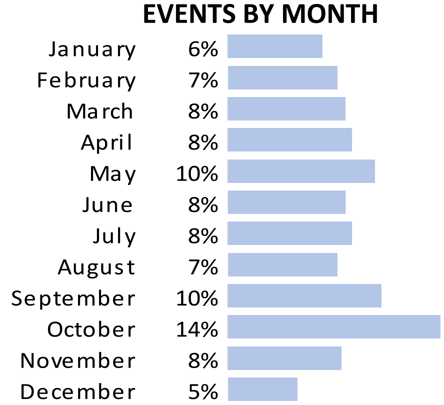
FIGURE 4-18
GEOGRAPHIC ORIGIN OF ATTENDEES



Almost half of meeting planners (48%) report that their events attract a national or international base of attendees.

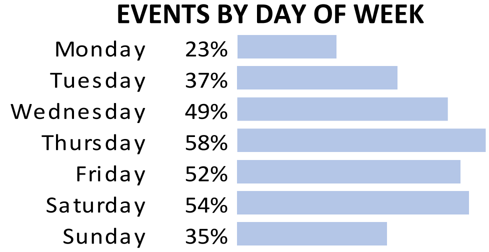
HVS asked event planners to identify the month and the days of the week in which the typical event takes place.

FIGURE 4-19
EVENTS BY MONTH



Events occur year-round with months in the spring and fall the most active. Late fall and winter months from November through February have the fewest events.

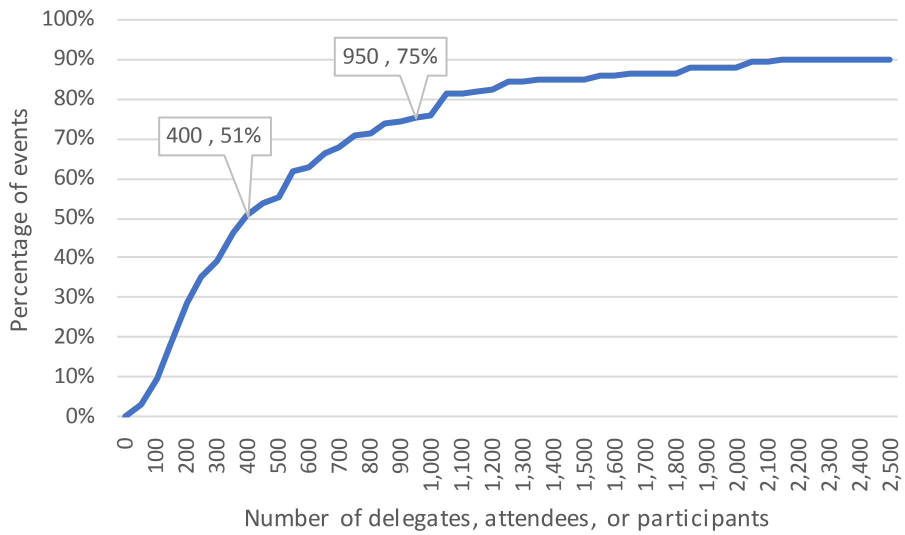
FIGURE 4-20
EVENTS BY DAY OF WEEK



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

HVS asked event planners to indicate the expected attendance for their events. Event attendance levels indicate the quantity and size of function spaces that events require.

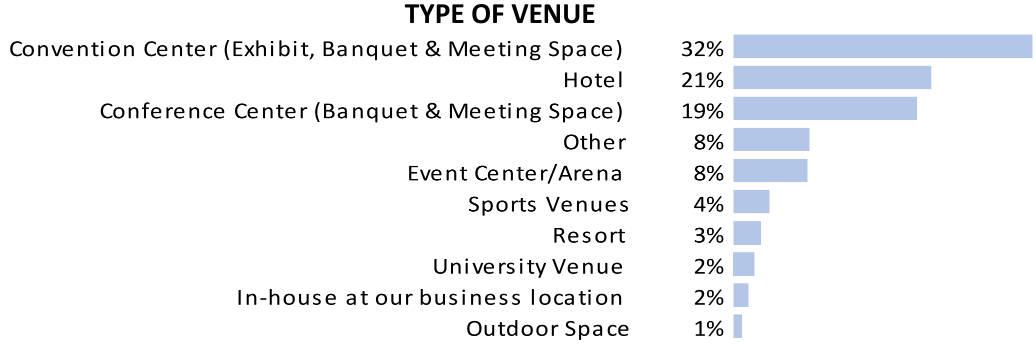
FIGURE 4-21
AVERAGE ATTENDANCE BY TYPE OF EVENT



The above figure shows the range of attendance levels that could be accommodated in the MTCC. Over half of these events have 400 or fewer attendees and only a quarter have more than 950 attendees.

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

FIGURE 4-22
TYPE OF VENUE



The greatest percentage of events are in convention centers with a mix of exhibit, banquet and meeting spaces. Hotel and stand-alone conference centers account for 21% and 19% of events, respectively.

HVS asked event planners to identify facility exhibit space, banquet seating, and meeting room needs for their events. The following figures present distributions of space requirements for exhibit space, banquet seating, and meeting rooms. The current capacity of the MTCC is indicated by shading on each graph.

FIGURE 4-23
EXHIBIT SPACE NEEDS

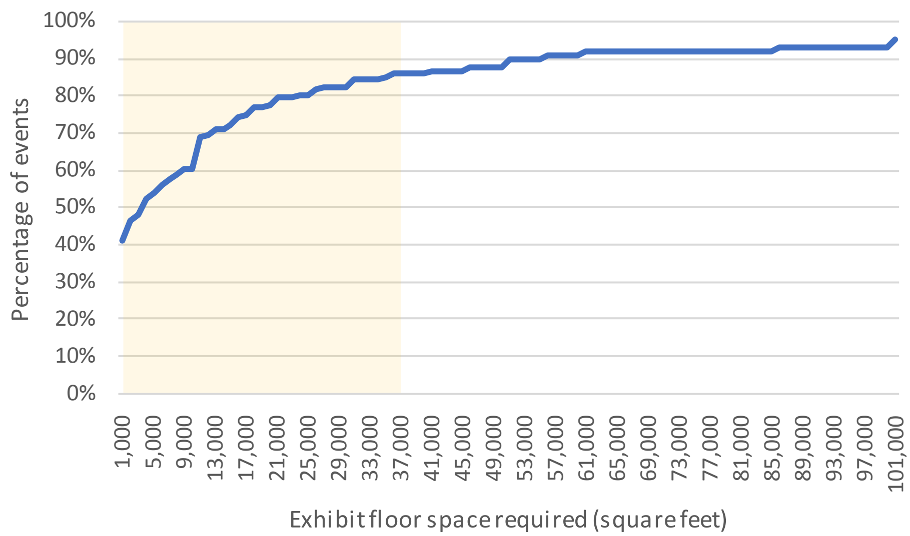


FIGURE 4-24
BANQUET SEATING REQUIREMENTS

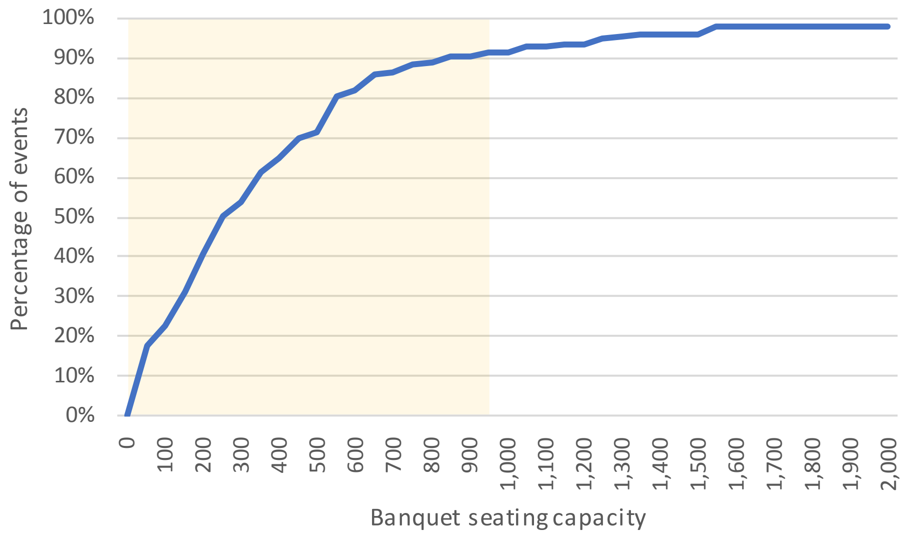
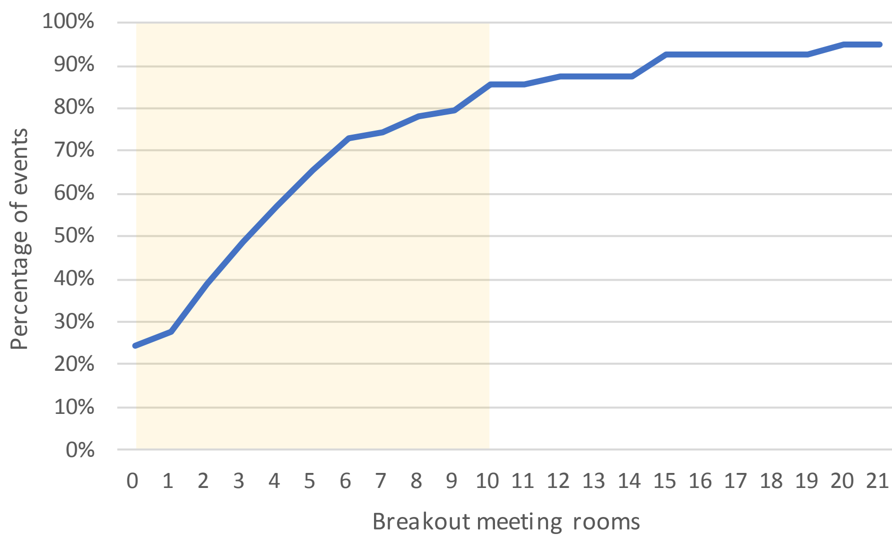


FIGURE 4-25
MEETING ROOM REQUIREMENTS

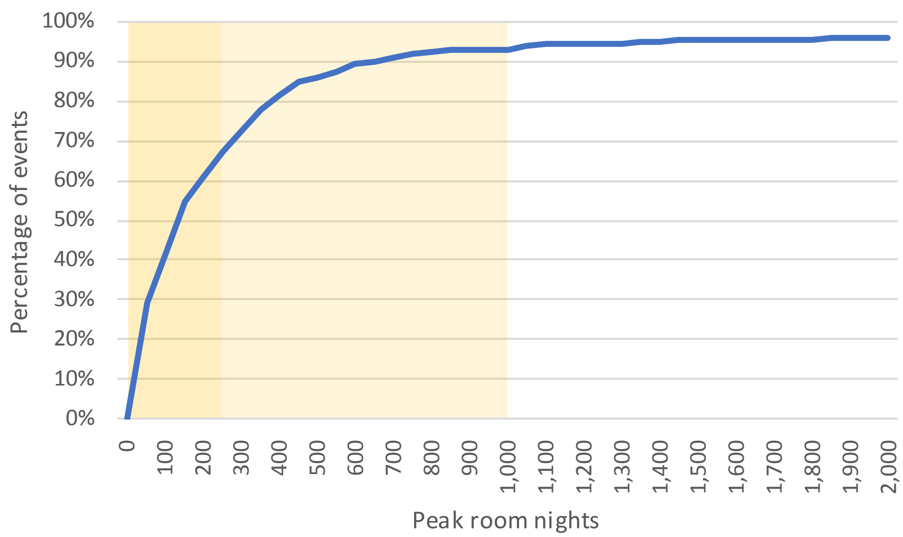


In its current configuration, the MTCC can accommodate the exhibit space requirements of over 86% of events, the banquet requirements of 91% of events, and the meeting room requirements of over 86% of the events detailed by the event planners.

Lodging Requirements

HVS asked event planners to indicate the peak room night needs for their events. HVS calculated the average peak room nights for each event type reported as presented in the following figure. The darkest shaded area represents the 240 rooms provided by the attached Hilton, lighter shaded areas represent the approximately 1,000 rooms offered by the Concourse Madison, Best Western Premier Park, AC by Marriott, and Hyatt Place.

FIGURE 4-26
PEAK ROOM BLOCK BY TYPE OF EVENT



In total, the surrounding hotel room supply can accommodate over 90% of events.

HVS asked event planners to identify the hotel service level and hotel chain scale they prefer for their event attendees.

FIGURE 4-27
PREFERRED HOTEL SERVICE LEVEL

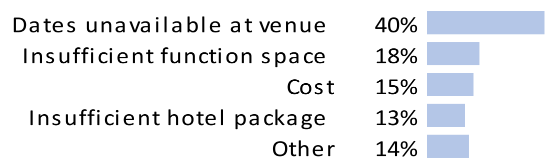
FIGURE 4-28
PREFERRED HOTEL CHAIN SCALE

Most event planners (80%) prefer a full-service hotel with much fewer preferring a select service or limited service property. More than three-quarters of planners (62%) prefer upper upscale or luxury brands with a smaller percentage upscale or upper midscale properties.

Event Infrastructure Needs

To further evaluate the specific meeting infrastructure needs in Madison, HVS asked event planners whether they had ever wanted to host an event at the MTCC but did not due to insufficient event infrastructure. Only 20% of survey respondents reported that they had been unable to host an event at the MTCC for this reason. HVS asked them to specify the type of event infrastructure that was insufficient.

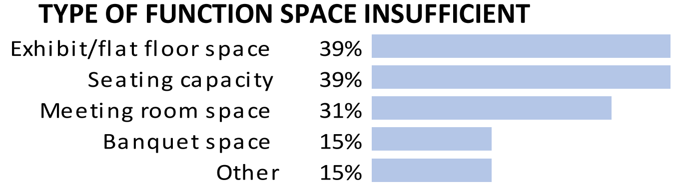
FIGURE 4-29
REASONS FOR NOT BOOKING DUE TO EVENT INFRASTRUCTURE



Many event planners (40%) indicated that they could not book the MTCC due to unavailable dates at the venue. Insufficient function space, cost, and insufficient hotel package received only a few mentions.

For those planners who have not been able to host due to insufficient function space, HVS asked them to identify the specific space that was lacking. For the following analysis, respondents could give more than one answer.

FIGURE 4-30
TYPE OF FUNCTION SPACE INSUFFICIENT



An equal number of respondents noted insufficient exhibit and seating capacity. A smaller percentage felt there is a lack of meeting rooms.

Survey Conclusions and Implications for the MTCC

Survey respondents provide a good sample of the market for potential events at the MTCC. The majority plan events for associations, education and sports organizations, and corporations. They represent a variety of entities and plan a range of meeting and event types and sizes.

Key findings and conclusions include the following:

- Around half of the survey respondents have booked an event at the MTCC over the past five years. Overall, planners were pleased with the experience, giving the highest ratings to the size and quality of event spaces
- Based on historical bookings, the MTCC's strongest competition comes from convention centers and hotels in Milwaukee, Chicago, and surrounding Midwest markets. Competition from within Wisconsin comes primarily from Wisconsin Dells and Green Bay.
- Aside from external factors, such as geographic location and weather, the greatest deterrents to event planners considering the MTCC for an event include air access, parking and transportation options, and the overall cost of the destination.
- Madison has several strengths as a group event destination, including its entertainment and recreation opportunities, dining option, and the overall destination appeal. Other planners note the quality of function spaces.
- In its current configuration, exhibit hall and meeting rooms can accommodate over 86% of the events described by event planners. Banquet capacity can accommodate over 90%. These results indicate the need for a potential expansion to host simultaneous events, rather than much larger events.
- For a significant majority of planners, high quality hotel rooms within walking distance of an event venue is an absolute necessity. Planners prefer to book room blocks in full-service properties in upper upscale brands.
- Lodging requirements vary with an average peak room block of approximately 360 rooms. About 93% of events can be accommodated by a 1,000 room block peak.
- 65% of planners indicate that they would be very likely or likely to book an event at the MTCC given the development of a headquarters hotel and expansion of the MTCC.

The survey results indicate that the development of hotel adjacent to and expansion of the MTCC would create a modest increase in demand at the convention center. Expansion and improvements to the MTCC's ballroom and meeting space would allow the facility to relieve some scheduling conflicts with the ability to host more simultaneous mid-size events that require exhibit, ballroom, and meeting spaces.

Since Destination Madison provided the survey list, it for the most part, includes event planners who book events that can be accommodated by venues in Madison. Consequently, their views on the adequacy of Madison's meeting infrastructure to support their events may be positively biased. Expansion of function space and other infrastructure improvements may increase the pool of event planners that have an interest in placing their events in Madison. This survey does not capture that potential.

5. Building Program Recommendations

The building program recommendations presented herein describe the floor areas of various types of function spaces as well as other important amenities for the proposed expansion of the MTCC. To formulate these recommendations for the proposed venue, HVS relied on a site inspection, a user survey, analysis of historical demand and lost business, an analysis of meeting space programming in competitive venues and comparable markets, other market research, and knowledge of standard industry practices. This building program should serve as a guide for subsequent physical planning aimed at providing the desired facility program elements.

The following aerial photo shows. the location of the existing MTCC.

AERIAL VIEW OF MTCC AND SURROUNDING NEIGHBORHOOD

Source: ESRI

Currently, the MTCC houses approximately 62,830 square feet of total function space. Function spaces include a 37,200 square foot exhibit hall, divisible spaces such as the ballroom and Hall of Ideas, and a meeting room block. Other frequently rented spaces, such as the Grand Terrace and Community Terrace, are not included in total function space. The following figure presents a summary of existing MTCC function spaces.

