

- Executive Summary -

This summary highlights the key findings of a feasibility study of a potential new multi-use conference/operations center (“Center”) in New Iberia, Louisiana. Conventions, Sports and Leisure International (“CSL”) was engaged by Iberia Parish and the City of New Iberia (collectively referred to as “Client”) to conduct the study. The full report should be reviewed in its entirety to gain an understanding of the study methods, limitations and implications.

Introduction

A potential New Iberia multi-use conference/operations center, as envisioned, would act as an economic generator and a public resource for the local community, hosting conventions, conferences, tradeshow, public/consumer shows, meetings, civic events and other activities of both a non-local and local nature. An important goal of the facility would be to attract non-local events to the area that presently cannot be accommodated by existing local facilities, providing new visitation and related economic impact in the local area. The facility is also envisioned to be available as a hurricane shelter and/or emergency operations center, should such a need arise.

As there has been recent discussion concerning the possibility of a State grant to be used for conference center construction, New Iberia is in a unique position relative to most other communities in the country that have evaluated new event facility issues. The vast majority of convention/conference center construction projects nationwide have been predominantly funded by local municipal governments, at the expense of local taxpayers.

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

- ✓ Local market visit and site tours.
- ✓ In-person interviews with more than 30 local New Iberia area individuals.
- ✓ Research and analysis of local market conditions and regional trends.
- ✓ Analysis of facility data and interviews conducted with management of approximately 35 regional and comparable convention/conference centers.
- ✓ Comparative analysis of socioeconomic data from competitive/regional and comparable facility markets.
- ✓ Completed telephone interviews with 75 planners of state and regional conventions, conferences, exhibitions and meetings, representing more than 150 individual events.

Local Market Conditions

Strengths of the New Iberia area as they relate to a potential new Center include:

1. Driving proximity to major in-state drive markets (including Lafayette, New Orleans and Baton Rouge).
2. Centralized location within the state (typically beneficial when competing for state events, such as state associations conventions and conferences).
3. Downtown with “character” (offering visitor amenities such as retail shops and dining in a pedestrian-friendly area, as opposed to strip malls and big box retail).
4. Unique brand that can offer visitors a differentiated experience relative to other Louisiana destinations (with its Historic Main Street, attraction and ambiance emphasizing its “Spanish enclave in Cajun Country”).
5. Strong history of annual festivals that draw visitors to the community from surrounding areas.
6. Low cost of goods and services (important for certain rotating state/regional events that interested in less costly destinations to produce events, relative to larger cities).
7. Significant limitations in existing meeting venues (the size of the area’s largest meeting facilities is limited and, specifically, convention/conference-quality space located nearby hotel inventory is very limited).
8. Geographic concentration of key area hotels (typically advantageous for attracting larger groups requiring more than a single property to accommodate room blocks).

Some of New Iberia’s weaknesses as they relate to supporting a potential new multi-use conference/operations center and functioning as an event destination include:

1. Number of quality hotels and overall room supply (most of the area’s hotel inventory consists of small, limited service properties; total room inventory of under 1,000 rooms is relatively low).
2. Size of largest hotel properties (the largest existing hotel property is only 177 rooms; certain events wish to accommodate all or a majority of their rooms blocks in a single hotel property).
3. Relatively low city population and corporate base (local events attended primarily by local area residents often provide significant usage of convention/conference centers; likewise, local corporations often represent heavy users).
4. Distance from largest population areas in state (while only a half-hour away from Lafayette and an hour-and-a-half to two hours from other larger metro areas such as Baton Rouge and New Orleans, each of these cities have their own offerings of convention/conference facilities).

5. Limitations in local traditional visitor amenities (i.e., retail & restaurants with “character”, nightlife, entertainment, etc.)
6. Neutral impressions by some event planners regarding the appeal of the area for events (i.e., “not a big city, not a resort”; expressed by some meeting planners contacted as a part of this study).

Competitive/Comparable Facilities and Host Communities

Overall, the analysis of competitive/regional facilities suggests that a relatively high level of potentially competitive facilities exist within the state and regional area. Within this competitive environment, a number of new and expanded convention center projects are either in planning stages, under construction or have recently initiated operations. The competitive/regional facilities consist of a broad mix of venues types and sizes, including convention centers, conference centers, exhibition centers, hotel meeting facilities, and resort properties. In general, New Iberia ranks near the average or at the lower end of many demographic comparisons with these regional markets.

