



"...meeting community needs...enhancing quality of life."

MEMORANDUM

TO: Mayor Tim Hanna and CEDC

FROM: Karen Harkness, Director of Community & Economic Development

DATE: March 5, 2014

RE: Updates On Many Moving Pieces To Several Projects

The Mayor asked that I prepare a memo detailing the many moving pieces to several projects which while separate, are also inter-connected.

Library

The Library decision to build new or renovate existing space will occur in the first quarter of 2014. In 2008 and 2009 the Appleton Public Library (APL), City of Appleton and the Appleton Library Foundation (now known as the Friends of Appleton Public Library) commissioned two studies to help form decisions about the future of the Library and the facility itself. The existing library was completed in 1981 and expanded in 1996 with current square footage of approximately 86,000 square feet. Initial feedback regarding the 2008/2009 building studies is that these studies focused primarily on the building rather than the evaluation of what kind of library services we should be offering into the future and this evaluation needs to happen before a building can be designed. In response, APL spent the better part of the last two years working on a long-range plan that would describe the mission, vision and strategies that guide the Library for decades.

The approach APL took is that it's not the community's job to understand the Library, it's the Library's job to understand the community and to develop library services based on community needs. The plan took a multi-faceted approach. Starting in spring of 2012 through spring 2013 APL, in conjunction with the Friends of Appleton Public Library completed 20 focus groups involving 140 members of the community. Nationally recognized experts in urban planning and future studies were brought in to speak in regards to how demographic shifts, changes in technology and other societal issues will impact the future of libraries. Library staff, City staff, members of the Board of Trustees, elected officials, and members of the community toured libraries known for providing high-quality service in different types of facilities. APL staff developed an in-depth presentation about the future of different service areas. The community was surveyed on the Library's strengths, weaknesses, opportunities and threats. Finally, a group of community experts was assembled in a Community Advisory Committee (CAC) to digest all the research and information compiled and completed the Library's new long-range plan. All of the research and the minutes of the CAC were posted on a web portal (www.apl150.org).

Now that APL has completed the long-range services, the next step is to determine the type of facility that is required to accomplish that plan. The Common Council approved funding

in 2014 for preliminary planning and site selection work to be completed in 2014. Using the new long-range plan as the vision for library service for the community, APL staff is currently working with Engberg Anderson to refresh the program design study that was completed in 2009.

The scope of work includes a needs assessment including an analysis of updated library service and operational data including projections of future collection and service needs. The existing facility will be assessed both as a building and as a platform for library service. Sites will be evaluated for their potential to support a facility as defined in the needs assessment including the existing site for the potential for a renovation/expansion. Conceptual layouts and diagrams applying the new building program to each site will be developed in order to evaluate adequate size and access, flow of people and vehicles and the potential organization of the different building options. Cultural, regulatory, program and cost factors will be considered.

In addition, the Library has been a part of the Washington Square Master Planning for City of Appleton Facilities which has been a holistic approach to looking at scenarios for the Library, other City facilities and parking. This study is nearly complete and was presented to the City of Appleton Common Council for feedback in February and the results of this study will factor into the Library's decision as well.

This work is in progress and the Library Board is on track to make a recommendation in March 2014 regarding a remodeled/expanded facility or a new facility with completion of the pre-funding design in summer of 2014 to allow this work to form the 2015 budget. The 2014 Capital Improvement Project budget included placeholders in future years that pending Council approval, would provide for architectural design in 2015 and construction for the Library in 2016-2017.

Downtown Parking Analysis

The existing Blue Parking Ramp is scheduled for demolition in 2018 based on the structural condition of the ramp. Once a decision is made regarding the Library, the Department of Public Works will solicit proposals for a downtown parking analysis. This analysis will help the City determine parking ramp(s) site selection and size determination. Many factors will play into this decision such as the ultimate Library location, exhibition location, needs of other entities such as the YMCA and Outagamie County, opportunities to partner with downtown development, etc.

This study is anticipated being completed by end of 2014.