FIGURE 5-1
EXISTING FUNCTION SPACES

Event Space	Total Area (SF)	Capacities			Exhibit Booths (10'x10')
		Theatre	Banquet	Classroom	
Exhibit Hall	**37,200**	**3,300**	**2,000**	**3,300**	**212**
Hall A	18,600	1,600	1,000	928	106
Hall B	18,600	1,600	1,000	928	106
Ballroom	**13,524**	**1,518**	**936**	**832**	
Ballroom A	3,822	418	234	224	
Ballroom B	3,822	418	234	224	
Ballroom C	2,940	330	180	176	
Ballroom D	2,940	330	180	176	
Hall of Ideas	**6,840**	**792**	**450**	**48**	
Hall E	1,140	112	72	72	
Hall F	1,140	112	72	72	
Hall G	1,140	112	72	72	
Hall H	1,140	112	72	72	
Hall I	1,140	112	72	72	
Hall J	1,140	112	72	72	
Meeting Rooms					
Main Level Meeting Rooms					
k through r (eight rooms)	460	40	27	21	
Mezzanine Meeting Rooms					
Wisconsin	493	50	30	30	
Dane	493	50	30	30	
Hall of Fame	600	70	30	40	
Total Meeting Space	**5,266**				
TOTAL FUNCTION SPACE	**62,830**				
Lecture Hall	5,540	315			

Currently, MTCC hosts approximately 611 group events per year. These groups include corporations, associations, social organizations, and members of the surrounding Madison community. In interviews with HVS, some event planners noted limitations of the space, such as the lack of waterfront access from the enclosed event spaces and dated design constraints.

As Presented in Section 7, analysis of historical events and lost business indicate the potential for an expanded MTCC. Key factors include:

- The MTCC has averaged 611 events, including 114 community events, with a total of 319,000 attendees.

- Conventions are the highest value business, making up 20% of events but 70% of room nights.

- Destination Madison reports 28 conventions lost annually, representing 32,000 room nights.

- Some of these are lost due to lack of available dates, lack of function space, and lack of hotel rooms. Other are due to reasons that cannot be addressed by expansion of improvements to the MTCC, such as geography, cost of hotel rooms, and lack of local organizational presence.

- The MTCC currently competes for events with other Wisconsin cities, such as the Wisconsin Dells, Milwaukee, Lake Geneva, and Green Bay. Expansion and renovation would allow the MTCC to improve its competitiveness for state and regional business.

As presented in Section 5, user surveys clearly indicate several key factors which influence meeting planners' selection process when considering Madison and MTCC as an event destination.

- Madison as a destination has many perceived strengths, such as recreation and entertainment opportunities.

- Weaknesses include air access, cost, and parking.

- Survey respondents' suggested improvements were transportation within and around the City and increased event spaces.

- HVS asked respondents about their event needs. Most events are within the current capacity limits of the MTCC.

- Approximately 65% of respondents said they would be "Very likely" or "somewhat likely" to host an event at the MTCC if expansion and hotel development met their needs.

Law Park Redevelopment

Potential expansion of the MTCC should be considered as part of the redevelopment of the Lake Monona lake front and continued improvements to Law Park and portions of John Nolen Drive. In 2012, the City developed a downtown plan[1] that recommended the transformation of "the portion of Law Park east of Monona Terrace into a signature city park and public gathering place." The recommendation acknowledge "several prior planning efforts," beginning with John Nolen in 1909, further developed by Nolen's Madison: A Model City plan in 1911, and further plans in 1939, 1967, 1986, 1988, and 1996.

EXISTING CONDITIONS

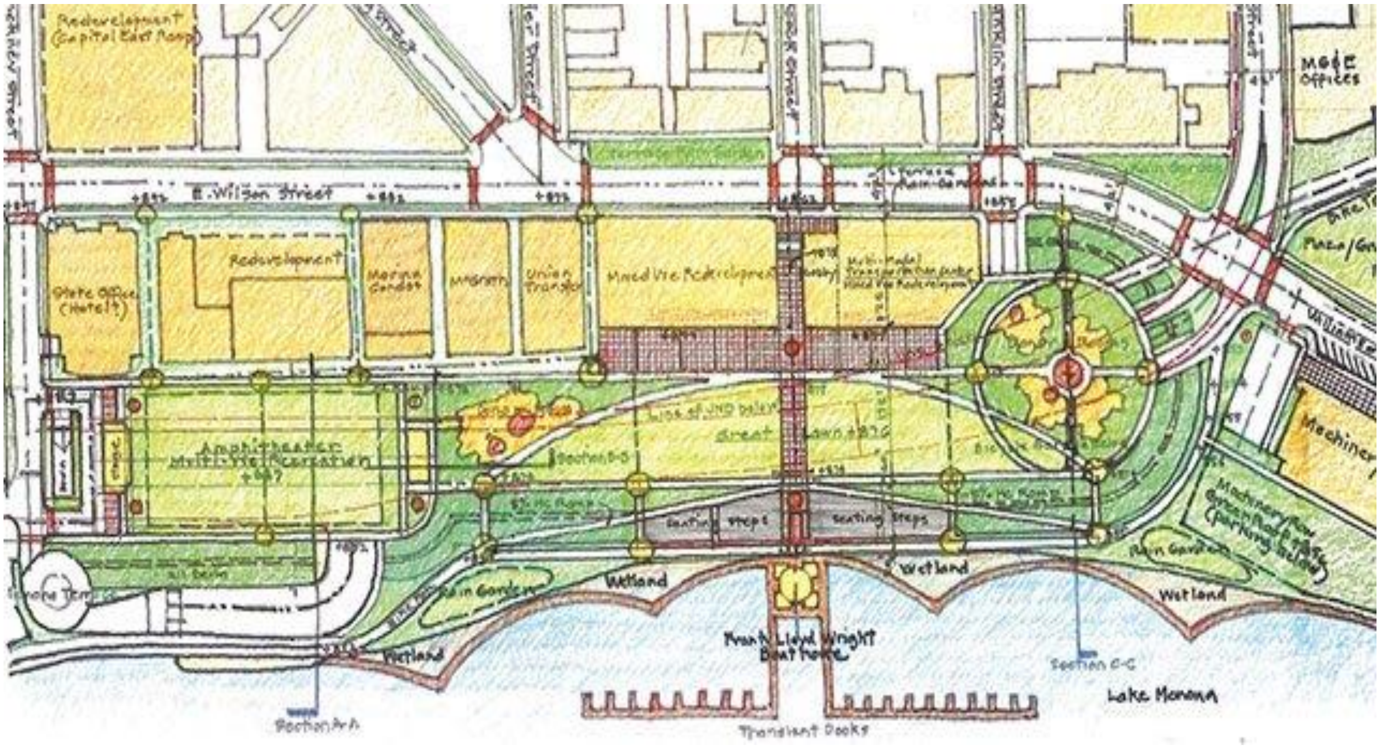
Source: City of Madison

By 2016, a group of citizens called the Madison Design Professionals Workgroup, proposed a plan called the "Nolen Waterfront Vision" that underwent several iterations. Its main thrust was to create a "nine-acre park over John Nolen Drive with several tiers of underground parking extending from the convention center."[2] While the specifics of that plan may not be ultimately adopted by the City, their plans and renderings provide insight into the kind of redevelopment necessary for MTCC expansion.

[1] https://www.cityofmadison.com/dpced/planning/documents/Downtown_Plan.pdf

[2] https://isthmus.com/news/cover-story/madison-lakefront-development/v

NOLEN WATERFRONT VISION FOR LAW PARK



Source: Madison Design Professionals Workgroup

NOLEN WATERFRONT VISION RENDERING

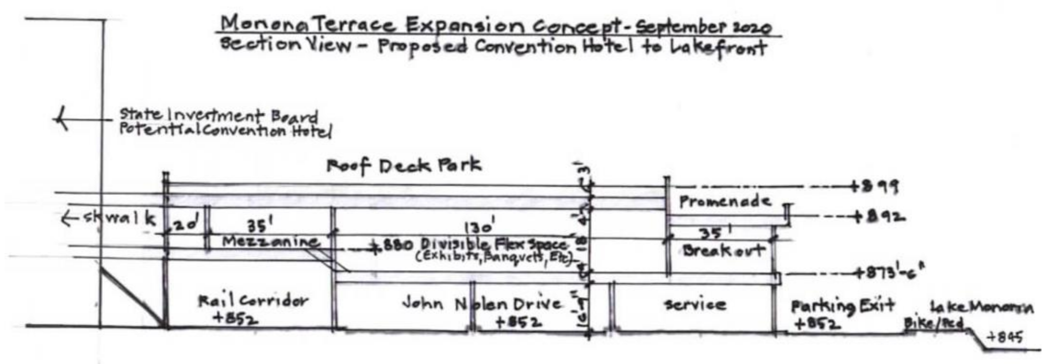
Source: Nolen Waterfront Vision

In 2019, the City engaged the consultant SmithGroup with an RFP to study the possibilities of developing a "premier lakefront park" and creating "signature public space on the shore of Lake Monona." Working with the City Parks Division, SmithGroup engaged in multiple forms of community outreach, including community workshops, stakeholder meetings, intercept interviews, and online surveys.

Currently Law Park offers 2,500 feet of shoreline, but access to the park from downtown is limited by a six-lane highway and a significant change in elevation. The MTCC could take advantage of law park expansion to stage its own expansion, as well as maximize the availability of outdoor spaces for private and public uses.

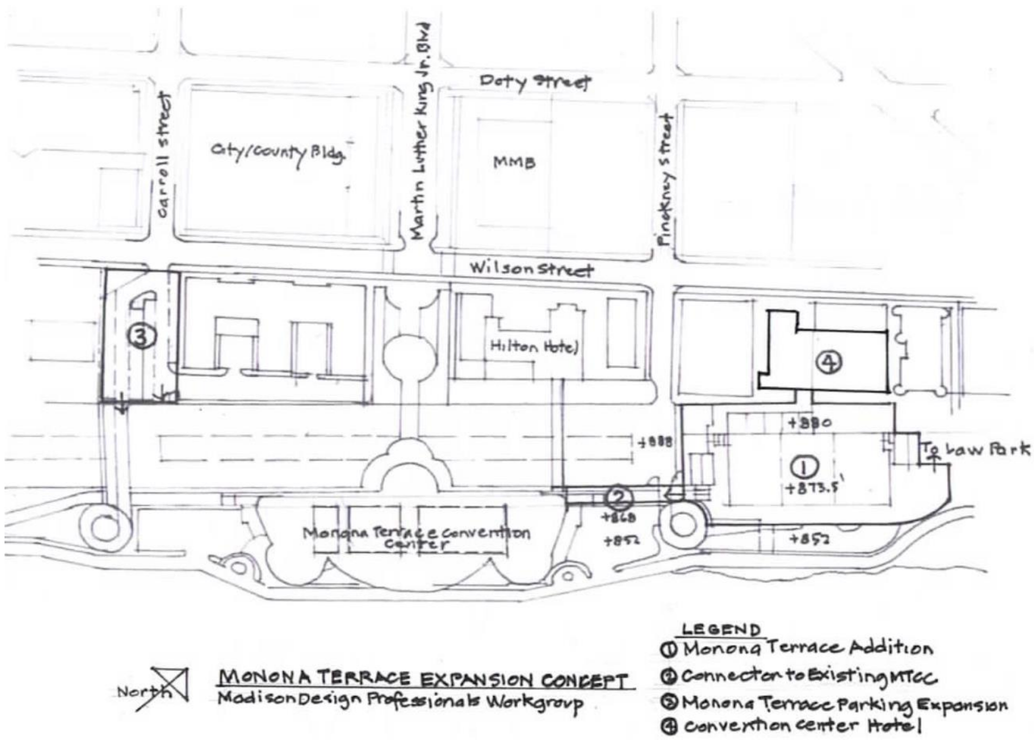
The Madison Design Professionals Workgroup provided HVS with some drawings reflecting the maximum potential building program that would fit the Law Park development. The following images show a section view of the proposed expansion and an overhead view situating it in relation to the MTCC.

SECTION VIEW OF PROPOSED EXPANSION AND POTENTIAL CONVENTION HOTEL



Source: Madison Design Professionals Workgroup

OVERHEAD VIEW OF PROPOSED EXPANSION IN RELATION TO THE MTCC



Source: Madison Design Professionals Workgroup

Facility Program Recommendations

HVS recommends new building infrastructure such that the expanded MTCC's total convention facility package includes a total of approximately 105,000 square feet of function space. While site conditions and other issues will dictate the actual layout, HVS recommends that the facility add:

- A 37,000 square foot multipurpose/flex space,
- A 5,250 square foot block of flexible meeting space, and
- a rentable 10,450square-foot terrace overlooking Law Park.

The following figure shows the recommended amounts and capacities of event function spaces in the addition to the MTCC.

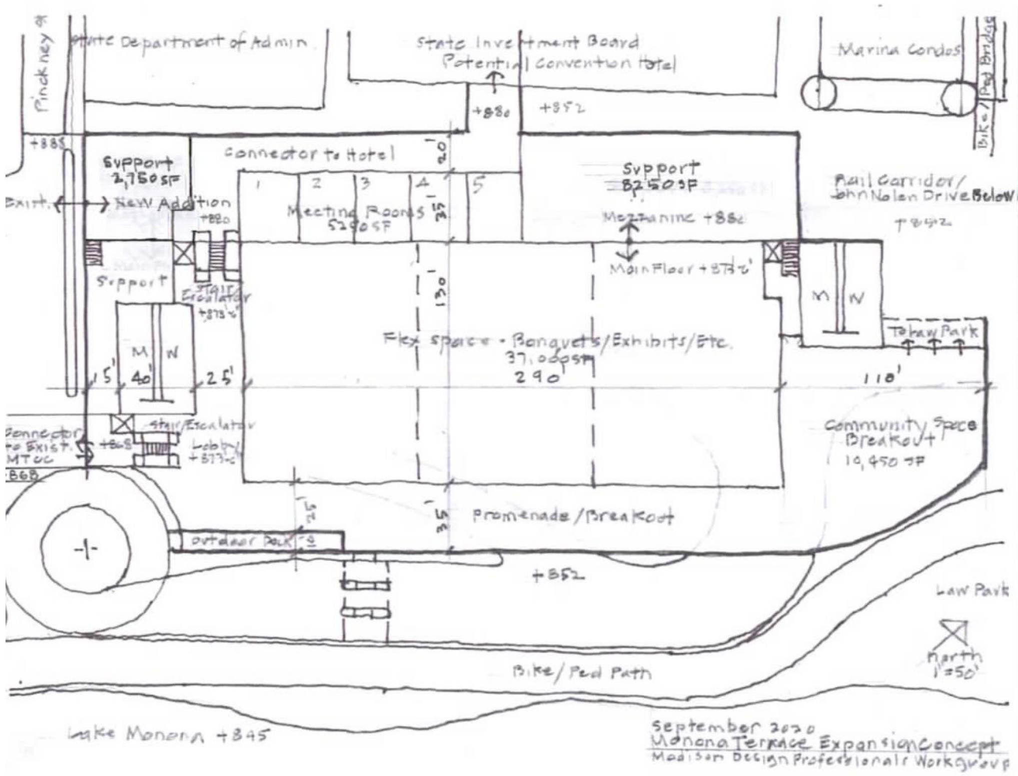
FIGURE 5-2
BUILDING PROGRAM RECOMMENDATIONS

Event Space	Total Area (SF)	Maximum Capacities			Exhibit Booths (10'x10')
		Theatre	Banquet	Classroom	
Multipurpose/Flex Space	**37,000**	4,110	2,110	2,550	210
Sub-Divisions					
Divisions (3)	12,333	1,370	700	850	
Breakouts (2)	6,167	690	350	430	
Meeting Rooms	**5,250**	580	300	360	
Breakouts (5)	1,050	120	60	70	
TOTAL FUNCTION SPACE	**42,250**				
Law Park Terrace	10,450	1,160	600	720	60

Functional requirements of the proposed Convention Center revolve around the principle that the venue must host simultaneous events with different venue needs, such as meetings that may use a combination of meeting and banquet space and social events that only need banquet space. Where possible, back of house spaces, including the loading dock and storage areas, should serve multiple events without hindering the efficiency of another event's operation.

The Madison Design Professionals Workgroup provided HVS with a concept plan, which includes a main floor which, in additional to the flex space, includes 24,000 square feet of circulation, and a mezzanine level that includes the meeting room block and an additional 11,000 square feet of support space.

OVERHEAD VIEW OF PROPOSED EXPANSION IN RELATION TO THE MTCC



Source: Madison Design Professionals Workgroup

Expansion should be accompanied by renovations to existing spaces. While the MTCC is limited in its ability to significantly re-design space due to the need to maintain its architectural integrity, certain upgrades that improve its functionality may be possible. Further architectural study would be necessary to inform renovation plans.

The following figure shows the function space floor areas of the MTCC with the recommended expansion.

FIGURE 5-3
BUILDING PROGRAM RECOMMENDATIONS

Function Space	Existing MTCC	Recommended Expansion	Expanded MTCC
Exhibit Space	37,200		37,200
Multipurpose Space		37,000	37,000
Ballroom(s)	13,524		13,524
Meeting Room Blocks	10,520	5,250	15,770
Boardroom	1,586		1,586
Total Space	62,830	42,250	105,080

Sources: MTCC and HVS

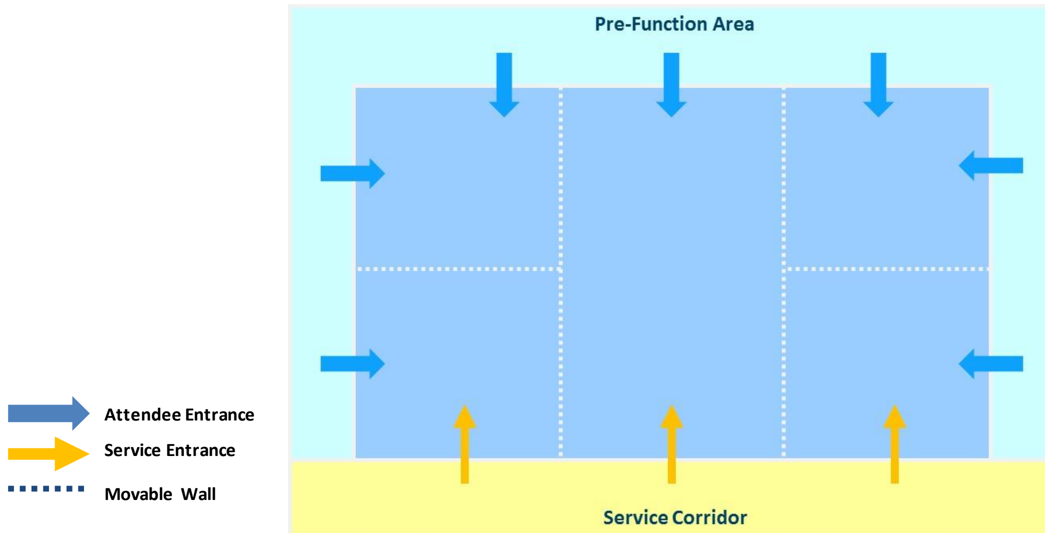
Multipurpose/ Flex Space

The recommended multipurpose space expansion should take advantage of the MTCC's proximity to Lake Monona, by maximizing the views of the water and providing attendee access to the outdoors and lake front. The space should have convenient access to pre-function spaces which are either stand-alone or shared with other function spaces. Service access should be such that each division of the room has independent rear access allowing an event to take place in one division while another is being serviced for a separate event. The space could serve multiple purposes and event types and should contain the following amenities.