Lingering effects of the 2005 hurricane season have injected a unique layer of uncertainty for many Louisiana and Gulf Coast communities with respect to the convention industry. As a result, many of the region’s convention facilities are still today experiencing lower levels of use (relative to pre-Katrina performance) and some major expansion projects are on indefinite hold.

Among a select set of comparable communities with convention facilities, New Iberia generally ranks among the midpoint for many of the primary market metrics. However, New Iberia presently possesses the lowest number of total hotel rooms among the comparable set, which will have important implications on the size of convention facility that could be supported in the area.

An analysis of demographic-to-facility space ratios begins to define a hypothetical size for a potential New Iberia conference center. Based on average ratios calculated from the competitive/regional and select comparable facilities reviewed, the analysis generally suggests a New Iberia facility containing between 20,000 and 35,000 square feet of sellable space (exhibit, meeting, and ballroom/multipurpose space).

Industry Trends

The market success of a convention center can be partially attributed to the characteristics of the industry as a whole. Broad industry changes, characterized by—sometimes significant—retraction and expansion in convention and tradeshow demand have taken place within the industry over the past decade. As the demand for convention, tradeshow and related public assembly space has continued to grow industry-wide (after a two-year contraction following 9/11

and the downturn of the national economy), so have the responses to this demand from both the public and private sectors.

However, every community and destination is unique and application of blanket industry-wide, macro assessments of supply and demand phenomena do not consider the uniqueness of individual markets. Like nearly everything in a free market society, individual convention centers operate in a “survival of the fittest” environment. Destination appeal is normally the common denominator with successful projects. Convention centers located in the strongest destinations tend to be the most successful, while facilities located in destinations with weak appeal and/or deficient visitor amenities more often struggle or underperform industry averages.

Recognizing that the convention center facility itself is only one piece of a larger puzzle that non-local event planners tend to consider when selecting sites, more and more communities have been focusing on ways to strengthen the appeal of the proximate area surrounding the “box”. This often involves comprehensively master planning a mixed-use or entertainment district containing the convention center, whereby an attractive pedestrian-friendly environment is created to welcome convention center attendees, through offerings of restaurants, retail, nightlife, entertainment and attractions. “Connectivity” issues are often addressed that physically and perceptually bring together the district to other nearby attractions and districts. Healthy, vibrant and exciting environs surrounding the convention center are normally viewed very attractively by event planners and can provide important advantages in marketing a destination and its convention center.

Market Demand Conclusions

State/regional associations and SMERF (social, military, educational, religious and fraternal) groups represent the expected primary *non-local* event markets for any new conference center development in the New Iberia area. Interviews of convention/conference planners with state/regional organizations generally suggest a low to moderate interest in using a potential New Iberia multi-use conference/operations center. However, existing area event facility product is unable to accommodate the vast majority of this non-local event demand. Limitations in existing hotel inventory (in terms of number of quality hotel rooms, size of largest individual properties and limitations in full-service inventory) will work to “govern” the type, mix and overall levels of non-local events that will be attracted to any new Center.

However, given significant limitations in the existing meeting/event facilities in the New Iberia area, *local* event demand is believed to be relatively strong. The vast majority of events hosted by comparable facilities tend to be local events, providing a significant component of revenue generation for facilities. The characteristics of New Iberia and surrounding areas (coupled with these limitations in existing facilities) suggest a level of unmet demand from local events that is consistent with or slightly higher than comparable facility averages.

Any conference facility pursued in New Iberia should be designed for maximum flexibility to accommodate groups and events of a variety of types and sizes. Such a venue could also be used as a hurricane shelter and/or emergency operations center, should such a need arise in the future.

Overall, the market demand analysis suggests that overall event levels at a potential New Iberia conference/operations center would likely be consistent with or slightly lower than typical small market convention centers located elsewhere throughout the country. Importantly, however, such a facility would serve as an economic generator and a public resource for the local community, hosting local and non-local events, a significant number of which would be new to the area.

Program, Development Options & Construction Costs

Based on the previous analyses undertaken, key aspects of a market supportable facility program for a potential New Iberia conference center are presented below.