2008 CSL Study Update

The Fox Cities Convention and Visitors Bureau has undertaken an update to specific segments of the 2008 Feasibility Study of a Potential New Convention Center in the Fox Cities prepared by Sports and Leisure Study. Those updates include: An analysis of Local Market Conditions to define and evaluate the local market characteristics of the Fox Cities as well as the existing event facility infrastructure (i.e., convention, conference, meeting, civic and spectator facilities), focusing on changes that have occurred since 2008. The analysis

will focus on demographic/socioeconomic attributes and will be instrumental in understanding how the Fox Cities area is presently positioned in the meeting, spectator, civic and local event industries (i.e., events with attendance bases that are primarily locally-based).

Additionally, the primary components of a successful convention destination/event package will be evaluated in order to assess the area's ability to support added convention, conference, meeting and other event activity. This aspect of the analysis is critical in understanding the community's visitor industry resources and infrastructure.

The analysis will include a review of the Fox Cities area market data, both current and projected, to assess the area's ability to accommodate added event activity (i.e., typically economic impact generating events that have a significant portion of out-of-town attendance). Also, data associated with existing local convention, civic, spectator and event facilities, as well as facilities offered within area lodging properties, will be reviewed.

Ultimately, these results will be used in combination with data prepared throughout the study to assess the Fox Cities' competitive position within the state, regional and national marketplace and its ability to accommodate additional convention center event demand.

By understanding the type of business currently accommodated within the community, recommendations can be made on convention facility development that could add to the overall level of events, attendees and economic impact.

Industry characteristics and trends analysis will also be evaluated in order to understand the impact of new convention center space and event levels in the Fox Cities. Convention, civic, exhibition, tradeshow, meeting and entertainment industries have undergone significant changes over the past decade, including important changes over the past five years since the market demand analysis was completed for the original Fox Cities Feasibility Study. Issues impacting the industry, including fluctuating demand for space, facility amenities, hotel availability, service levels and other such characteristics, have been joined by recent events such as the nationwide economic recession and credit market crisis. In addition, supply growth has impacted demand levels in individual markets.

A comparable and competitive facility analyses will evaluate the market demand for new convention center space in the Fox Cities. It is important to gain an understanding of the competitive and comparable facility environment. The consultant will assemble and review the physical and operational characteristics of existing and planned facilities in the region that could compete with the proposed project, focusing on new and planned projects that have materialized since the research was completed for the 2008 feasibility study. Projects around North America that may offer some element of comparable insight will also be evaluated.

In addition, as a part of this analysis, a number of case studies will be developed concerning comparable facilities in similar communities to Appleton and the Fox Cities, which will address the respective facilities' level of use, rates, financing, source of public subsidies, size and operating expense, as well as other key facility/market information. This analysis will

assist in providing data as to how Appleton and the Fox Cities could compete within specific event markets, as well as later assisting in the evaluation of the associated financial operations, operation structure, marketing, and economic and fiscal impacts of new convention center space in Appleton.

The consultant will develop primary industry market research specific to Appleton and the Fox Cities. They will interview, via telephone, a sample of potential users of the new convention center space in Appleton, both locally and from a state, regional and potentially national basis. Such interviews are an important component of the study approach, going beyond simply relying on competitive and comparable facility data. The focus will be on changes in potential organization/event interest and associated facility/destination requirements since the last market surveys were completed in 2008. An attempt will be made to contact many of the same organizations that were included in the initial feasibility study, as well as identify additional potential users for surveying purposes.

There will be an estimate of the economic impacts associated with the operation of a new convention center and key impact differences with those estimated under the original 2008 Feasibility Study will be highlighted. The consultant will develop estimates of total incremental out-of-town delegates to the Fox Cities area generated as a result of a potential convention center and will then apply appropriate per delegate spending estimates using industry data adjusted to the local area. The resulting delegate spending levels will be segmented by industry and applied to economic impact multipliers.

The multipliers, specific to the Fox Cities and provided by leading input/output multiplier models, will be used to estimate total economic output, earnings and employment generated as a result of a potential convention center. From these economic impact variables, the consultants apply appropriate local, regional and statewide tax rates to estimate the added tax revenue generated as a result of the project.

The completion of the economic impact analysis will allow for a comparison of key costs and benefits associated with the development and operation of the convention center project in Appleton. Costs and benefits will be comparatively evaluated to allow project stakeholders and the community to assess issues related to return on investment.

This study is anticipated being completed in late March.