- a minimum of 21-foot ceiling heights,
- movable walls that provide good sound separation,
- acoustical wall and ceiling treatments for amplified voice and music,
- built-in sound and AV systems,
- rigging points, lights, signs, and decorations (500-pound live load),
- in-floor utility boxes with communications and power,
- floor loads of at least 150 lbs. per square foot,
- variable lighting options with pre-set and dimming capabilities controllable at wall panels, and
- blackout capability for visual presentations.

The following figure provides a conceptual floor plan of the proposed multipurpose space.

RECOMMENDED MULTI-PURPOSE CONFIGURATION



Meeting Spaces

Meeting space is essential to provide breakout space for larger conference and meeting events and to support stand-alone meetings and food and beverage functions. Many events require banquet space which is separate from a meeting room block. The configuration of the meeting room block should be such that they conveniently support the multipurpose hall and ballroom. HVS recommends that the new meeting space be located in flexible blocks in areas which are conveniently accessible for attendees and efficiently serviced by event staff and contain the following amenities.

- minimum 12-foot ceiling heights,
- movable walls that provide good sound separation,
- built-in sound and AV systems,
- good acoustics for amplified voice and music,
- in-wall communications and power, and one-floor box per division,
- variable lighting options with pre-set and dimming capabilities controllable at wall panels, and
- blackout capability for visual presentations.

Ancillary and Support Spaces

In addition to the function spaces provided above, the gross floor area included in the proposed ongoing operation of MTCC would include the following elements:

- Lobby and Pre-function Areas – A well-appointed lobby and pre-function areas should provide event planners areas for greeting and registration, social gatherings, and well-defined public access to the multipurpose ballroom and meeting rooms. This space is also appropriate for stand-alone receptions, meals, and other community events.

- Circulation – Circulation space should provide for the movement of attendees into and through the venue. These areas would include and hallways, connecting walkways, and bridges as required. Depending on the concept plan, these areas could also include vertical circulation (stairwells, elevators, and escalators).

- Service access – Service corridors should provide non-public access to the event hall and meeting rooms as well as connection to the facility's loading docks, mechanical rooms, and storage.

- Drop-off zone – The venue should have a well-defined vehicular drop-off area and pedestrian access solely for the uses of event attendees.

- Loading areas – Service access separate from the drop-off zone, truck docks, and waste disposal areas necessary to support the venue.

- Kitchen – Further investigation should determine the extent to which the main production kitchens could also serve the needs of an expanded venue. At a minimum, the space should incorporate a pantry kitchen capable of accommodating a single meal of 1,400 guests.

- Storage – Adequate and convenient equipment storage is important to the efficient operation of the facility.

- Facility Operations – Spaces needed to support the facility's physical plant, including HVAC, plumbing, electrical and fire protection systems.

- Parking – the on-site capacity for parking should be determined in view of the amount of available off-site parking that could service the Convention Center.

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

Public Spaces

In addition to the meeting function spaces described above, the venue should be developed with access to public areas as part of a redeveloped lakefront destination for meeting attendees as well as other tourists and local residents. These public areas may include:

- Lounges, plazas, and other designated areas for informal meetings and relaxation,
- Outdoor entertainment areas for small concerts, receptions, or other convention center related functions,
- Light retail areas for souvenirs, clothing, and essential sundries,
- Casual food and beverage outlets including coffee shops, delis, and desserts, and
- Waterfront views and access.

6. Demand Analysis

HVS based event demand projections at the MTCC on the following research and analysis:

- The general program recommendations presented in Section 5,
- Historical MTCC demand data,
- Industry data and trends reports,
- Key market and economic indicators outlined in Section 2,
- Comparable venue program and demand data, and
- Discussions with representatives from the current MTCC management and Destination Madison.

In developing the demand projections, HVS assumes that all recommendations throughout this report are completed by January 1, 2024. This completion date was set for the purposes of this analysis and does not reflect a definitive development schedule. HVS estimates that event demand would stabilize in the third year of operation—2026. Demand projections also assume the continued presence of a highly qualified, professional sales and management team for the MTCC.

For the purpose of this analysis, event demand projections include those which would take place in the in both the renovated and the existing meeting and convention spaces at the MTCC.

Historical Demand

The MTCC provided HVS with a summary of the number of events and corresponding total attendance that occurred at the facility from calendar years 2015 through 2019. HVS reclassified event types into standard event categories to allow comparisons with other venues and for the projection of financial operations.

HVS classified all events into one of the following categories.

Conventions—associations, government, and SMERFE organizations register attendees for multi-day events. Facility set up includes breakout, banquet and exhibit space set-up and may include plenary sessions. Typically, the primary purpose of a convention is information exchange.

Conferences—require a mix of banquet and breakout space set-up as well as occasional assembly space, but do not require any exhibit set-up. Conferences can be conducted by any organization type, but always require attendees to be registered.

Meetings—only require breakout space set-up. Like conferences, they can be produced from any of the organization types, but unlike conferences, they are private events to which one must be invited.

Consumer Shows**—**public, ticketed events featuring the exhibitions of merchandise for sale or display. Exhibition companies produce consumer shows, as they provide a means of product distribution and advertising. They only require exhibit space set-up.

Banquets—only require a banquet set-up for food and beverage meal service. These events also can be produced by any organizational type, and are either are held privately or require guests to register.

Sports & Entertainment—typically require the set-up of a competition area or stage in a large function space. Attendees to sporting events, which are usually organized by sports enterprises, may be public or registered. Concerts or live entertainment, only require production set-up, and are usually owned by a promoter.

Community Events—are recurring events offered in MTCC spaces, such as "Lunchtime Yoga," meditation, and other events that draw regular attendance.

Community **Meetings—**are meetings held by local Madison organizations**.**

The following figure presents the event and attendance history at the MTCC for the past five years.

FIGURE 6-1
SUMMARY OF DEMAND HISTORY

	2015	2016	2017	2018	2019
Event					
Conventions	27	33	29	29	30
Conferences	31	29	28	29	26
Meetings	194	200	199	164	170
Consumer Shows	21	24	20	20	20
Banquets	218	236	217	190	167
Sports	5	5	3	4	5
Entertainment	43	31	16	11	10
Community Events	112	113	107	104	99
Community Meetings	9	8	10	6	4
Total	660	679	629	557	531
Attendee					
Conventions	18,527	23,129	21,089	19,878	21,002
Conferences	10,936	10,467	8,260	9,872	8,069
Meetings	26,973	29,722	32,775	28,512	29,657
Consumer Shows	108,521	112,861	112,263	115,784	117,279
Banquets	49,688	57,171	55,006	48,841	46,696
Sports	17,375	15,775	13,243	14,504	14,550
Entertainment	14,005	13,845	18,565	12,411	9,723
Community Events	42,627	43,147	39,793	43,598	38,469
Community Meetings	181	156	235	152	126
Total	288,833	306,273	301,229	293,552	285,571
Occupied Room Night					
Conventions	18,959	32,721	24,991	20,205	21,498
Conferences	5,135	4,319	4,900	4,853	4,115
Meetings	30	55	na	na	40
Consumer Shows	55	250	110	250	225
Banquets	na	na	na	89	na
Sports	7,450	7,435	5,935	7,235	5,475
Total	31,629	44,780	35,936	32,632	31,353

Source: MTCC and Destination Madison

The number of events, attendance, occupied room nights generated by MTTC event have decline from a peak in 2016.

Function Space Utilization

The MTCC provided HVS with room utilization data for event days from 2015 through 2019. The following figure presents the occupancy for the exhibit hall, ballroom, meeting rooms, and other spaces.

FIGURE 6-2
MTCC ANNUAL ROOM OCCUPANCY

Year	Exhibit Halls		Lakeside Commons		Wisconsin Room	Dane Room	Ballroom				Grand Terrace	
	A	B	East	West			A	B	C	D	East	West
2015	44%	40%	44%	41%	10%	14%	61%	59%	49%	42%	54%	54%
2016	52%	50%	46%	49%	16%	16%	67%	66%	55%	48%	56%	55%
2017	40%	40%	38%	37%	10%	18%	60%	60%	44%	41%	48%	51%
2018	41%	40%	40%	38%	12%	17%	63%	62%	51%	46%	49%	52%
2019	43%	33%	34%	30%	9%	13%	61%	60%	49%	45%	49%	49%

Year	Hall of Ideas	Meeting Rooms	Hall of Fame Room	Lecture Hall	Rooftop		
					Center	East	West
2015	50%	41%	25%	38%	19%	4%	18%
2016	54%	42%	26%	33%	22%	5%	19%
2017	48%	41%	23%	26%	20%	5%	14%
2018	48%	40%	18%	27%	16%	6%	13%
2019	47%	38%	13%	23%	12%	5%	12%

Source: MTCC

Over the past five years, the MTCC (including outdoor spaces) has had an overall occupancy rate of around 36%. As is common with other venues, theater spaces and outdoor spaces, such as the Olin Terrace and the Rooftop, are the most underutilized spaces in the MTCC. On average, meeting room utilization rates are below 30%, while exhibit space utilization rates are approximately 30%. At above 60%, ballroom segments A and B are the most utilized spaces at the MTCC. Overall, the ballroom has a 54% average occupancy, followed by the Grand Terrace (52%) and the Hall of Ideas (49%).

Utilization by Event Type

To further evaluate the use of function spaces, HVS analyze the utilization for each space by type of event. The figure below summarizes utilization as a percent of event days by type (e.g. the number of days convention events that used exhibit halls divided by the total number of convention event days).

FIGURE 6-3
FUNCTION SPACE UTILIZATION PER EVENT TYPE (2015 – 2019)

Event Type	Exhibit Halls	Wisconsin Room	Dane Room	Ballroom	Grand Terrace	Hall of Ideas
Convention	48%	8%	16%	56%	57%	56%
Conference	51%	8%	4%	32%	34%	38%
Meeting	4%	6%	9%	22%	17%	26%
Consumer Show	82%	0%	0%	33%	9%	9%
Banquet	15%	8%	4%	27%	32%	15%

Event Type	Meeting Rooms	Hall of Fame Room	Lecture Hall	Rooftop	Olin Terrace	Community Terrace
Convention	50%	25%	24%	3%	5%	20%
Conference	29%	8%	19%	38%	25%	31%
Meeting	18%	8%	10%	0%	1%	12%
Consumer Show	10%	9%	2%	0%	13%	6%
Banquet	11%	8%	4%	13%	0%	49%

Sources: MTCC

Over this period conventions used ballroom spaces, the Hall of Ideas, and Grand Terrace most frequently. As expected, consumer shows used mostly exhibit space. Conferences used exhibit halls and the community terrace.

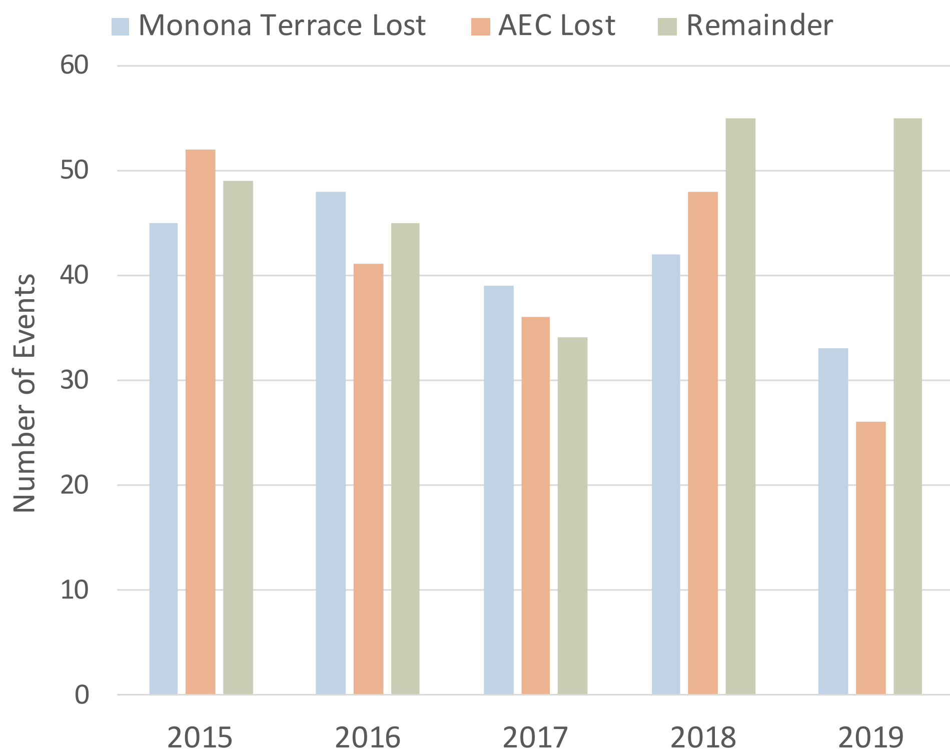
Lost Business Analysis

Both Destination Madison and the MTCC provided HVS with a list of cancelled and lost events. While these events have some overlap—a convention that passed through Destination Madison's booking process onto the MTCC calendar may be counted in both—they are not co-extensive. The Destination Madison data provides insight into the long term booking aims of the organization for national conventions, while the MTCC data shows the potential in banquets and meetings, which are primarily local events.

Destination Madison Lost Business Data

Destination Madison provided HVS with a list of events that were lost from 2015 to 2019. Events are counted as lost if they tentatively reserved dates but ultimately decided not to book the MTCC. The data included the total room nights, projected attendance, competing destinations, and the reason the event was lost. The following figure present the number of events lost by year events were lost.

FIGURE 6-4
EVENTS LOST BY VENUE



Source: Destination Madison

For this five-year period, there were 207 events lost or cancelled that would have occurred at Monona Terrace. These events represent 159,000 attendees and 187,000 room nights.

The following figure summarizes lost business by type of event.

FIGURE 6-5
EVENTS LOST BY TYPE (2015 – 2019)

Scope of Event	Percent of Total		
	Events	Attendance	Room Nights
Convention	69%	66%	87%
Conference	19%	10%	6%
Sports	6%	15%	6%
Meeting	4%	1%	0%
Consumer Show	1%	8%	0%

Source: Destination Madison

A large majority of events lost were conventions, representing an average of 1,100 room nights per lost event.

HVS categorized all lost business into thirteen categories of reasons for which events were lost. HVS had to exclude some events from our analysis due to ambiguity about the reason the event was lost or when no reason was provided. The following figure shows the percentage of events, attendees, and room nights lost for each reason.

FIGURE 6-6
PERCENTAGE OF LOST BUSINESS BY REASON

Reason	Events	Attendees	Room Nights
Dates Not Available	18%	17%	21%
Geographic	17%	14%	14%
Lack of Function Space	16%	27%	16%
Cost of Hotel Rooms	11%	10%	11%
Lack of Hotel Rooms	7%	6%	10%
Lack of Community Support	7%	6%	8%
Cost Overall	6%	7%	11%
Requires Under One Roof	6%	5%	5%
Cost of Function Space	3%	2%	2%
Inadequate Air Service	3%	2%	3%
Lack of Incentive	3%	2%	1%
Destination Quality	2%	1%	0%
Weather	0%	0%	0%

Source: Destination Madison as categorized by HVS

The most frequently cited reason for which events were lost were due to lack of availability of dates, reasons of geography, and lack of function space. However, events lost due to lack of function space represent a higher percentage of attendance than those lost due to other reasons.

Monona Terrace Lost Business Data

MTCC staff provided HVS with a list of events that were lost from 2015 to 2019. HVS summarized those events by event type.

FIGURE 6-7
LOST BUSINESS BY EVENT TYPE

	2015	2016	2017	2018	2019
Events					
Convention (CO)	35	44	51	44	45
Conference (CF)	24	25	30	29	23
Meeting (MT)	68	72	56	48	64
Consumer Show (CS)	4	3	2	4	6
Banquet (BQ)	71	79	78	73	56
Entertainment Event (EN)	3	13	6	4	3
Community Use Mtg (CM)	1	1	0	2	0
Total	206	237	223	204	197
Attendance					
Convention (CO)	23,000	28,735	39,030	37,015	30,535
Conference (CF)	5,670	10,285	7,915	8,315	6,185
Meeting (MT)	13,305	11,897	8,119	9,673	15,542
Consumer Show (CS)	3,000	8,100	6,400	20,550	32,300
Banquet (BQ)	22,312	20,537	17,240	16,480	14,690
Entertainment Event (EN)	1,105	7,830	4,200	4,000	2,300
Community Use Mtg (CM)	18	10	0	45	0
Total	68,410	87,394	82,904	96,078	101,552
Room Nights					
Convention (CO)	34,749	43,974	46,256	47,796	37,282
Conference (CF)	4,708	5,005	5,720	4,676	3,708
Meeting (MT)	0	0	0	0	0
Consumer Show (CS)	0	0	0	0	0
Banquet (BQ)	0	0	0	0	0
Entertainment Event (EN)	0	0	0	0	0
Community Use Mtg (CM)	0	0	0	0	0
Total	39,457	48,979	51,976	52,472	40,990

Source: MTCC

Banquets and meetings were the most frequently lost event type over this period. The MTCC also lost an average of 44 conventions, representing 42,000 room nights per year.

FIGURE 6-8
EVENTS LOST BY REASON

Reason	Events	Attendees	Room Nights
Dates Not Available	35%	15%	8%
Geographic	26%	14%	13%
Cost of Facility (Function Space, A/V)	21%	9%	8%
Lack of Community Support	4%	1%	0%
Lack of Hotel Rooms	4%	1%	4%
Requires Under One Roof	4%	6%	5%
Parking (cost/quantity)	3%	6%	0%
Cost of Hotel Rooms	2%	1%	3%
Inadequate Air Service	1%	1%	4%
Lack of Function Space	0%	0%	0%
Destination Quality	0%	0%	0%
Lack of Incentive	0%	0%	0%
Weather	0%	0%	0%

Source: MTCC

Lack of data availability was the primary reason for lost events but the geographic location of the MTCC was the primary reason for lost room nights.

