



Laredo Conference Center Demand and Economic Impact Estimates October 2018



Event Demand Indicators

Event, Attendance, and Room Night Projections

The following figure shows the demand estimates for a stabilized year of operations for the La Posada Hotel and Conference Center.

Demand Estimate for a Stabilized Year

Event Type	Number Of Events	Event Days		Attendance		Room Nights	
		Average	Total	Average	Total	Average	Total
Texas State Associations	3	3.5	11	350	1,100	670	2,000
Regional Conventions & Conferences	15	2.5	38	300	4,500	270	4,090
Washington Birthday Celebration	1	1.0	1	1,200	1,200	80	80
Banquets	235	1.2	290	120	28,200	4	940
Receptions	235	1.4	322	140	32,900	5	1,100
Meetings	165	1.5	245	80	13,200	4	600
Total	654		906		81,100		8,800

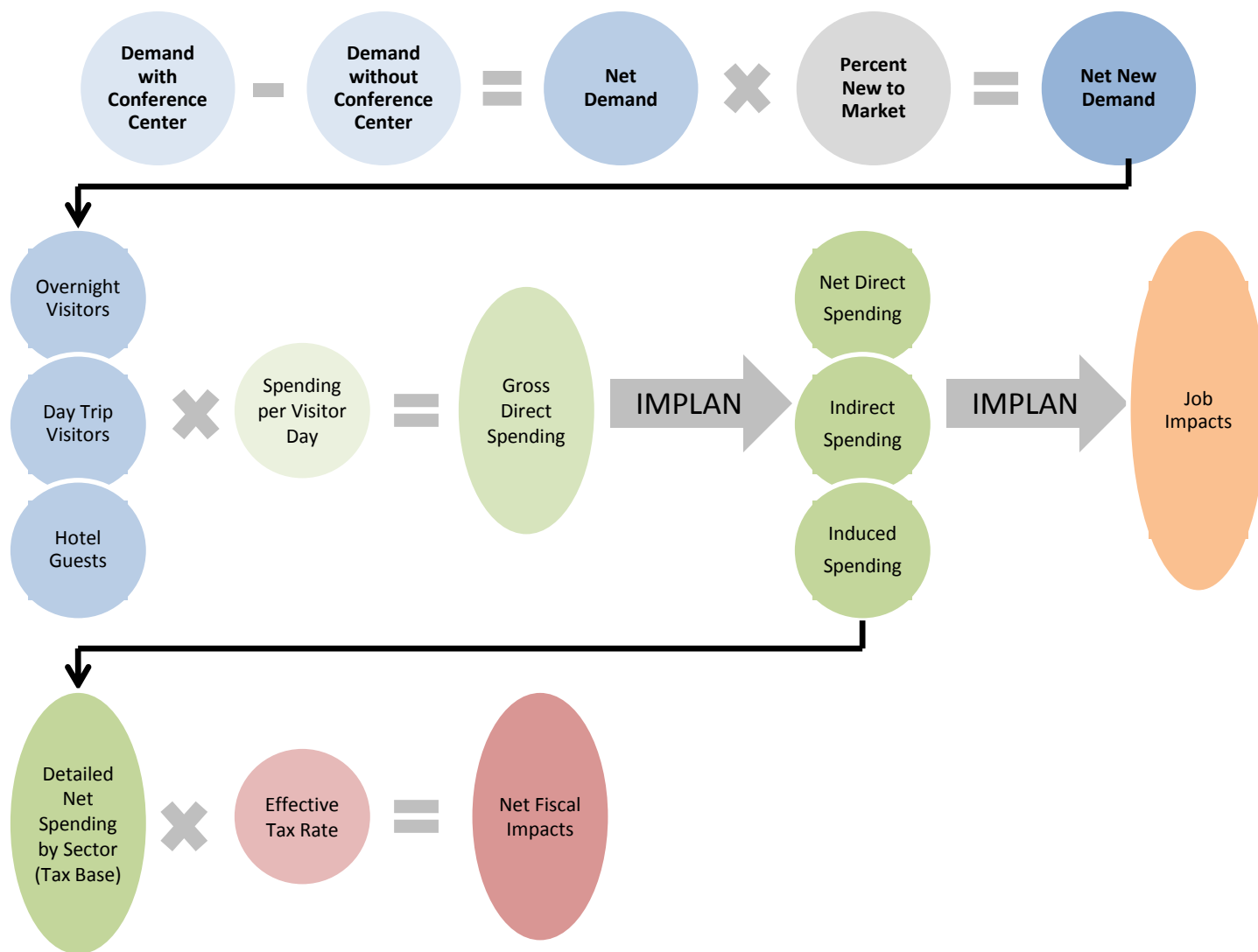
Five-Year Demand Projection

This figure compares the base year of demand (2018) based on historical performance with the first five years of operation after opening (2022).