- Multipurpose Hall
 - Between 20,000 and 25,000 square feet of subdividable, column-free flat floor space
 - State-of-the-industry, multipurpose carpeted flooring could enhance flexibility
 - Minimum of 25-foot ceiling heights
 - Utility floor grids
 - Independent loading, public access, climate control, etc.
 - Retractable seating (stored behind moveable ways) could enhance flexibility
- Breakout Meeting Space
 - Between 7,000 and 9,000 square feet of breakout meeting space
 - Subdividable, multipurpose, upscale
- Sufficient pre-function, support and storage space
- Estimated facility footprint would approximate 54,000 to 68,000 square feet (1.5 to 2.0 acres), with additional acreage required for parking, ingress/egress, green space, loading/marshalling, etc.
- Parking is often the biggest “x-factor” in overall site acreage planning (i.e., surface versus structured parking, shared parking opportunities with hotel, etc.), that could add many acres to the site requirements.
- More than 150 quality hotel rooms (preferably full service) within close walking proximity (i.e., equivalent of two to three city blocks).
- RV hookups

It is quite possible that the estimated costs associated with developing, operating and marketing a public sector-owned convention center project (pursuant to the building program outlined above)

could be deemed by the community to be prohibitive. As such, alternate development options could be considered. These could include: a stand-alone conference center (Scenario 1) or a public/private partnership with a new hotel (Scenario 2).

It is preliminarily estimated that order-of-magnitude hard construction costs for a Scenario 1 (stand-alone conference center) project could range between \$13.5 million and \$17.0 million. In addition to the estimated hard costs, soft construction costs, costs associated with land purchase and improvement, other potential infrastructure improvement costs and potentially annual operating costs will also need to be considered in the ultimate planning scheme, if subsequent planning steps are taken. Importantly, however, detailed architectural concept, design and costing study would be required to specifically estimate construction costs for a potential New Iberia conference/operations center.

Site/Location Analysis

As important as size and configuration, the site of a conference facility can have a significant impact on the facility's success. As close proximity to quality hotel product is typically the most important site factor in influencing the success of a conference center, the preferred location for a potential conference/operations center (under Scenario 1 where a new headquarters hotel is not developed) in New Iberia is clearer than in many communities, given its concentration of the area's largest quality hotel rooms in a single area (at the intersection of U.S. Highway 90 and State Highway 14). This would be the preferred area for a new conference/operations center project (without a new hotel development as a part of the project). Without close proximity to a sufficient inventory of quality hotel rooms, any new convention center will have significant limitations in its ability to attract non-local, economic impact generating events.

However, under a development situation that would include the development of a new adjacent headquarters hotel *at the same time* as the convention center is constructed, other locations in New Iberia could be considered. However, under a public/private partnership project with a hotel (Scenario 2), the requirements and preferences of the private partner will have significant influence on the ultimate location. In all likelihood, a prospective hotel developer partner will be looking for a site/location that will be able to maximize non-convention center hotel room demand, as the convention center itself (even if attached to the hotel) will not likely drive the majority of room night demand in the hotel. As such, locations near highly-visible roadway arteries and other demand generators will likely be more attractive from the hotel partner's perspective. This would again likely lead to the same general location of U.S. Highway 90 and State Highway 14.

Financial Operations

The exhibit on the following page presents a summary of the estimated financial operating results for a potential New Iberia convention center under Scenario 1.

Scenario 1 (Stand-Alone Conv. Ctr.) – Estimated Financial Operations (in 2007 dollars)

	<u>Year One</u>	<u>Year Two</u>	<u>Year Three</u>	<u>Year Four</u>	<u>Year Five</u>
OPERATING REVENUES					
Space Rental	\$172,825	\$208,468	\$247,215	\$266,940	\$280,830
Food Service (net)	114,550	137,025	161,225	172,175	179,825
Contract Service & Other	<u>75,735</u>	<u>90,882</u>	<u>121,176</u>	<u>151,470</u>	<u>181,764</u>
Total Operating Revenues	\$363,110	\$436,374	\$529,616	\$590,585	\$642,419
OPERATING EXPENSES					
Salaries, Wages & Benefits	\$468,200	\$475,593	\$485,450	\$492,842	\$505,164
Utilities	116,605	120,064	124,677	128,137	133,903
Repair & Maintenance	31,144	31,901	32,911	33,669	34,931
General & Administrative	83,127	83,507	84,013	84,393	85,026
Insurance	54,545	54,545	54,545	54,545	54,545
Materials & Supplies	36,997	37,582	38,360	38,945	39,918
Professional Fees	40,106	40,414	40,826	41,134	41,648
Other	<u>47,352</u>	<u>48,100</u>	<u>49,097</u>	<u>49,844</u>	<u>51,090</u>
Total Operating Expenses	<u>\$878,076</u>	<u>\$891,706</u>	<u>\$909,879</u>	<u>\$923,509</u>	<u>\$946,226</u>
Net Operating Profit / (Deficit)	(\$514,966)	(\$455,332)	(\$380,263)	(\$332,924)	(\$303,807)