Event Demand Forecast

HVS projected demand for a five-year period. HVS assumes that the expansion would open on January 1, 2024 and that 854 proposed rooms would enter the market over this period, as described in Figure 6-20. HVS estimates that incremental event demand would ramp up following the completion of expansion and stabilize in 2026. Incremental demand is measure against a base year of operation, which is projected for 2023.

The figure below breaks out event projections by type of event.

FIGURE 6-9
SUMMARY OF DEMAND PROJECTIONS

	2022	2023	Opening 2024	2025	Stabilized 2026
Events					
Conventions	30	30	35	38	40
Conferences	29	29	40	45	50
Meetings	185	185	213	227	240
Consumer Shows	21	21	23	24	25
Banquets	206	206	228	239	250
Sports	4	4	5	5	5
Entertainment	22	22	22	22	22
Community Events	107	107	114	117	120
Total	611	611	690	727	762
Attendees					
Conventions	21,000	21,000	28,000	30,400	32,000
Conferences	9,570	9,570	16,000	18,000	20,000
Meetings	29,620	29,620	34,110	36,350	38,430
Consumer Shows	113,400	113,400	126,500	132,000	137,500
Banquets	51,500	51,500	57,000	59,750	62,500
Sports	14,000	14,000	17,500	17,500	17,500
Entertainment	17,600	17,600	17,600	17,600	17,600
Community Events	41,730	41,730	44,460	45,630	46,800
Total	298,600	298,600	341,420	357,480	372,580

Growth in the surrounding hotel market and the addition of a 37,000 square foot ballroom and 5,250 square feet of breakout space would allow the MTCC to attract more conventions, conferences, meetings, and banquets. Other number of event types such as community and sports events would not change due to expansion.

Room Night Projections

HVS calculated the potential generation of room nights by the MTCC. These room nights represent new, induced demand into Madison as a direct result of the expansion of the MTCC. To calculate incremental room nights, HVS first estimated the room nights generated by existing MTCC operations. The following figure presents the assumptions used to generate room night estimates.

FIGURE 6-10
ROOM NIGHT PARAMETERS

Event Type	Occupied Room Night Parameters					
	Percent Lodgers		Length of Stay		Lodgers per Room	
	Base 2020	Stabilized 2026	Base 2020	Stabilized 2026	Base 2020	Stabilized 2026
Conventions	32%	32%	3.9	3.9	1.10	1.10
Conferences	25%	25%	2.2	2.2	1.10	1.10
Meetings	0.1%	0.1%	1.0	1.0	1.10	1.10
Consumer Shows	0.1%	0.1%	1.2	1.2	1.10	1.10
Banquets	0.1%	0.1%	1.0	1.0	1.10	1.10
Sports	20%	20%	4.7	4.7	2.00	2.00
Entertainment	0.0%	0.0%	1.0	1.0	2.00	2.00

The following figure presents the resulting estimates of room night generation in from 2022 through 2026.

FIGURE 6-11
ROOM NIGHT ESTIMATES

	2022	2023	Opening 2024	2025	Stabilized 2026
Occupied Room Night					
Conventions	23,680	23,680	31,190	34,360	36,100
Conferences	4,670	4,670	7,850	9,000	9,970
Meetings	40	40	40	50	50
Consumer Shows	180	180	200	210	220
Banquets	20	20	30	30	30
Sports	6,700	6,700	8,170	8,170	8,170
Total	35,290	35,290	47,480	51,820	54,540

In a stabilized year, HVS estimates that the MTCC would generate approximately 54,540 room nights in the local area market. Some of these room nights would result from contract blocks with groups and others would result from individual hotel reservations.

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

7. Hotel Market Analysis

The availability of supporting hotel supply will be a significant factor in determining whether an expanded Monona Terrace Community and Convention Center ("MTCC") can successfully attract additional convention, tradeshow, and conference business. The proximity of the hotel supply is critical as event planners desire adequate room supply within walking distance of their event venue. HVS performed a hotel market analysis of the City of Madison ("City") hotel market and selected a set of hotels ("Supportive Hotels") that consistently compete to provide room nights for events at MTCC. HVS then adjusted the Supportive Hotels for forecasted changes in room night demand & average daily rate ("ADR") and growth in hotel supply to determine if the Supportive Hotels would be able to support the increase in room night demand from the expansion of MTCC.

Supportive Hotels Methodology

HVS 1) analyzed the historical performance of a supportive set of hotels, 2) estimated the amounts of induced and unaccommodated demand in the market, 3) incorporated in its market forecast new hotel room night demand induced by the expansion of MTCC, and 4) researched potential changes in room supply, market occupancy, room rates, and market growth in room night demand. Based on these hotel market trends and economic and demographic indicators of future changes in hotel demand, HVS projected the future performance of the Supportive Hotels.

Definitions

Analysis of the performance of the hotel market includes discussion of the following key metrics.

- guest room count,
- available room nights—the number of rooms times the number of days they are available in any given period),
- occupancy rate—the number occupied room nights divided by the available room nights is any give period.
- average daily room rate ("ADR")—room revenue divided by the number of occupied room nights, and
- revenue per available room ("RevPAR")—the product of occupancy rate and ADR.

Selecting the Supportive Hotels

To determine the impact of increased room night demand from the expansion of MTCC, HVS identified a set of Supportive Hotels. HVS considered hotels within the five-mile radius of MTCC.

HVS selected the Supportive Hotels based on the following criteria:

- Proximity to MTCC
- Consistent in providing rooms for events at MTCC
- Quality
- Brand
- Age
- Design features
- Size

Twelve hotels met the criteria. Recent changes to the Supportive Hotels include:

- The Hotel Indigo Madison Downtown opened in 2019.
- The AC Hotel by Marriott Madison Downtown opened in 2017.

HVS divided the Supportive Hotels into hotels that would provide room nights to MTCC on a primary or secondary basis. The primary competitors are hotels that provide significant room blocks consistently. The secondary competitors are properties which provide room blocks but not as often or as large as the primary competitors. HVS selected five properties that would compete on a primary basis to offer room blocks for events being held at MTCC and seven properties on a secondary basis, for a total of 12 competitors. We weighted the room count of each secondary competitor based on its perceived support on providing room blocks to MTCC.

The following map illustrates the locations of the primary and secondary Supportive Hotels.

SUPPORTIVE HOTEL LOCATIONS

- MTCC
- A AC Hotel Madison Downtown (Primary)
- B Best Western Premier Park Hotel (Primary)
- C Hilton Madison Monona Terrace (Primary)
- D Hyatt Place Madison Downtown (Primary)
- E Madison Concourse Hotel (Primary)
- F DoubleTree by Hilton Madison Downtown (Secondary)
- G Edgewater Hotel (Secondary)
- H Graduate Madison (Secondary)
- I Hampton by Hilton Madison Downtown (Secondary)
- J Hotel Indigo Madison Downtown (Secondary)
- K HotelRED (Secondary)
- L Sheraton Madison (Secondary)

Functional Obsolesce

The following figure shows the age of Supportive Hotels.

FIGURE 7-1
THE AGE OF SUPPORTIVE HOTELS

Property	STR Classification	Years Old	Rooms
Graduate Hotel Madison	Upper Upscale Class	59.00	72
Best Western Premier Park Hotel	Upscale Class	57.00	213
Sheraton Hotel Madison	Upper Upscale Class	48.00	239
Madison Concourse Hotel	Luxury Class	46.00	366
DoubleTree by Hilton Hotel Madison	Upscale Class	45.67	164
Hilton Madison Monona Terrace	Upper Upscale Class	19.33	240
Hyatt Place Madison Downtown	Upscale Class	10.17	151
HotelRED	Luxury Class	8.84	48
Hampton Inn Madison Downtown	Upper Midscale Class	6.67	194
The Edgewater	Luxury Class	5.75	202
AC Hotels by Marriott Madison Downtown	Upscale Class	3.09	165
Hotel Indigo Madison Downtown	Upper Upscale Class	1.17	144
		25.89 **Average Age**	

Sources: STR and HVS

The average age of the Supportive Hotels is over 25 years, with many of the full-service hotels being older than 40 years. The older properties have been renovated and are in good condition but may some face functional obsolescence.

HVS relied on STR data and market research to determine the room count of each hotel. The weighted Supportive Hotels currently includes 1,135 rooms in primary Supportive Hotels and 1,063 rooms in the secondary Supportive Hotels with a weighted room count of 642. The total number of primary and weighted secondary Supportive Hotels is 1,777 rooms, as shown in the figure below.

FIGURE 7-2
THE WEIGHTED SUPPORTIVE HOTELS AT YEAR-END 2019

Hotel	Number of Rooms	Supportive Level	Weighted Room Count
Primary Supportive Hotels			
AC Hotel Madison Downtown	165	100%	165
Best Western Premier Park Hotel	213	100%	213
Hilton Madison Monona Terrace	240	100%	240
Hyatt Place Madison Downtown	151	100%	151
Madison Concourse Hotel	366	100%	366
Five Primary Supportive Hotels	1,135	100%	1,135
Secondary Supportive Hotels			
DoubleTree by Hilton Madison Downtown	164	70%	115
Edgewater Hotel	202	80%	162
Graduate Madison	72	60%	43
Hampton Inn & Suites Madison Downtown	194	60%	116
Hotel Indigo Madison Downtown	144	70%	101
HotelRED	48	70%	34
Sheraton Madison	239	30%	72
Seven Secondary Supportive Hotels Total/Weighted	1,063	60%	642
12 Primary & Secondary Supportive Hotels Total/Weighted	**2,198**	**81%**	**1,777**

Sources: STR and HVS

Our survey of the local market shows a range of lodging types and facilities. We inspected the primary competitors and evaluated all the Supportive Hotels.

Chain Scale segments are grouped primarily according to actual average room rates. The Chain Scale segments are Luxury, Upper Upscale, Upscale, Upper Midscale, Midscale, Economy, and Independent. The following figure shows the breakdown of Supportive Hotels by Chain Scale, as classified by STR.

FIGURE 7-3
SUPPORTIVE HOTELS BY STR CHAIN SCALE

Chain Scale	Hotels	Rooms	% of Supportive Hotels
Luxury Class	3	616	28%
Upper Upscale Class	4	695	32%
Upscale Class	4	693	32%
Upper Midscale Class	1	194	9%
Total Supportive Hotels	**12**	**2,198**	

Source: STR

Most of the Supportive Hotels fall into the top three classes, luxury, upper upscale class, and upscale class. The largest class by room count is upper upscale class. These properties provide effective lodging for larger meetings and conventions, plus transient corporate and leisure demand.

Primary and Secondary Supportive Hotels

HVS compiled information on the market segmentation of room night demand and room rates for the primary and secondary Supportive Hotels. This information was compiled from personal interviews, inspections, lodging directories, and our in-house library of operating data. HVS also estimated each property's penetration factor- the ratio between a specific hotel's operating results and the corresponding data for the Supportive Hotels.

- Occupancy penetration is the ratio of a hotel's occupancy to the Supportive Hotels occupancy.
- Yield penetration is the ratio of a hotel's revenue per available room ("RevPAR") to the Supportive Hotels RevPAR. RevPAR, a common hotel industry performance metric, is the product of occupancy rate and ADR.

If the penetration factor is greater than 100%, the property is performing better than the Supportive Hotels as a whole; conversely, if the penetration is less than 100%, the hotel is performing at a level below the Supportive Hotels average in that market segment.

Primary Supportive Hotels

The following figure presents a summary of the operating performance of the primary Supportive Hotels for the past two years.

FIGURE 7-4
PRIMARY SUPPORTIVE HOTELS

Property	Number of Rooms	Estimated 2018			Estimated 2019		
		Occ.	ADR	RevPAR	Occ.	ADR	RevPAR
AC Hotel Madison Downtown	165	80 - 85 %	$180 - $190	$150 - $160	75 - 80 %	$190 - $200	$150 - $160
Best Western Premier Park Hotel	213	65 - 70	150 - 160	105 - 110	65 - 70	150 - 160	105 - 110
Hilton Madison Monona Terrace	240	80 - 85	160 - 170	130 - 140	80 - 85	170 - 180	130 - 140
Hyatt Place Madison Downtown	151	75 - 80	170 - 180	130 - 140	75 - 80	170 - 180	130 - 140
Madison Concourse Hotel	366	65 - 70	160 - 170	110 - 115	65 - 70	170 - 180	110 - 115
Totals	**1,135**	**73.9%**	**$168**	**$124**	**73.6%**	**$173**	**$127**

Secondary Supportive Hotels

We also reviewed other area lodging facilities to determine whether they would provide room blocks to MTCC on a secondary basis. The room count of each secondary competitor has been weighted based on the anticipated ability to offer room blocks for events at MTCC. By assigning degrees of support for the MTCC, we can assess how the Supportive Hotels and future hotel developments may change the lodging market. These changes include changes to demand generators, new supply, expansion of MTCC, and renovations or franchise changes of existing supply.

We identified seven hotels with 1,063 rooms and a weighted room count of 642 rooms that would provide rooms for events at MTCC on a secondary basis. The following figure sets forth the pertinent operating characteristics of the secondary Supportive Hotels.

FIGURE 7-5
SECONDARY SUPPORTIVE HOTELS

Property	Number of Rooms	Competitive Weight	Weighted Rooms	Estimated 2019		
				% Occupancy	ADR	RevPAR
DoubleTree by Hilton Madison Downtown	164	70%	115	75 - 80	$170 - $180	$140 - $150
Edgewater Hotel	202	80%	162	65 - 70	200 - 210	140 - 150
Graduate Madison	72	60%	43	65 - 70	180 - 190	125 - 130
Hampton Inn & Suites Madison Downtown	194	60%	116	75 - 80	170 - 180	140 - 150
Hotel Indigo Madison Downtown	144	70%	101	55 - 60	180 - 190	110 - 115
HotelRED	48	70%	34	70 - 75	180 - 190	130 - 140
Sheraton Madison	239	30%	72	55 - 60	130 - 140	75 - 80
Total	**1,063**		**642**	**70.7%**	**$182**	**$129**

Sources: SR and HVS

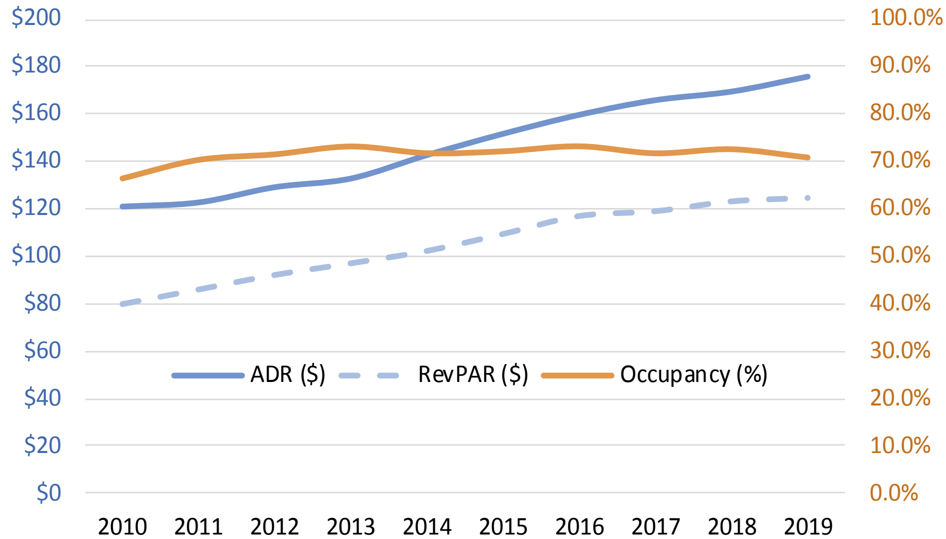
The secondary Supportive Hotels provide a significant number of rooms for larger events at MTCC. Other hotels in the market from time to time provide rooms for events at the MTCC but not as often or as many rooms as the secondary Supportive Hotels.

Historical Market Performance

STR data have certain limitations. Hotels are occasionally added to or removed from the sample, and not every property reports data in a consistent and timely manner. These factors can influence the overall quality of the information. These inconsistencies may also cause the STR data to differ from the results of our Supportive Hotels survey. Nonetheless, STR data provide the best indication of aggregate growth or decline in existing supply and demand; thus, our analysis considers these trends.

The following figure shows the historical performance of the unweighted Supportive Hotels, including the occupancy rates, ADR, and RevPAR.

FIGURE 7-6
SUPPORTIVE HOTELS
HISTORICAL OCCUPANCY, ADR, AND REVPAR



Source: STR

The Supportive Hotels occupancy registered 70.9% in 2019, a decrease of 2% from 2018. The economic downturn of 2008 through 2009 resulted in lower demand and occupancy rates in Supportive Hotels. Occupancy increased in 2010 through 2013, declined slightly in 2014, increased in 2015 and 2016, declined in 2017, increase in 2018, and declined in 2019, due in part to the opening of a new hotel in 2019. Occupancy rates from 2010 through 2019 have ranged from a low of 66% to a high of 73%, with an average occupancy rate of 71%.

The overall supportive market average daily rate increased to $175.41 in 2019 from $169.12 in 2018. The average rate has fluctuated from a low of $120.71 to a high of $175.41 from 2010 to 2019, with 2019 having the highest ADR.

Historical Supply and Demand

The following figure summarizes aggregate Supportive Hotels' performance in the base year. Since 2019 was the most recent complete year of available data at the time of this study, we used it as the base year of our analysis.