	Base Year	Opening		Stabilized		
	2018	2022	2023	2024	2025	2026
Events						
Texas State Associations	0	1	2	3	3	3
Regional Conventions & Conferences	0	5	10	15	15	15
Washington Birthday Celebration	0	1	1	1	1	1
Banquets	165	200	220	235	235	235
Receptions	165	200	200	235	235	235
Meetings	115	140	155	165	165	165
Total	445	547	588	654	654	654
Attendees						
Texas State Associations	0	400	700	1,100	1,100	1,100
Regional Conventions & Conferences	0	1,500	3,000	4,500	4,500	4,500
Washington Birthday Celebration	0	1,200	1,200	1,200	1,200	1,200
Banquets	19,500	24,000	26,400	28,200	28,200	28,200
Receptions	22,400	28,000	28,000	32,900	32,900	32,900
Meetings	6,900	11,200	12,400	13,200	13,200	13,200
Total	48,800	66,300	71,700	81,100	81,100	81,100
Attendee Days						
Texas State Associations	0	1,400	2,500	3,900	3,900	3,900
Regional Conventions & Conferences	0	3,000	6,000	9,000	9,000	9,000
Washington Birthday Celebration	0	1,300	1,300	1,300	1,300	1,300
Banquets	19,500	24,000	26,400	28,200	28,200	28,200
Receptions	22,400	28,000	28,000	32,900	32,900	32,900
Meetings	6,900	11,200	12,400	13,200	13,200	13,200
Total	48,800	68,900	76,600	88,500	88,500	88,500

Economic Impact

Economic Impact Methodology



Types of Spending

- **Direct spending** includes only new spending that originates from outside Laredo. 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.
- **Indirect spending** follows from the business spending resulting from the initial direct spending. For example, a guest'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 remains within the local economy counts as indirect impacts.
- **Induced spending** represents the change in local consumption due to 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 a hotel guest 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 overnight visitors and day visitors. HVS used the IMPLAN input-output model of the local economy to estimate indirect and induced spending. The sum of direct, indirect, and induced spending estimates makes up the total estimated spending impact of the two scenarios.

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 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.

Economic Impact Adjustments

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 percentages. 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.

Key Assumptions

HVS made the following considerations to estimate the economic impact of developing the Proposed La Posada Conference Center:

- All conferences and meetings occurring in the conference center and hotel are considered “net new” to Laredo as they would not come to the city otherwise.
- Banquets, receptions, and other local events are not considered in economic impact as they likely would have occurred in Laredo regardless.
- We assume that 70% of leisure visitors and 50% of business travelers captured by La Posada are net new to Laredo.
- HVS used spending parameters derived from Longwoods International, based on a national survey of travelers. HVS applies parameters from the Corporate Travel Index to account for local spending patterns. Adjusted data from DI (Destinations International) provides estimates of organizer spending per visitor day.

Overnight and Daytrip Visitors

This figure categorizes the types of visitation generated by La Posada and the Proposed Conference center into overnight visitors and day trips.

Demand Type	Overnight Visitor Days	Day Trips	Convention Delegate Days*
Meeting and Group			
Texas State Associations	2,200	1,300	3,900
Regional Conventions & Conferences	4,500	4,500	9,000
Meetings	700	12,500	13,200
Other Hotel Group	8,800	0	8,800
Total	16,200	18,300	34,900
Other Hotel Guests			
Leisure	25,410	0	0
Commercial	7,050	0	0
Total	32,460	0	0

*Used to estimate exhibitor spending.

Gross Direct Spending

This figure shows the gross spending from conference center attendees and hotel guests. We assume that facility spending would be proportional to the share of attendees considered “net new” as outlined in the Key Assumptions.

City of Laredo					
Meeting and Group Spending*					
Direct overnight visitor spending	=	16,150	overnight visitors	x	\$112.43 = \$1.82 M
Direct day trip spending	=	18,300	daytrip visitors	x	\$95.75 = 1.75
Exhibitor spending	=	34,900	delegate days	x	\$14.52 = 0.51
Organizer spending	=	34,900	delegate days	x	\$2.11 = 0.07
Hotel Guest Spending*					
Leisure traveler spending	=	25,410	overnight visitors	x	\$100.55 = 2.56
Business traveler spending	=	7,050	overnight visitors	x	\$133.36 = 0.94
Facility Spending					
					Conference Center Revenue = 0.79
					Hotel Revenue = 4.71
					Total Gross Direct Spending = <u>\$13.15 M</u>

*Excluding ADR which is accounted for in Hotel Revenue.

Economic Impact (millions)

The figure below shows the annual net direct, indirect, and induced spending generated for the City of Laredo.

Impact (\$ millions)	City of Laredo
Spending Estimates	
Net Direct	\$11.34
Indirect	3.26
Induced	3.38
Total	\$17.99

Employment Impact

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

Full-Time Equivalent Jobs	City of Laredo
Direct	112
Indirect	23
Induced	22
Total Permanent Jobs	157

Fiscal Impact

Fiscal impacts represent the public-sector share of the economic impacts from tax collections on new spending. HVS used IMPLAN's outputs and local tax rates to estimate the fiscal impact of the Proposed Conference Center. We assume that the lodging tax rate would increase by 2.00% to 9.00%.

Tax Category	Tax Base	Nominal Tax Rate	Estimated Tax Revenue
Local Sales & Use Tax	\$10,750,344	1.00%	\$107,500
Additional Lodging Tax	\$4,228,200	9.00%	\$380,500
			<u>\$488,000</u>

Summary of Impacts

The following figure compares the economic impacts, fiscal impacts, and full-time equivalent jobs supported by the developments of the proposed conference center in a stabilized year of operation.

Summary of Impacts*	City of Laredo
Economic Impact (millions)	\$17.99
Fiscal Impact (millions)	\$0.49
Jobs	157
*In a stabilized year.	

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 conference 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 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.



Contact Information:

Thomas Hazinski

Managing Director

HVS Convention, Sports & Entertainment

312-587-9900 Ext. 11

thazinski@hvs.com