As shown, upon stabilization by the fifth full year of operation, a new convention center in New Iberia (under Scenario 1) is estimated to generate an operating deficit of approximately \$304,000 per annum (in 2007 dollars). This figure only represents the annual operations of the convention center and does not include construction debt service payments, capital repair/replacement reserve funding obligations, additional CVB marketing budget needs or other non-operating expenses. This type of operating loss is consistent with comparable convention centers throughout the country.

Due to the shared nature of operations and overhead (related to the hotel and conference spaces), it was not possible to specifically isolate and estimate operating expenses related to the convention center under Scenario 2. However, from an operating revenue perspective, the conference space in a new hotel/conference center is estimated to generate approximately \$764,000 in operating revenue per annum (in 2007 dollars) upon stabilization.

Economic Impacts

The ability of a convention facility to generate new spending and associated economic and tax impacts in a community is often one of the primary determinants regarding a decision to investment in the development and operation of such facilities. Beyond generating new visitation and associated spending in local communities, convention centers also benefit a community in other important ways, such as providing a venue for events and activities attended by community members.

The following exhibit summarizes the overall estimated new annual economic effects within New Iberia associated with estimated levels of potential event activity under Scenario 1 (stand-alone convention center).

Estimated New Annual Economic & Tax Impacts – Scenario 1 (in 2007 Dollars)

	Year 1	Year 2	Year 3	Year 4	Year 5
Economic Impacts:					
Direct Spending	\$2,529,758	\$2,970,605	\$3,501,497	\$4,077,743	\$4,535,537
Indirect/Induced Spending	<u>1,517,855</u>	<u>1,782,363</u>	<u>2,100,898</u>	<u>2,446,646</u>	<u>2,721,322</u>
Total Output	\$4,047,613	\$4,752,968	\$5,602,396	\$6,524,388	\$7,256,858
Personal Income (Earnings)	\$1,770,831	\$2,079,424	\$2,451,048	\$2,854,420	\$3,174,876
Employment (Full & Part-Time Jobs)	68	79	94	109	121
Tax Impacts:					
City Sales Tax Revenue	\$127,614	\$149,852	\$176,633	\$205,702	\$228,795
Parish Hotel Tax Revenue	\$28,746	\$33,705	\$39,741	\$46,596	\$52,067
State Sales Tax Revenue	\$113,434	\$133,202	\$157,007	\$182,846	\$203,373
Total Tax Revenue	\$269,794	\$316,760	\$373,381	\$435,144	\$484,235

As outlined above, the estimated level of annual direct new spending associated with a stabilized year of operations for a new Center is estimated to generate nearly \$7.3 million in total output (total direct, indirect and induced spending) in the area. Additionally, this spending is estimated to support approximately \$3.2 million in personal income (or “earnings”) in the local New Iberia economy, along with 121 full and part-time jobs. This economic activity also generates new tax revenues. The annual operation of a new Center under Scenario 1 is estimated to annually generate a total of \$484,235 in City Sales & Use, Parish Hotel Occupancy, and State Sales & Use tax revenues. It is estimated that 90 percent or more of these amounts could be considered direct spending that is “new” to the New Iberia area (i.e., visitor spending that does not exist today and would be directly attributable to the existence and operation of the proposed Center).

The economic and tax impacts associated with Scenario 2 (the conference center component of a hotel/conference center) have also been estimated and generally represent approximately 75 percent of total Scenario 1 amounts.

Funding Alternatives

Types of financing/funding vehicles that are commonly used in convention center and other public assembly facility projects throughout the country include:

- General Obligation Bonds
- Revenue Bonds
- Tax Increment Financing (TIF)
- Pay-As-You-Go Financing
- Certificates of Participation
- State Assistance
- Private/Public Equity & Grants

Under situations where bonds have been issued, debt service is often supported by local tax revenue, which has tended to include the following:

- Hotel/motel taxes.
- Restaurant/food & beverage taxes.
- Auto rental taxes.
- Taxicab taxes/fees.
- Sin taxes (alcohol, cigarette, etc.).
- Admissions/entertainment taxes.