FIGURE 7-7
THE SUPPORTIVE HOTELS HISTORICAL PERFORMANCE

		Estimated 2018			Estimated 2019		
Property	**Number of Rooms**	**Occ.**	**Average Rate**	**RevPAR**	**Occ.**	**Average Rate**	**RevPAR**
AC Hotel Madison Downtown	165	80 - 85%	$180 - $190	$150 - $160	75 - 80%	$190 - $200	$150 - $160
Best Western Premier Park	213	65 - 70%	$150 - $160	$105 - $110	65 - 70%	$150 - $160	$105 - $110
Hilton Madison Monona	240	80 - 85%	$160 - $170	$130 - $140	80 - 85%	$170 - $180	$130 - $140
Hyatt Place Madison	151	75 - 80%	$170 - $180	$130 - $140	75 - 80%	$170 - $180	$130 - $140
Madison Concourse Hotel	366	65 - 70%	$160 - $170	$110 - $115	65 - 70%	$170 - $180	$110 - $115
Totals	**1,135**	**74%**	**$167.87**	**$124.07**	**74%**	**$172.84**	**$127.13**
Secondary Supportive Hotels	1,063	**73%**	$176.27	$128.55	71%	$181.82	$128.61
Totals/Averages	**2,198**	**74%**	**$170.55**	**$125.51**	**73%**	**$175.89**	**$127.65**

* Specific occupancy and average rate data was utilized in our analysis, but is presented in ranges above for the purposes of confidentiality.

Sources: STR and HVS

The Supportive Hotels in 2018 and 2019 had strong occupancy rates and ADR which provides the foundation for a continued growth in the number of quality hotels in the downtown market.

The following figure shows year-to-date through March occupancy and average daily room rates compared to the prior year for the unweighted Supportive Hotels.

FIGURE 6-8
SUPPORTIVE HOTELS
CURRENT YEAR DEMAND, OCCUPANCY, ADR, AND REVPAR

	Year-to-Date Through March		
	2019	**2020**	**Percent Change**
Room Night Demand	113,469	101,200	-10.8%
Available Room Nights	184,770	197,820	7.1%
Occupancy	61.4%	51.2%	-16.7%
ADR	$147.22	$138.22	-6.1%
RevPAR	$90.41	$70.71	-21.8%

Source: STR

In 2020, occupancy and ADR declined from 2019 levels, resulting in a lower RevPAR. Starting in March of 2020, demand and ADR entered a period of significant decline as reductions in travel due to COVID-19 impacted the market.

The following figure shows the room count, occupancy, ADR, and RevPAR for the primary and aggregate weighted secondary Supportive Hotels in 2019.

FIGURE 7-9
SUPPORTIVE HOTEL'S ROOM COUNT, OCCUPANCY, ADR, AND REVPAR IN 2019

Room Count

Secondary Supportive Hotels	609
Madison Concourse Hotel	366
Hilton Madison Monona Terrace	240
Best Western Premier Park Hotel	213
AC Hotel Madison Downtown	165
Hyatt Place Madison Downtown	151

Occupancy

Hilton Madison Monona Terrace	80 - 85%
AC Hotel Madison Downtown	75 - 80%
Hyatt Place Madison Downtown	75 - 80%
Secondary Supportive Hotels	71%
Best Western Premier Park Hotel	65 - 70%
Madison Concourse Hotel	65 - 70%

ADR

AC Hotel Madison Downtown	$190 - $200
Secondary Supportive Hotels	$182
Hyatt Place Madison Downtown	$170 - $180
Hilton Madison Monona Terrace	$170 - $180
Madison Concourse Hotel	$170 - $180
Best Western Premier Park Hotel	$150 - $160

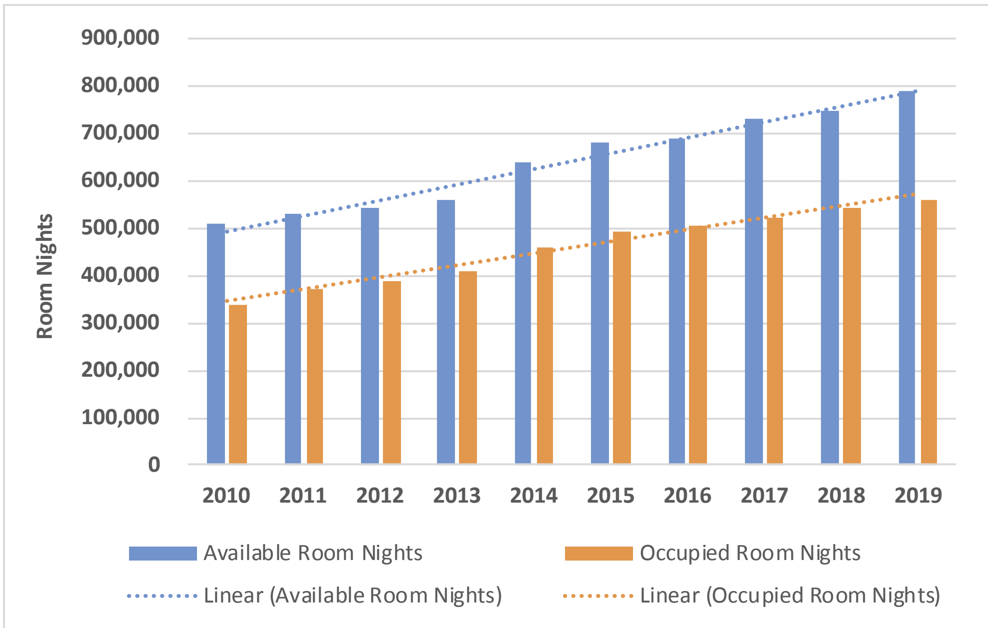
RevPAR

AC Hotel Madison Downtown	$150 - $160
Hilton Madison Monona Terrace	$130 - $140
Hyatt Place Madison Downtown	$130 - $140
Secondary Supportive Hotels	$129
Madison Concourse Hotel	$110 - $115
Best Western Premier Park Hotel	$105 - $110

Sources: STR and HVS

The following figure shows the historical supply and demand changes for the Supportive Hotels.

FIGURE 7-10
ANNUAL SUPPLY AND DEMAND CHANGES FOR THE SUPPORTIVE HOTELS

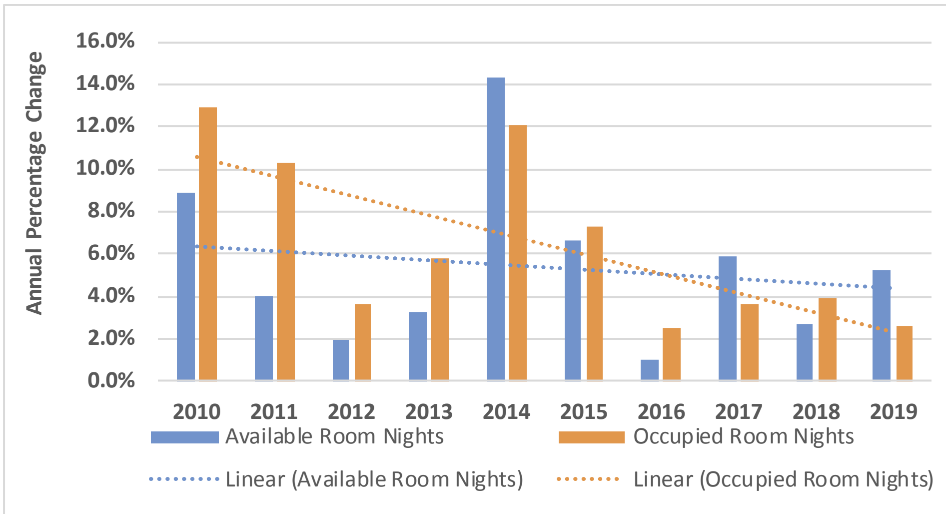


Source: STR

The Supportive Hotels have shown strong annual growth in both supply of room nights (4.9%) and room night demand (5.7%) over the last ten years.

The figure below shows how new supply has increased demand in the Supportive Hotels.

FIGURE 7-11
SUPPORTIVE HOTELS ANNUAL SUPPLY AND DEMAND GROWTH RATES



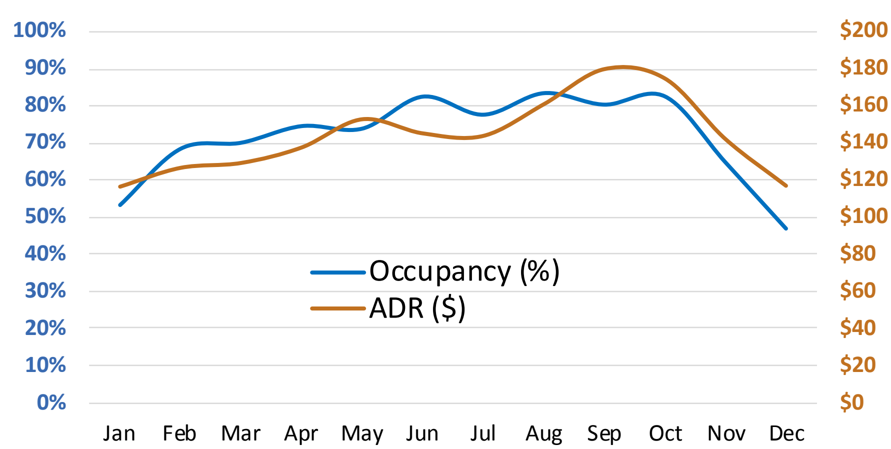
Source: STR

From 2016 through 2019, the supply of room nights has grown faster than the demand for room nights.

Seasonality

The Supportive Hotels shows significant seasonal variation, with September displaying the highest ADR and the highest occupancy, January with the lowest ADR, and December the lowest occupancy, as shown in the figure below.

FIGURE 7-12
SEASONALITY GRAPH OF THE UNWEIGHTED SUPPORTIVE HOTELS

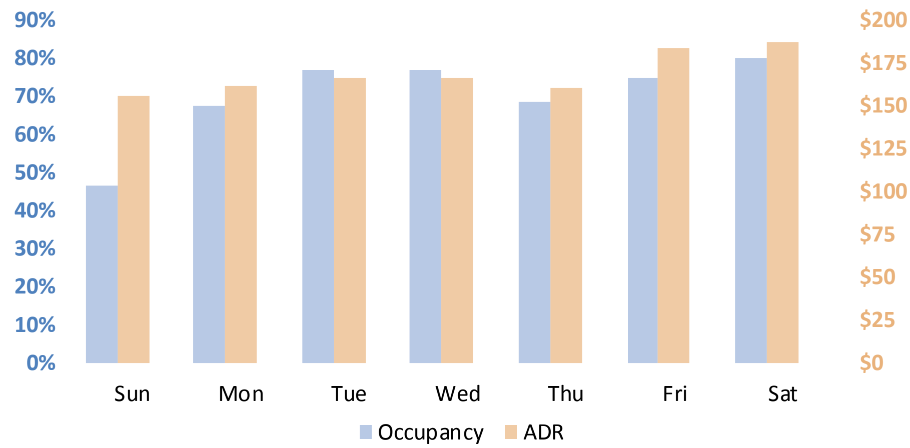


Source: STR

Day of Week

The following figure shows the occupancy and ADR by day of the week for the Supportive Hotels.

FIGURE 7-13
OCCUPANCY AND ADR BY DAY OF WEEK



Source: STR

Leisure demand generates higher occupancy on Thursday, Friday, and Saturday nights. Corporate and Meeting and Group demand contributed to strong mid-week demand. Saturday nights generated the peak occupancy of 80% and Saturday nights the peak ADR of $188. Overall, the Supportive Hotels experienced strong ADR and occupancy all days of the week except for lower occupancy on Sunday.

The following figure shows the daily and monthly occupancy rates of the unweighted Supportive Hotels. Green shaded areas indicate above-average occupancy rates, and red shaded areas indicate below-average occupancy rates.

FIGURE 7-14
MOST RECENT 12 MONTHS
MONTHLY AND DAILY OCCUPANCY

Month	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Month
Apr - 19	41.1%	69.7%	84.3%	81.6%	73.0%	75.7%	74.3%	71.7%
May - 19	55.0%	68.0%	81.3%	81.7%	68.5%	72.5%	85.7%	73.3%
Jun - 19	44.6%	81.0%	93.0%	89.1%	85.5%	83.0%	84.1%	79.0%
Jul - 19	60.1%	72.5%	78.3%	79.6%	71.7%	82.8%	89.6%	76.4%
Aug - 19	62.2%	82.6%	91.6%	87.8%	70.5%	89.5%	93.5%	82.7%
Sep - 19	60.1%	73.4%	82.8%	86.1%	79.7%	90.2%	92.7%	79.8%
Oct - 19	54.6%	81.9%	89.6%	85.3%	83.0%	91.2%	90.6%	82.7%
Nov - 19	42.6%	62.7%	71.3%	71.6%	63.3%	70.5%	75.7%	65.9%
Dec - 19	30.1%	46.5%	63.3%	59.6%	52.1%	56.6%	63.9%	52.5%
Jan - 20	31.9%	59.3%	78.5%	64.9%	54.8%	55.1%	62.2%	58.1%
Feb - 20	35.3%	59.5%	75.5%	70.7%	64.5%	69.4%	77.0%	65.0%
Mar - 20	20.8%	29.1%	34.3%	40.5%	38.7%	31.0%	30.2%	31.7%
Total Year	44.4%	64.8%	76.3%	75.1%	67.3%	72.3%	77.1%	68.2%

Minimum 20.8% Average 68.3% Max 93.5%

Source: STR

The Supportive Hotels show strong demand in all months except January and December, which is typical of most markets, with lower winter demand and higher summer and fall demand, high demand on the weekends and midweek demand, and lower demand on Sunday. The occupancy rate on Friday and Saturday exceeds 80%, approximately 46% of the time, and on Tuesday, it exceeds 80%, about 50% of the time. August and October had the highest monthly occupancy, at 82.7%. The negative impact of the COVID-19 pandemic significantly lowered demand in March of 2020.

FIGURE 7-15
MOST RECENT 12 MONTHS
MONTHLY AND DAILY ADR

Month	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Month
Apr - 19	$154	$164	$172	$165	$160	$167	$167	$165
May - 19	169	176	180	183	177	214	224	191
Jun - 19	150	171	180	180	181	171	177	174
Jul - 19	165	175	181	186	166	174	183	177
Aug - 19	222	216	214	202	186	205	214	208
Sep - 19	181	178	178	179	177	267	276	207
Oct - 19	154	167	186	187	187	265	267	204
Nov - 19	136	142	147	150	147	193	201	164
Dec - 19	117	127	134	131	122	126	128	127
Jan - 20	120	133	136	132	123	120	122	127
Feb - 20	125	136	140	139	146	159	157	146
Mar - 20	130	142	148	149	140	151	145	144
Average	159	165	169	169	164	192	195	174

Minimum	$117	Average	$169	Max	$276

Source: STR

August had the highest monthly ADR at an average of $208 and December the lowest at $127. Overall, Saturday had the highest weekly average ADR at $195 and Sunday, the lowest at $159. The negative impact from the COVID-19 pandemic lowered the ADR in March of 2020.

Lodging Demand

The following figure presents data on the performance of the weighted Supportive Hotels. HVS estimated performance results and weighted data on secondary competitors. In this respect, this information differs from the previously presented STR data.

FIGURE 7-16
WEIGHTED SUPPORTIVE HOTELS THREE-YEAR TREND

Year	Room Nights Available	Room Nights Sold	Supportive Hotels Occupancy	Supportive Hotels ADR	Supportive Hotels RevPAR
Amount					
2017	592,000	430,000	72.6%	$168.78	$122.59
2018	612,000	450,000	73.5%	$170.55	$125.41
2019	637,000	462,000	72.5%	$175.89	$127.57
Percent Change					
2018	3.4%	4.7%	1.2%	1.1%	2.3%
2019	4.1%	2.7%	-1.4%	3.1%	1.7%
2017 to 2019	7.6%	7.4%	-0.1%	4.2%	4.1%

In 2019, growth in demand of (2.7%) when combined with an increase in supply of 4.1% caused occupancy to decline to 72.5% for the weighted Supportive Hotels.

Summary of the Supportive Hotels

The following figure shows a summary of the estimated historical performance of the Supportive Hotels.

FIGURE 7-17
UNWEIGHTED SUPPORTIVE HOTELS HISTORICAL SUPPLY, DEMAND, OCCUPANCY, ADR, AND REVPAR

Year	Available Room Nights	Annual Change	Occupied Room Nights	Annual Change	% Occ	Annual Change	ADR	Annual Change	RevPAR	Annual Change
2010	511,280		339,305		66.4%		$121		$80	
2011	531,849		374,273		70.4%		$122		$86	
2012	542,025		387,908		71.6%		$129		$92	
2013	559,873		410,239		73.3%		$133		$97	
2014	640,174		459,729		71.8%		$142		$102	
2015	682,946		493,290		72.2%		$151		$109	
2016	689,850		505,722		73.3%		$159		$117	
2017	730,275		524,268		71.8%		$166		$119	
2018	749,861		544,949		72.7%		$169		$123	
2019	788,945		559,218		70.9%		$175		$124	
Average Annual Compounded Change: 2010-2019										
		4.9%		5.7%		0.7%		4.2%		5.0%
Change Year-to-Date Through March										
2019	184,770	—	113,469	—	61.4%		$147.22	—	$90.41	—
2020	197,820	7.1%	101,200	-10.8%	51.2%		$138.22	-6.1%	$70.71	-21.8%

Source: STR

Overall, from 2010 through 2019, the market has shown strong growth in occupied room nights of 5.7% on average per year, and available room nights have grown at a slower rate of 4.9%, resulting in occupancy rates rising from 66.4% to 70.9%. From 2017 to 2019 room night supply increased faster than demand causing occupancy to decline from the peak in 2016 of 73.3% to 70.9% in 2019.

Demand Analysis Using Market Segmentation

The purpose of segmenting the lodging market is to define each major type of demand, identify customer characteristics, and estimate future growth trends. For the demand analysis, the overall market is divided into three segments based on the nature of travel. Based on our fieldwork and knowledge of the local lodging market, we estimate the 2019 distribution of accommodated room night demand for the Supportive Hotels, as shown in the figure below.

FIGURE 7-18
ACCOMMODATED ROOM NIGHT DEMAND

Market Segment	Room Nights	Percent of Total Demand
Commercial	216,916	47%
Meeting and Group	131,427	28%
Leisure	113,609	25%
Total	**461,953**	**100%**

Commercial demand is the largest market segment, generating 47% of total room night demand.

Commercial Demand

Commercial demand (47% of total demand) is mainly individual business people passing through the local market or visiting area businesses, in addition to high-volume corporate accounts of local firms. Brand loyalty (particularly frequent-traveler programs), as well as location and convenience concerning businesses and amenities, influence lodging choices in this segment. Companies typically designate hotels as "preferred" accommodations in return for more favorable rates. Commercial demand is strongest Monday through Thursday nights, declines significantly on Friday and Saturday, and increases somewhat on Sunday night. In markets where the weekday occupancy often exceeds 90%, some unaccommodated commercial demand is likely to be present. Commercial travel is relatively constant throughout the year, with declines in late December and during other holiday periods.

Primary commercial demand generators for this market include Epic Systems, the University of Wisconsin - Madison, American Family Insurance, and the government.

Meeting and Group Demand

The meeting and group demand (28% of total demand) includes meetings, seminars, conventions, trade shows, and similar gatherings of ten or more people. Peak convention demand typically occurs in the spring and fall. Although there are numerous classifications within the meeting and group segment, the primary categories considered in this analysis are corporate groups, associations, and SMERFE (social, military, educational, religious, fraternal, and ethnic) groups. Corporate groups typically meet during the business week most commonly in the spring and fall months. These groups often are the most profitable for hotels, as they typically pay higher rates and usually generate ancillary revenues, including food, beverage, and banquet revenue. SMERFE groups are typically price-sensitive and tend to meet on weekends or during the summer months or holiday season when greater discounts are generally available. They generate limited ancillary revenues.

The profile and revenue potential of associations varies depending on the group and the purpose of their meeting or event.

Factors related to group demand considered in our development of growth rates for this segment include the market's local corporate sources, which generate some group business. The same companies that create commercial demand also generate meeting and group demand through training activities and corporate social events. High school and collegiate sports teams, SMERFE groups, and social events, such as weddings and family reunions, also contribute to this demand segment.

Training groups from nearby companies generate meeting demand for local hotels; furthermore, social groups represent primary sources of demand during weekend and holiday periods. MTCC is a significant generator of larger events that generated meeting and group demand in the downtown market. College sports groups are also a major demand generator in this market.

Leisure Demand

Leisure demand (25% of total demand) is from individuals and families spending time in an area or passing through to other destinations. Travel purposes include sightseeing, recreation, or visiting friends and relatives. Leisure demand also includes room nights booked through Internet sites such as Expedia, Hotels.com, and Priceline; however, leisure may not be the purpose of the stay. This demand may also include business travelers and group and convention attendees who use these channels to take advantage of any discounts that may be available on these sites. Leisure demand is strongest on Friday and Saturday nights and all week during holiday periods and the spring months. Future leisure demand is related to the overall economic health of the region and the nation. Trends showing changes in state and regional unemployment and disposable personal income correlate strongly with leisure travel levels.

The typical length of stay ranges from one to four days, depending on the destination and travel purpose, and the rate of double occupancy typically ranges from 1.8 to 2.5 people per room. Price sensitivity tends to vary with the product type. All-suite properties with inclusive food and beverage would tend to drive strong leisure room rates while highway properties with limited amenities typically offer more discounted leisure room rates.

Leisure demand for this downtown market is driven by activities associated with UW - Madison; area festivals and events, such as the IRONMAN triathlon; and local attractions. Demand is also generated by travelers visiting friends and family in the area.

The historical market performance is the base upon which the projection of performance of the Supportive Hotels is built. Next, we will discuss expected changes in the Supportive Hotels.

Projecting the Performance of the Local Market

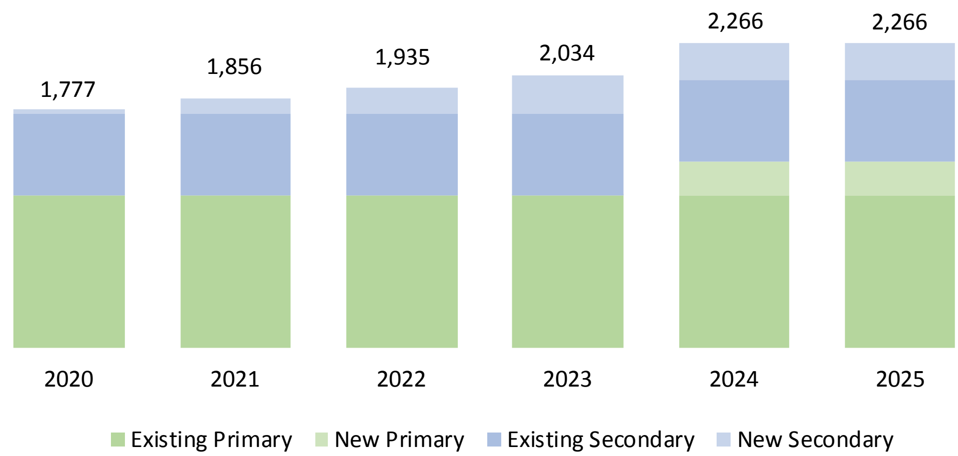
Historical data and market interviews provided an understanding of the condition and recent changes in Supportive Hotels and the overall market. Next, we project the Supportive Hotels over the next ten years based on:

- Changes in supply,
- Base growth in room night demand,
- Unaccommodated demand, and
- Induced demand.

Supply Changes

New hotels may affect the operating performance of the Supportive Hotels. Based on our research and inspection (as applicable), new supply considered in our analysis is presented in the figure below.

FIGURE 7-19
ROOM SUPPLY PROJECTIONS (WEIGHTED DAILY ROOM COUNTS)



Source: City of Madison, MTCC, STR, local hoteliers, and HVS

The following figure summarizes our assumptions regarding new supply.

FIGURE 7-20
NEW SUPPLY

Year	Proposed Property	Supportive Weight	Proposed Rooms	Weighted Room Count
2021	Drury Hotel downtown MATC site	50%	315	158
2023	Moxy 825 East Washinton Street	50%	156	78
2024	Hotel Block 105 Judge Doyle Square	100%	253	253
	Totals		**724**	**489**

Sources: City of Madison, MTCC, local hoteliers, and HVS

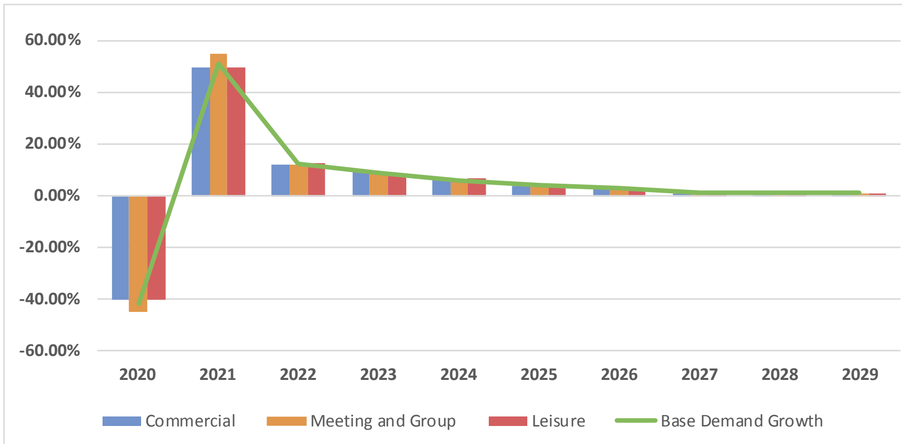
The Covid-19 pandemic has impacted the development schedule of hotels nationwide as demand has decreased, and financing has become more difficult. Project under construction could be delayed or even canceled based on the anticipated future level of demand and the availability of project financing. Due to the impact of the Covid-19 pandemic, the City was unable to provide updates on the status of hotels under construction or planning. The Drury Hotel downtown MATC site is currently under construction and is anticipated to open in 2021. The other two hotels are anticipated to have a delayed development period. Given the strength of the downtown market and the positive impact of an expanded MTCC, the downtown market should be able to accommodate additional hotel rooms after recovering from the COVID-19 pandemic.

Estimated Demand Growth by Market Segment

HVS applies growth rates to each segment to determine the level of future demand. HVS based demand growth rate estimates on interviews with hotel managers, assessment of occupancy trends, economic and demographic data, and identification of demand generators.

The following figure shows estimated base growth rates by market segment through the stabilization of demand.

FIGURE 7-21
ESTIMATED ANNUAL BASE GROWTH RATES BY MARKET SEGMENTS

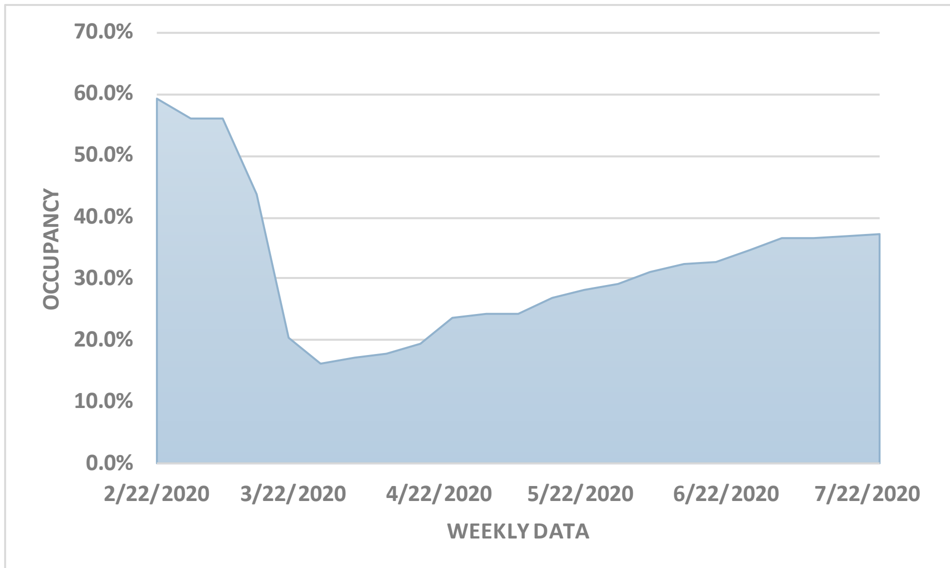


The projected growth in annual base demand in 2024 through 2026 is due in part to the expansion of MTCC.

The impact of the COVID-19 pandemic and related travel restrictions and social distance protocols is reflected in the dramatic decreases in demand forecast for 2020. STR data shows a 52.5% decline in occupancy and a 7.7% decline in ADR for the Supportive Hotels in March of 2020. Forecasts generally anticipate that demand will be dramatically lower for all of 2020. The degree of the decline is expected to diminish in the first half of 2021.

HVS obtains weekly occupancy and ADR data from STR on the top 25 markets in the county to help us understand the impact of the COVID-19 pandemic on the lodging market. The nearest top 25 market is Chicago, which shows a similar larger decline in occupancy in March of 2020 and a modest recovery through July of 2020, the most recent data available as of the data of this study, as shown in the following figure.

FIGURE 7-22
IMPACT OF THE COVID-19 PANDEMIC ON THE CHICAGO LODGING MARKET



Source: STR

The Supportive Hotels are expected to show a similar modest recovery through the end of 2020. The development of a vaccine in early 2021 could allow for a continued improvement in occupancy and ADR for the Supportive Hotels.

Latent Demand

Latent demand reflects potential room night demand that has not been realized by the existing Supportive Hotels; this type of demand can be divided into unaccommodated demand and induced demand.

Unaccommodated Demand

Unaccommodated demand refers to individuals who are unable to secure accommodations in the market because all the local hotels are filled. These travelers must defer their trips, settle for less desirable accommodations, or stay in properties located outside the market area. Because this demand did not yield occupied room nights, it is not included in the estimate of historical accommodated room night demand. If additional lodging facilities are expected to enter the market, it is reasonable to assume that these guests will be able to secure hotel rooms in the future, and it is, therefore, necessary to quantify this demand.

Unaccommodated demand is further indicated if the market is at all seasonal, with distinct high and low seasons; such seasonality indicates that although year-end occupancy may not be over 70%, the market sells out many nights during the year. The following figure presents our estimate of unaccommodated demand in the market.

FIGURE 7-23
UNACCOMMODATED DEMAND

Month	Commercial Room Nights	Meeting & Group Room Nights	Leisure Room Nights	Unaccommodated Room Nights
May	261		261	522
June	835	209	1,043	2,087
July	209	52	261	522
August	1,252	313	1,565	3,130
September	1,043	261	1,304	2,608
October	1,252	313	1,565	3,130
Total	4,851	1,148	5,999	11,998

Based on an analysis of monthly and weekly peak demand and sell-out trends, we estimate that 2.6% of the base-year demand is unaccommodated. The market had significant amounts of unaccommodated demand before the COVID-19 pandemic negatively impacted demand. This demand will provide a cushion to the negative impact of COVID-19 and help the market recover more quickly than markets without a high level of unaccommodated demand.

Induced Demand

Induced demand represents the additional room nights attracted to the market following the introduction of a new demand generator. Situations that can result in induced demand include the opening of a new manufacturing plant, the opening or expansion of a convention center, or the addition of a new hotel with a distinct chain affiliation or unique facilities.

The following figure shows the estimated induced demand for room nights that would enter the Supportive Hotels over a five-year ramp-up period.

FIGURE 7-24
TIMING OF INDUCED DEMAND

Year	Meeting and Group	Total Induced Room Nights
2024	12,190	12,190
2025	16,530	16,530
2026	19,250	19,250
2027	19,250	19,250
2028	19,250	19,250

Accordingly, we have incorporated approximately 19,000 room nights into our analysis due to growth in the meeting and group market segment from the expansion of MTCC, phased-in over a three year ramp-up period. Chapter 6 provides a more detailed analysis of the additional room nights generated by the expansion of MTCC.

Forecast of Market ADR and Occupancy

Based on historical growth rates, the impact of the COVID-19 pandemic, and our understanding of the Supportive Hotels, HVS forecast the change in room night demand for each market segment, as shown in the figure below.

FIGURE 7-25
AVERAGE ANNUAL COMPOUNDED MARKET SEGMENT CHANGE

Segment	2019	through	2029	CAGR*
Commercial	217,000		284,000	2.7%
Meeting and Group	131,000		180,000	3.2%
Leisure	114,000		155,000	3.1%
Total	**462,000**		**619,000**	3.0%

* Compound Annual Average Growth Rate from 2019 through 2029

The historical growth in room night demand of 5.7% from 2010 through 2019 in the Supportive Hotels supports the projected compound annual change in room night demand. The expected 27% growth in the room supply of the Supportive Hotels due to new construction provides the needed rooms for the growth in accommodated room nights.

Accommodated Demand and Market-wide Projected Occupancy

Four variables make up accommodated demand: 1) base demand—sources currently generating room nights, 2) previously unaccommodated demand absorbed due to growth in room supply, and 3) induced demand that is new to the market. These estimates are adjusted by 4) residual demand—the estimated number of room nights not accommodated due to supply constraints. The following figure breaks down room night demand by these sources.

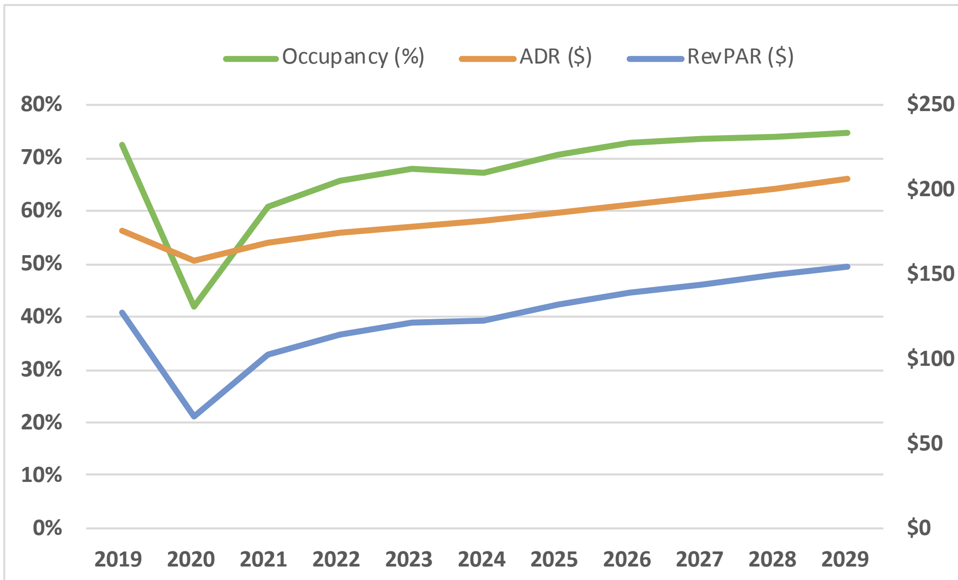
FIGURE 7-26
FORECAST OF SUPPORTIVE HOTELS OCCUPANCY

Source	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Base Accommodated	462,000	271,000	410,000	460,000	500,000	531,000	552,000	569,000	575,000	580,000	586,000
Previously Unaccommodated	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	15,000	15,000
Induced	0	0	0	0	0	12,000	17,000	19,000	19,000	19,000	19,000
Total Available Demand	474,000	283,000	422,000	472,000	512,000	555,000	581,000	600,000	606,000	614,000	620,000
(Less Residual Demand)	(12,000)	(7,000)	(9,000)	(8,000)	(7,000)	0	0	0	0	(1,000)	(2,000)
Total Accommodated Demand	462,000	276,000	413,000	464,000	505,000	555,000	581,000	600,000	606,000	613,000	618,000
Accommodated Demand Change	2.6%	-41.3%	51.9%	12.6%	9.3%	10.0%	4.7%	3.4%	1.0%	0.8%	0.7%
Available Room Night Change	4.0%	1.9%	4.5%	4.2%	5.1%	11.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Supportive Hotels Occupancy	73%	42%	61%	66%	68%	67%	71%	73%	74%	74%	75%
Supportive Hotels ADR	$176	$158	$169	$174	$178	$182	$187	$192	$196	$201	$206

Demand growth is projected to grow at an annual compounded rate of 3.0% over the ten year projection period,

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

FIGURE 7-27
SUPPORTIVE HOTELS FORECAST OF OCCUPANCY, ADR & REVPAR

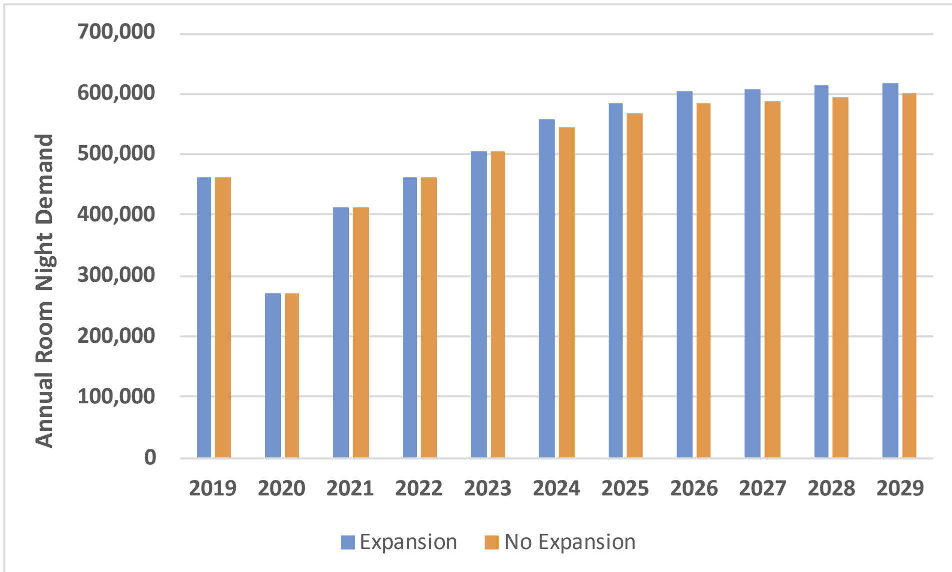


The forecast for the Supportive Hotels shows a decrease in occupancy in 2020 due to the impact of the COVID-19 pandemic. Demand begins to return to the market in 2021 and exceeds the 2019 level of room night demand in 2023, due in part to the opening of new hotels in 2021 and 2023. Occupancy rates take another dip in 2024 when two hotels are projected to open and then increase through 2029.