However, it is possible that New Iberia could receive State funding to complete the construction of a new multi-use conference/operations center. This would represent a critical opportunity for the local community, as a facility project such as the one outlined herein would likely require more than \$1.0 million annually in construction debt service payments, which would normally be borne by local municipal government. Under Scenario 1 and assuming State funding of construction, local government would likely be required only to cover annual operating deficits and capital repair and replacement reserve funding.

Certain equity return vehicles (that could be integrated into a new convention center project) and other opportunities to minimize annual operating risk that might be required of the City of New Iberia or Iberia Parish have been evaluated. These include (1) the integration of leasable office space into the convention center and (2) other forms of private sector participation, such as the sale of naming rights, sponsorships, facility use agreements and permanent showroom/exhibit areas. However, it is not believed that these options (individually or in aggregate) will completely offset annual public sector funding obligations.

One method that may represent the best opportunity to remove annual funding obligations from local government is the Scenario 2 model (public/private partnership with a new hotel). In New Iberia's case (like in most cases), however, it is very difficult to evaluate what the exact level of public sector contribution (or incentive) might be without first initiating conversations with potential partners and to further assess the unique hotel market conditions and growth opportunities in the local area. Nevertheless, based on an evaluation of a number of other comparable public/private partnership agreements throughout the country, it is likely that a potential hotel developer/operator partner would view a public sector contribution of land and 100 percent of construction funding of an attached convention center (and the rights to operate such space) as an attractive opportunity for consideration.

Operational Policies, Procedures and Best Practices

If a stand-alone convention center (Scenario 1) is developed in New Iberia, it would most likely be owned by the public sector (City or Parish). The convention space under a Scenario 2 (hotel/conference center) is assumed to be operated by the hotel operator. Most publicly-owned convention centers in communities the size of New Iberia are operated/managed by the municipal government that owns the facility. Centers that are located in communities larger than New Iberia tend to more frequently contract facility management to a third party private operator. While an experienced private management firm can bring substantial expertise to the operations of a new facility and can often realize gains in facility performance, a management fee will need to be paid to the firm. In some communities, it is believed that the "net gain" in facility performance (via event attraction and facility financial performance) through contracting with private management is positive, while in others the net benefits are not as substantial (or at least not as definitive). In many cases, the decision whether to operate/manage a convention center publicly or privately is ultimately determined largely by the public sector's appetite for assuming all aspects of the management responsibility rather than simply overseeing a contract.

The analysis considered a whole host of other issues relating to the operational policies and procedures of a potential New Iberia convention center. It is recommended that any new conference center have a defined set of event booking policies to protect the economic and public interests of the community. These policies should be formalized to include: (1) hotel room night thresholds to determine facility booking priority, (2) the ability of the CVB to market and directly book the Center [under Scenario 1] for non-local events, (3) a tiered rental rate structure allowing for discretionary discounting by Center management, (4) date options, and (5) structured deposit and cancellation policies.

Recommendations regarding the method of providing facility services have also been presented. Most of these relate to a facility development under Scenario 1, as many of these would likely be up to the discretion of the hotel partner under Scenario 2.

Conclusions

In terms of benefits relative to costs for local area residents, it is believed that New Iberia is presented with a very unique opportunity concerning a potential new multi-use conference/operations center. The vast majority of convention center projects completed throughout the country have involved local municipal government funding of both facility construction *and* annual operating deficits. Should New Iberia benefit from State funding of the construction of a new multi-use conference/operations center, a significant portion of the annual cost obligations that are borne by nearly all other municipalities relative to these types of facilities would not be present. Further, if New Iberia pursues a Scenario 2 project (public/private partnership with a new hotel), while the local benefits would likely be modestly lower in aggregate, it may be possible to remove all ongoing public sector funding obligations from such a project. The following chart illustrates the primary annual costs and benefits associated a typical small market convention center project as borne by local government, contrasted with opportunities that are believed to be present with a New Iberia multi-use conference/operations center project.

	Industry Typical Conv Ctr	New Iberia (Scenario 1)	New Iberia (Scenario 2)
Annual Local Costs:			
Construction debt service	\$1,300,000	\$0	\$0
Operating subsidy	\$300,000	\$300,000	\$0
Capital reserve funding	<u>\$75,000</u>	<u>\$75,000</u>	<u>\$0</u>
Total	\$1,675,000	\$375,000	\$0
Annual Local Tax Benefits:	\$275,000	\$275,000	\$220,000
Benefits to Costs:	(\$1,400,000)	(\$100,000)	\$220,000