Supportive Hotels with and without the Expansion of MTCC

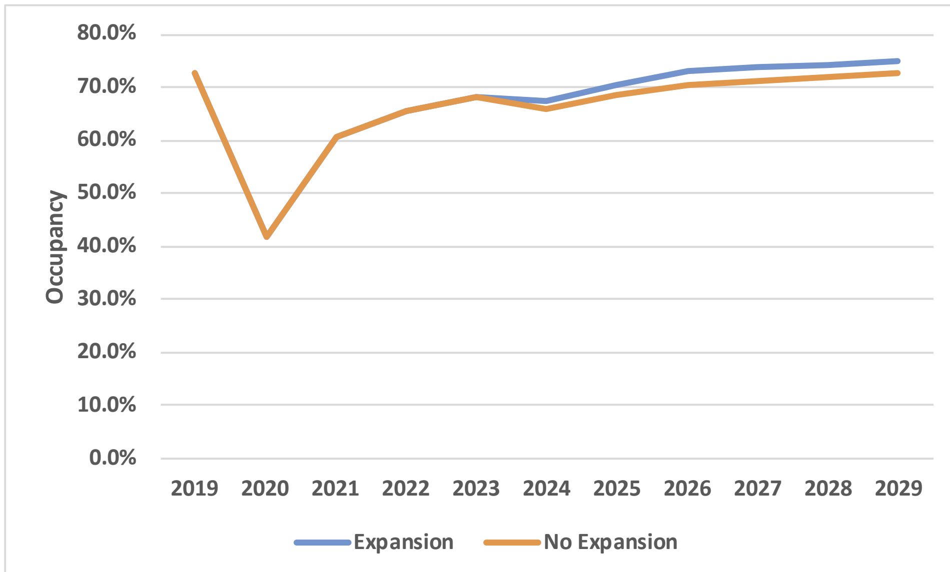
HVS projected room night demand for the Supportive Hotels, both with and without the expansion of MTCC. The following figure presents the forecast for room night demand over the next ten years.

FIGURE 7-28
ROOM NIGHT DEMAND FORECAST FOR THE SUPPORTIVE HOTELS WITH AND WITHOUT THE EXPANSION OF MTCC



HVS projected the occupancy rate of the Supportive Hotels, both with and without the expansion of MTCC. The positive impact on the occupancy rates for the Supportive Hotels is shown in the following figure.

FIGURE 7-29
OCCUPANCY PROJECTION FOR THE SUPPORTIVE HOTELS WITH AND WITHOUT THE EXPANSION OF MTCC



The additional room night demand would rise the occupancy rates for the Supportive Hotels approximately 2% on average.

Conclusion

This report was produced amid significant market disruption related to COVID-19. The prevailing market outlook is that the direct impact of the pandemic on the travel industry will be temporary, with demand being affected at varying levels throughout the year. However, the situation is unprecedented and, as of the effective date of this report, remains highly uncertain. A recovery in the hospitality industry is anticipated to begin at some point during the first half of 2021. While the extent of impact to the regional and national economies is also uncertain, our market research reflects a general expectation that recovery in hotel demand and average daily room rates will take over four years.

The Supportive Hotels have historically experienced strong ADR and high occupancy. The existing Supportive Hotels and new additions will be able to provide the needed room nights to support events at the expanded MTCC.

8. Analysis of Financial Operations

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

The industry does not use a standardized set of accounting practices for reporting financial performance and operators employ a variety of accounting methods. However, a few major revenue and expense categories are common to most venues. HVS relied on the MTCC's organization of revenue and expenses but condensed certain line items and restated its financial operations.

Historical Financial Operations

HVS obtained data on historical MTCC operations for the 2015 through 2019 and restated that information into line items organized into four categories: 1) Revenue 2), Operating Expense, 3) Non-Operating Expense, and 4) Non-Operating Income. HVS uses this same categorization of revenue and expense for the financial projections to follow. The following figure presents a restatement of historical financial operations.

FIGURE 8-1
HISTORICAL OPERATIONS ($ THOUSANDS)

	2015	2016	2017	2018	2019
Revenue					
Facility Rental	$1,247	$1,479	$1,333	$1,372	$1,284
Catering (Gross)	6,685	7,552	6,594	6,627	6,395
Event Services	1,599	1,943	1,895	2,336	2,115
Total Revenue	$9,531	$10,973	$9,822	$10,335	$9,794
Operating Expense					
Salaries & Wages	$4,797	$5,261	$5,231	$5,440	$5,782
Catering Costs	5,024	5,658	4,937	4,940	4,759
Purchased Services	1,911	2,155	2,168	2,384	2,059
Supplies & Equipment	470	580	442	685	433
Inter-Departmental Expenses	164	213	282	270	465
Total Operating Expense	$12,367	$13,868	$13,060	$13,720	$13,498
NET OPERATING INCOME (LOSS)	($2,836)	($2,894)	($3,239)	($3,385)	($3,704)
Fixed Expense					
PILOT/Other	$380	$338	$338	$338	$338
Total Fixed Expense	$380	$338	$338	$338	$338
Non-Operating Income & Expense					
Transient Occupancy Tax	$3,101	$3,387	$3,747	$3,762	$3,796
Total Non-Operating Income & Expe	$3,101	$3,387	$3,747	$3,762	$3,796
TOTAL NET INCOME (LOSS)	($115)	$154	$170	$38	($246)

Source: MTCC

From 2015 through 2019, the MTCC generated an average operating loss of $3.2 million.

Projection of Financial Operations

HVS projected revenue and expenses for a base year (2023) for the existing MTCC operation as described in the building program recommendations section of this report. For the purposes of this analysis, we assume that the MTCC expansion opens in 2024. As discussed in our demand analysis, a three-year ramp-up period would be necessary to stabilize the operation in 2026. We initially project financial operations in uninflated 2020 dollars for the base year and the stabilized year, then apply an inflation rate of 2.5% to all line items (unless otherwise stated).

Revenue

Revenue is the income derived from business operations and other business activities. MTCC line items include Event Revenue, Catering (Gross), , and Equipment. HVS estimates operating revenues as fixed amounts (subject to inflation) or as amounts per unit of demand. In this analysis, we used Event, Attendee, and, GSFD (square feet of use times the number of days of utilization) as units of demand. To formulate the revenue parameters (amounts per unit of demand), HVS relied on historical operating data, industry information, knowledge of the performance of comparable venues, and information on price levels from local area sources. We adjusted the assumptions for inflation and other anticipated trends in price levels.

The figure below summarizes the Revenue parameters for each unit of demand and by type of event.

FIGURE 8-2
REVENUE PARAMETERS ($ 2020)

Revenue Line Item and Demand Source	Revenue Estimation Unit	Amount per Unit
Facility Rental		
Conventions	GSFD	$0.11
Conferences	GSFD	0.12
Meetings	GSFD	0.13
Consumer Shows	GSFD	0.14
Banquets	GSFD	0.05
Sports	GSFD	0.10
Entertainment	GSFD	0.11
Community Events	Event	1.53
Catering (Gross)		
Conventions	Attendee	$112
Conferences	Attendee	80.00
Meetings	Attendee	32.00
Banquets	Attendee	51.00
Sports	Attendee	6.00
Entertainment	Attendee	1.00
Community Meetings	Event	5.00
Event Services		
Conventions	GSFD	$0.19
Conferences	GSFD	0.19
Meetings	GSFD	0.18
Consumer Shows	GSFD	0.05
Banquets	GSFD	0.08
Sports	GSFD	0.05
Entertainment	GSFD	0.06
Community Events	Event	865
Community Meetings	Event	53

The revenue parameter estimates shown above are based on analysis of historical operations. HVS calibrated revenue parameters in the VenueModel© so that they generate revenue estimates for a base year that reflect average or recent operating revenues. As examples, conventions, conferences, and banquets generate the highest and assemblies the lowest amounts of catering revenue per attendee. In aggregate, these parameters produce revenue estimates that reflect historical food and beverage revenues as stated in 2020 dollars.

A brief description of each line item follows.

Facility Rental—Facility rental revenue includes the revenue venues receive from clients that reserve one or more function areas in the facility. Despite having published rates, convention centers typically charge rental fees based on negotiated daily rental fees. Not all events incur a facility rental fee. Management may reduce or waive the exhibit rental charges to book an event that generates significant food and beverage revenue or has a positive economic impact.

Food and Beverage—Most events that use a venue's function space will arrange for food service for their attendees during their events. This food service includes catering which can range from coffee breaks associated with a meeting to a full dinner associated with a convention or banquet. Consumer shows, sporting events, and other events may generate concessions revenue. Most conventions and conferences generate demand for multiple meals during these multi-day events. Meetings and banquets generally include a single meal or refreshment services. Events like conventions and tradeshows typically spend the most per attendee. Consumer shows have lower per capita spending.

Event Services—Event Services include the fees charged to users for services that could include business services, audio and video technical assistance, set-up and take down of function spaces, cleaning services, security services, electricity and other utilities, commissions from decorators and other services provided by third-party contractors at events. Many events also require audio, video, communications, and internet services. Banquets and other upscale events can often require elaborate decorating services. Almost all events require cleaning services; cleaning of common areas may be complimentary for most events while cleaning services offered to individual exhibitors can represent a significant source of revenue. Service charges vary by type of event. Some of these services may be included in the rental charges for using the facility, but others will be add-on service charges.

Operating Expenses

HVS estimates operating expenses as a blend of fixed and variable costs. Expenses have 1) a fixed component that changes with inflation, and 2) a variable component that depends on the level facility utilization. Fixed expenses may also increase or decrease due to changes in operating conditions or management decisions. For example, the addition of staff could increase fixed salary expenses. All fixes expenses are adjusted for inflation. HVS estimates variable expenses using a ratio-to-sales analysis, or based on amounts per unit of utilization, such as the number of events, attendees, or some other factor.

FIGURE 8-3
EXPENSE PARAMETERS ($ 2020)

Expense Line Item	Estimation Method	Unit	Amount Per Unit		Fixed %
			Pre-Opening	Post Opening	
Operating Expense					
Salaries & Wages	Ratio to Sales	Total Revenue	53.22%	42.93%	65%
Catering Costs	Ratio to Sales	Catering (Gross)	75.00%	70.00%	90%
Purchased Services	Ratio to Sales	Total Revenue	21.45%	20.00%	90%
Supplies & Equipment	Ratio to Sales	Total Revenue	5.21%	5.00%	75%
Inter-Departmental Expenses	Ratio to Sales	Total Revenue	3.04%	3.00%	60%
Fixed Expense					
PILOT/Other	Fixed Amount		$338,200	$338,200	100%
Non-Operating Income & Expense					
Transient Occupancy Tax	Fixed Amount		$3,795,928	$3,795,928	100%

Operating expenses are incurred to maintain the normal business operations of the venue. Many of these expenses vary with the level facility utilization. The expense parameter estimates shown above are based on analysis of historical operations. HVS calibrated revenue parameters in the VenueModel© so that they generate expense estimates for a base year that reflect recent operating expenses.

A brief description on each expense line item follows.

Salaries & Wages—Based on existing staffing levels and MTCC salary and benefit expenses, HVS estimated the salaries and associated benefits for permanent full and part-time employees dedicated to administration, marketing, building operations, and other functions. This category does not include part time food & beverage staff. The proposed salary and benefit levels reflect maintaining the current organization structure at the MTCC.

Catering Costs—Catering costs include the costs of food and beverages sold as well as the labor associated with food preparation and service.

Purchased Services—Costs of business services, equipment rental, administrative software and licenses, maintenance, landscaping services, audio, video, communications, internet, and other services.

Supplies & Equipment—This category includes items such as computers, office machines, furniture, consumables, and chemicals that are required to support and maintain the operations of the facility.

Inter-Departmental Expenses—are fees paid to the City of Madison in exchange for services provided to the MTCC, including costs distributed to the rest of the City Government such as finance, human resources, information technology, attorney, and other expenses.

Non-Operating Income & Expense

Non-operating expenses and income are incurred or derived from sources unrelated to the core operations of the venue. They include the following:

PILOT/Other—PILOT, or "Payment In Lieu of Taxes," are fees paid by governmental bodies to the City of Madison for facility services provided which would otherwise be compensated by Property Taxes.

Transient Occupancy Tax—reflects funds generated by a 9% tax on lodging accommodations that are used to support MTCC operations.

Operating Pro Forma

The figure below compares uninflated projections for the base year (2022) with uninflated projections for a stabilized year of operations (2026).

FIGURE 8-4
FINANCIAL OPERATING PROJECTS ($ 2020)

	Base Year CY 2022		Post Expansion Stabilized Year CY 2026	
	Amount	**% Total**	**Amount**	**% Total**
Revenue				
Facility Rental	$1,417	14%	$1,865	13%
Catering (Gross)	6,963	67%	9,967	68%
Event Services	2,050	20%	2,729	19%
Total Revenue	$10,430	100%	$14,561	100%
Operating Expense				
Salaries & Wages	$5,551	53%	$6,251	43%
Catering Costs	5,223	50%	6,977	48%
Purchased Services	2,237	21%	2,912	20%
Supplies & Equipment	543	5%	728	5%
Inter-Departmental Expenses	318	3%	437	3%
Total Operating Expense	$13,872	133%	$17,304	119%
Operating Net Income (Loss)	($3,442)	-33%	($2,744)	-19%
Fixed Expense				
PILOT/Other	$338	3%	$338	2%
Total Fixed Expense	338	3%	338	2%
Non-Operating Income & Expense				
Transient Occupancy Tax	$3,891	37%	$3,891	27%
Total Non-Operating Income & Expense	$3,891	37%	$3,891	27%
TOTAL NET INCOME (LOSS)	$111	1%	$809	6%

The figure below presents the seven-year financial projections for the MTCC. The projections are in inflated dollars beginning in 2022, the base year of HVS projections.

FIGURE 8-5
EIGHT-YEAR FINANCIAL OPERATING PROJECTIONS

			Expansion		Stabilized		
	2022	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Revenue							
Facility Rental	$1,526	$1,564	$1,871	$2,052	$2,217	$2,272	$2,329
Catering (Gross)	7,499	7,686	9,900	10,910	11,848	12,144	12,447
Event Services	2,208	2,263	2,715	2,993	3,244	3,325	3,408
Total Revenue	$11,232	$11,513	$14,487	$15,954	$17,308	$17,741	$18,185
Operating Expense							
Salaries & Wages	$5,978	$6,127	$6,773	$7,109	$7,430	$7,616	$7,806
Catering Costs	5,624	5,765	7,797	8,046	8,293	8,501	8,713
Purchased Services	2,409	2,470	3,255	3,359	3,462	3,548	3,637
Supplies & Equipment	585	600	799	833	865	887	909
Inter-Departmental Expenses	342	351	470	495	519	532	546
Total Operating Expense	$14,939	$15,312	$19,095	$19,841	$20,570	$21,084	$21,611
NET OPERATING INCOME (LOSS)	($3,706)	($3,799)	($4,608)	($3,887)	($3,261)	($3,343)	($3,426)
Fixed Expense							
PILOT/Other	$338	$338	$338	$338	$338	$338	$338
Total Fixed Expense	$338	$338	$338	$338	$338	$338	$338
Non-Operating Income & Expense							
Transient Occupancy Tax	$4,190	$4,295	$4,402	$4,512	$4,625	$4,741	$4,859
Total Non-Operating Income & Expense	$4,190	$4,295	$4,402	$4,512	$4,625	$4,741	$4,859
TOTAL NET INCOME (LOSS)	$146	$158	($544)	$287	$1,026	$1,060	$1,095

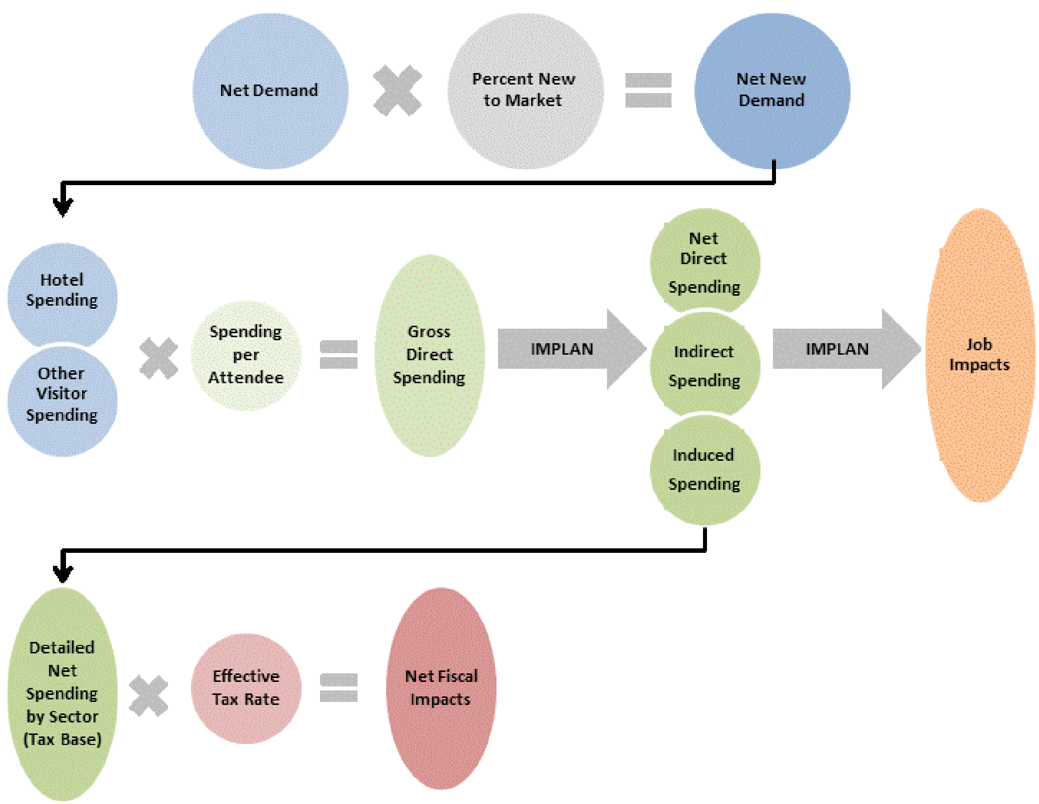
HVS intends for financial projections to show the expected levels of revenues and expense. Projections show smooth growth over time. However, event demand and booking cycles are not always smooth. Unpredictable local and national economic factors can affect business. Event demand is often cyclical, based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

9. Economic Impact

Based on the demand projections presented in this report, HVS identified the new spending that would occur in the local economy due to the proposed renovation and expansion of the MTCC. HVS estimated the amounts of income and employment that new visitors, event organizers, and exhibitors would generate in the City of Madison and the State of Wisconsin. HVS analyzed the economic impact of the MTCC in two scenarios, current MTCC operations and an expanded MTCC as described in Sections 6, 7, and 8 of this report.

The figure below demonstrates our methodology.

FIGURE 9-1
METHODOLOGY FOR ECONOMIC AND FISCAL IMPACT ANALYSIS



Direct, Indirect, and Induced Spending

Spending falls into three categories:

- **Direct spending** includes the new spending of event attendees and organizers. For example, an attendee's expenditure on a restaurant meal is a direct spending impact. Direct spending includes only new spending that originates from outside the market area (in this case, either Madison or Wisconsin). Spending by attendees who live within the market area is a transfer of income from one sector of the area's economy to another; therefore, this analysis does not count spending by local residents as a new economic impact. Net direct spending are the amounts of direct spending that falls into the local economy.
- **Indirect spending** follows from the business spending resulting from the initial direct spending. For example, an event attendee's direct expenditure on a restaurant meal causes the restaurant to purchase food and other items from suppliers. The portion of these restaurant purchases that remain within the market count as indirect impacts.
- **Induced spending** represents the change in local consumption due to the personal spending by employees whose incomes change from direct and indirect spending. For example, a waiter at a local restaurant may have more personal income as a result of an event attendee dining at the restaurant. The amount of the increased income that the waiter spends in the local economy is an induced impact.

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

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

Sources of Direct Spending

HVS identified four sources of new direct spending impact:

- **Overnight Guests**: Visitors to the Madison who require overnight lodging, including convention delegates, meeting attendees, and attendees at other MTCC events. Overnight delegate spending includes the spending on meals, shopping, local transportation, recreation and entertainment, and other goods and services while in town.
- **Daytrip Attendees**: Visitors to the MTCC who do not require paid lodging. In most markets, day-trippers typically spend money on meals, shopping,

local transportation, recreation and entertainment, and other goods and services while in town.

- **Event Organizers**: Individuals, associations, or other organizations that plan, sponsor, organize, and coordinate events that take place at MTCC facilities. In addition to facility spending, event organizers also spend on lodging, meals, local transportation, facility rentals, equipment rentals, and other goods and services required to plan and organize a successful event.
- **Exhibitors**: Individuals or companies that rent exhibition space, typically from event organizers, to display information or products at events. In addition to spending at the facility, exhibitors purchase lodging, meals, local transportation, vendor services, meeting room rentals, equipment rentals, and other goods and services.

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

New Visitors

HVS estimated the percentage of each visitor type that would come from outside the market rather than from the local area. HVS used historical event data that includes the scope of the event to estimate where attendees are originating. Scope categories include local, state, regional, national, and international event attendance. HVS assumes attendees for regional, national, and international events are from out of state. We assume most attendees to local events are from within Madison. The spending estimates only include new visitor spending because non-residents import income, whereas residents transfer income already in the market area.

- Overnight Guests – HVS assumes that 90% or more of overnight guests are new to Madison and approximately 70% of overnight guests are new to Wisconsin. Some overnight guests may stay with friends and family or outside the market.
- Day Trips – Day trip attendance varies greatly by event type. Most day trips to consumer shows, for example, are estimated to come from within Madison. HVS assumes that approximately 38% of day trips are new to Madison and approximately 23% new to Wisconsin. Some overnight guests may stay with friends and family or outside the market.
- Exhibitor/Organizer spending on Attendees/Delegates – HVS based estimates on the percentage of attendees by events organized and exhibited by companies that would otherwise not hold or participate in an event in Madison.

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

Total Overnight Guests X Percent New = New Overnight Stays

Total Day Trips X Percent New = New Day Trips

Total Delegate Days X Percent New = New Delegate Days

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

FIGURE 9-2
SUMMARY OF DIRECT SPENDING

Geographic Area/Visitor Type	Overnight Guests	Day Trips	Event Exhibitors	Event Organizers
City of Madison				
Conventions	100%	100%	100%	100%
Conferences	90%	80%	0%	85%
Meetings	90%	40%	0%	40%
Consumer Shows	90%	20%	20%	20%
Banquets	90%	5%	0%	5%
Sports	90%	75%	0%	85%
State of Wisconsin				
Conventions	85%	75%	80%	80%
Conferences	50%	15%	0%	30%
Meetings	20%	5%	0%	5%
Consumer Shows	20%	15%	15%	15%
Banquets	20%	1%	0%	1%
Sports	50%	50%	0%	50%

Spending Parameters

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

To estimate the spending for overnight and day trip visitors, HVS used results from several tourism spending data sources. Our primary source is the Travel USA study by Longwoods International. This survey is conducted annually with a sample size of approximately 350,000 trips and assesses origin, spending, party size, and primary purpose of the trip. HVS supplements this with the Destination International ("DI") Convention Expenditure & Impact Study which surveyed event organizers across over 1,000 events to gather daily spending parameters on overnight convention attendees, day-trip event attendees, exhibiting companies, and event organizers. HVS applies parameters from the Corporate Travel Index ("CTI") to account for local spending patterns. Adjusted data from DI provides estimates of organizer spending per visitor day.

For hotel and lodging spending, HVS used the average ADR for supporting hotels in downtown Madison of $175.41.

All spending parameters are stated as the daily spending by individual overnight guests and day-trippers in 2020 dollars. The following figures present the direct spending estimates for each spending category.

FIGURE 9-3
CONVENTIONS ATTENDEE SPENDING

Overnight Convention Attendees	**$362.71**
Hotel Average Daily Room Rate	44%
Food & Beverage	19%
Other Hotel Charges	15%
Retail	8%
Transportation at Destination	7%
Recreation	7%
Daytrip Convention Attendees	**$150.63**
Food & Beverage	45%
Retail	20%
Transportation at Destination	18%
Recreation	17%

Sources: Longwoods International, STR, CTI

FIGURE 9-4
EXHIBITOR AND ORGANIZER ATTENDEE SPENDING

Exhibitor Spending Per Overnight Day	**$35.00**
Event Catering and Concessions	37%
Lodging Costs	23%
Advertising and Related Services	10%
Other amusement and recreation industries	9%
Automotive Equipment Rental and leasing	7%
Equipment Rental	5%
Retail Stores - General Merchandise	4%
Transit and ground passenger transportation	3%
Retail Stores - Gasoline Stations	1%
State and local government passenger transit	0%
Hotels and motels, including casino hotels	0%
Organizer Spending per Delegate Day	**$5.25**
Retail Stores - General Merchandise	25%
Advertising and Related Services	19%
Hotels and motels, including casino hotels	27%
Hotel Room Rate	27%
Automotive Equipment Rental and leasing	1%
State and local government passenger transit	1%
Transit and ground passenger transportation	0%

Sources: Destinations International, CTI

Facility Revenue from Outside Spending

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

A brief description of each line item follows.

Facility Rental—Facility rental revenue includes the revenue venues receive from clients that reserve one or more function areas in the facility. Despite having published rates, convention centers typically charge rental fees based on negotiated daily rental fees. Not all events incur a facility rental fee. Management may reduce or waive the exhibit rental charges to book an event that generates significant food and beverage revenue or has a positive economic impact.

Food and Beverage—Most events that use a venue's function space will arrange for food service for their attendees during their events. This food service includes catering which can range from coffee breaks associated with a meeting to a full dinner associated with a convention or banquet. Consumer shows, sporting events, and other events may generate concessions revenue. Most conventions and conferences generate demand for multiple meals during these multi-day events. Meetings and banquets generally include a single meal or refreshment services. Events like conventions and tradeshows typically spend the most per attendee. Consumer shows have lower per capita spending.

Event Services—Event Services include the fees charged to users for services that could include business services, audio and video technical assistance, set-up and take down of function spaces, cleaning services, security services, electricity and other utilities, commissions from decorators and other services provided by third-party contractors at events. Many events also require audio, video, communications, and internet services. Banquets and other upscale events can often require elaborate decorating services. Almost all events require cleaning services; cleaning of common areas may be complimentary for most events while cleaning services offered to individual exhibitors can represent a significant source of revenue. Service charges vary by type of event. Some of these services may be included in the rental charges for using the facility, but others will be add-on service charges.

To estimate the amount of facility revenue considered new to the markets, HVS estimated the percentage of attendance by type of event that is new to the market (shown in Figure 9-2) and the amount of revenue generated by each event type described in Section 8 of this report. We assume that revenue generated by Entertainment, Community Events, and Community Meetings originate from within Madison.

FIGURE 9-5
SUMMARY OF DIRECT SPENDING

Geographic Area/Revenue Type	City of Madison	State of Wisconsin
Venue Revenue New to Market		
Facility Rental	60%	36%
Catering (Gross)	57%	34%
Event Services	65%	40%

Gross Direct Spending

HVS applied the previous sources of spending impacts and spending parameters to estimate gross direct spending for the existing MTCC and for a stabilized year after expansion. See the figures below.

FIGURE 9-6
GROSS DIRECT SPENDING – CITY OF MADISON

	Daily Spending	Number of New Visitors		Gross Direct Spending ($ millions)	
		Existing	Expanson	Existing	Expanson
Convention Delegate Overnight Spending	$362.67	43,000	64,600	$15.59	$23.43
Convention Delegate Daytrip Spending	$150.63	113,400	166,800	$17.08	$25.13
Exhibiting Company Spending per attendee	$35.00	109,000	157,500	$3.82	$5.51
Event Organizer Spending per attendee	$5.25	196,900	282,600	$1.03	$1.48
			Facility Revenue	$5.70	8.57
			Total Gross Direct Spendng	$43.22	$64.12

FIGURE 9-7
GROSS DIRECT SPENDING – STATE OF WISCONSIN

	Daily Spending	Number of New Visitors		Gross Direct Spending ($ millions)	
		Existing	Expanson	Existing	Expanson
Convention Delegate Overnight Spending	$362.67	31,500	47,500	$11.42	$17.23
Convention Delegate Daytrip Spending	$150.63	68,300	98,100	$10.29	$14.78
Exhibiting Company Spending per attendee	$35.00	85,800	124,300	$3.00	$4.35
Event Organizer Spending per attendee	$5.25	126,700	180,700	$0.67	$0.95
			Facility Revenue	$3.45	5.15
			Total Gross Direct Spendng	$28.83	$42.45

IMPLAN Impact Modeling

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

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

Annual Net Direct Spending

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

Retail Margins

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

Local Purchase Percentage

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

Indirect and Induced Spending

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

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

Annual Net Spending Impacts

The figures below shows the annual net direct, indirect and induced spending generated for Madison and Wisconsin from the existing operation, as well as the increase and total impact from the proposed expansion.

FIGURE 9-8
ANNUAL ECONOMIC IMPACT ESTIMATES – CITY OF MADSON

Impact ($ millions)	Existing Impact	Increase	Total Expanson Impact
Spending Estimates			
Net Direct	$39.6	$19.2	$58.8
Indirect	15.6	7.5	23.1
Induced	12.5	6.1	18.5
Total	$67.6	$32.7	$100.4

FIGURE 9-9
ANNUAL ECONOMIC IMPACT ESTIMATES – STATE OF WISCONSIN

Impact ($ millions)	Existing Impact	Increase	Total Expanson Impact
Spending Estimates			
Net Direct	$26.5	$12.6	$39.0
Indirect	10.9	5.1	16.0
Induced	11.3	5.4	16.7
Total	$48.7	$23.1	$71.8

Employment Impacts

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

FIGURE 9-10
EMPLOYMENT IMPACT IN A STABILIZED YEAR – CITY OF MADISON

Full-Time Equivalent Jobs	Existing Impact	Increase	Total Expanson Impact
Direct	450	210	660
Indirect	90	40	130
Induced	70	40	110
Total Permanent Jobs	610	290	900

By a stabilized year of operation, the proposed expansion would support approximately 290 new full-time equivalent jobs in Madison.

FIGURE 9-11
EMPLOYMENT IMPACT IN A STABILIZED YEAR – STATE OF WISCONSIN

Full-Time Equivalent Jobs	Existing Impact	Increase	Total Expanson Impact
Direct	300	140	440
Indirect	60	30	90
Induced	70	30	100
Total Permanent Jobs	430	200	630

By a stabilized year of operation, the proposed expansion would support approximately 200 new full-time equivalent jobs in Wisconsin.

Fiscal Impacts

Fiscal impacts are the public sector share of the economic impacts generated by tax collections on new spending. The previously discussed spending estimates provide a basis for estimating potential tax revenue. Existing sales tax and lodging taxes would apply to some of the spending.

The IMPLAN analysis generates net-direct, indirect, and induced outputs, which fall into various NAICS categories. HVS determined which taxes would apply to which category of output. HVS then used the appropriate tax rates to estimate the amount of tax revenue.

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

FIGURE 9-12
LODGING TAX IMPACT – CITY OF MADISON

Economic Impact Scenario	Tax Base	Lodging Tax Rate	Estimated Tax Revenue
Existing	$9,724,800		972,500
Increase	$4,808,400	10.00%	$480,800
Expansion	$14,533,200		1,453,300

Lodging tax sources would generate approximately $480,800 in annual tax revenue to the City of Madison in a stabilized year of operation.

FIGURE 9-13
SALES TAX IMPACT – STATE OF WISCONSIN

Economic Impact Scenario	Tax Base	Sales & Use Tax	Estimated Tax Revenue
Existing	$33,299,300		3,329,900
Increase	$15,591,900	5.00%	$1,559,200
Expansion	$48,891,200		4,889,100

Sales tax would generate approximately $1.6 million in annual tax revenue to the State of Wisconsin in a stabilized year of operation.

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

FIGURE 9-14
SUMMARY OF INCREASE IN ECONOMIC AND FISCAL IMPACTS AFTER EXPANSION

Summary of Impacts*	City of Madison	State of Wisconsin
Economic Impact (thousands)	$32,747	$23,068
Fiscal Impact (thousands)	$481	$1,559
Jobs	290	200

*In a stabilized year.

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

10. Statement of Assumptions and Limiting Conditions

1. This report is to be used in whole and not in part.
2. No responsibility is assumed for matters of a legal nature.
3. We have not considered the presence of potentially hazardous materials on the proposed site, such as asbestos, urea formaldehyde foam insulation, PCBs, any form of toxic waste, polychlorinated biphenyls, pesticides, or lead-based paints.
4. All information, financial operating statements, estimates, and opinions obtained from parties not employed by HVS are assumed to be true and correct. We can assume no liability resulting from misinformation.
5. Unless noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the subject property.
6. We are not required to give testimony or attendance in court by reason of this analysis without previous arrangements, and only when our standard per-diem fees and travel costs are paid prior to the appearance.
7. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material presented in this report, it is recommended that the reader contact us.
8. We take no responsibility for any events or circumstances that take place subsequent to the date of our report.
9. The quality of a convention facility's on-site management has a direct effect on a facility's economic performance. The demand and financial forecasts presented in this analysis assume responsible ownership and competent management. Any departure from this assumption may have a significant impact on the projected operating results.
10. The impact analysis presented in this report is based upon assumptions, estimates, and evaluations of the market conditions in the local and national economy, which may be subject to sharp rises and declines. Over the projection period considered in our analysis, wages and other operating expenses may increase or decrease due to market volatility and economic forces outside the control of the facility’s management.
11. We do not warrant that our estimates will be attained, but they have been developed on the basis of information obtained during the course of our market research and are intended to reflect reasonable expectations.

12. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers have been rounded. Thus, these figures may be subject to small rounding errors.

13. It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the client, and use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.

14. Although this analysis employs various mathematical calculations, the final estimates are subjective and may be influenced by our experience and other factors not specifically set forth in this report.

15. This report was prepared by HVS Convention, Sports & Entertainment Facilities Consulting. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of this organization, as employees, rather than as individuals.

16. This report is set forth as a market study of the subject facility; this is not an appraisal report.

11. Certification

The undersigned hereby certify that, to the best of our knowledge and belief:

1. the statements of fact presented in this report are true and correct;
2. the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
3. we have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved;
4. HVS is not a municipal advisor and is not subject to the fiduciary duty set forth in section 15B(c)(1) of the Act (15 U.S.C. 78o-4(c)(1)) with respect to the municipal financial product or issuance of municipal securities;
5. we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
6. our engagement in this assignment was not contingent upon developing or reporting predetermined results;
7. our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
8. Thomas Hazinski, Brian Harris, and Jorge Cotte personally inspected the property described in this report.

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Thomas Hazinski Managing Director	Brian Harris Senior Director	Jorge Cotte Project Manager