Huddle Up Group Study of Sporting Facilities

The Fox Cities Convention and Visitors Bureau is also conducting a study of sporting facilities and the overall sports tourism product in the Fox Cities with the independent consulting firm, Huddle Up Group. Below are some of the reasons why this project will be valuable to our community:

- The sporting event industry is now a \$8.3 billion a year industry and that figure is likely to continue to climb as families regularly put their annual vacation on hold in order to give their children any opportunity to compete at the state, regional, or national level. The combination of the Fox Cities history of hosting youth sporting events, our family-

friendly amenities, and above average sports facilities make us uniquely suited to benefit from youth team sporting events now and in the foreseeable future.

- Our competitors' facilities continue to grow and improve and without taking a strategic look at what we have and what we could have, we will begin to lose out on sporting events that rotate host communities. Look at new facilities in Mauston/Wisconsin Dells; Westfield, IN; West Michigan; and Elizabethtown, KY as examples of communities that have received (or will receive) a major boost in visitor spending by hosting events at these new sporting venues.
- The Huddle Up Group is the ideal fit for completing this project. Jon Schmieder, former head of the Phoenix, Tulsa, and Denver Sports Commissions, has assembled a strong team around him to accomplish projects just like this. In fact, Medford, OR is currently undergoing nearly the same study that we hope to undertake with the Huddle Up Group. Schmieder and his team will provide independent expertise to our efforts, build community support, and provide us with options for future facility upgrades as well as recommendations for refining our sports sales efforts going forward.

With every new event created, we are coming closer to a plateau in terms of the number of sporting events we can host in the Fox Cities. The main ways that we can avoid hitting a plateau are 1) getting community buy-in to build or renovate sporting facilities and 2) set a clear plan of action for the coming years to creatively host more or new events.

This study ties into the exhibition center via the hotel room tax. Is there synergy between these two projects? Would it make sense to combine these two projects with regard to the hotel room tax?

This study is anticipated being completed in late March or early April.

Hotel Room Tax/Alternative Funding Model

As you are aware, an increase in hotel room tax has been identified as a main funding source in the development of the proposed Fox Cities Exhibition Center (FCEC). The Fox Cities Exhibition Center leadership has developed several room tax scenarios for review and asked the Fox Cities Convention and Visitors Bureau to assist in sharing and gathering communication and information. On Wednesday, January 29, the Fox Cities Convention and Visitors Bureau hosted a meeting for hotel general managers to discuss funding the exhibition center with room tax. They had 15 hotel GMs and one owner in attendance. In order to allow for the freest conversation, no one from the FCEC Board attended the meeting. The following information was provided to hoteliers by Walter Rugland prior to the meeting:

Below are Walt's comments:

You asked me to give you an update on the work we are doing on funding the Exhibition Center. As you know, the City agreed to fund \$3.8 million if it gets started this year. My estimate of the all-in cost has increased to \$27-\$28 million due to construction price inflation. This leaves around \$24 million to fund.

We have developed two options for construction funding; one is the traditional national bond markets (aka the PAC bonds), the other is to sell customized bonds to local buyers (a more efficient approach). We know the national markets exist we are working to get a fix on the local option which seems feasible.

The actual available funds depend of course on the projected room tax levy. If we focus on Grand Chute and Appleton, the current levy is 6% until 2017 (estimated date of the PAC bond pay-off instead of the projected 2021) reducing to 4% for years thereafter. I have run tests of various levy increases and applied all of the revenue flow to the national market option. Here are some key results.

We were asked to test the impact of a 2% increment in the levy; this means a levy of 8% to 2017 and then 6% thereafter. The resulting funds for construction are \$10.7 million.

We then tested a levy of 2% until 2021 increasing then to 4%. This means a levy of 8% to 2017, then 6% to 2021, then 8% thereafter. The resulting funds for construction are \$15.4 million.

We then tested a pattern that would front-load the levy and leave more room in later years for other projects. It is an increase of 4% until 2021, and then 3% thereafter. This means a levy of 10% to 2017, then 8% until 2021, then 7% thereafter. The resulting funds for construction are \$18.5 million.

We have also tested the same levy increments (and others) for application in the local market option. The additional variable is the portion of the overall tax increment that would be applied there. For example, if we assume that it is one third of the increment, the available funds increase by around 40%; the \$18.5 million on the test above becomes around \$25 million. This would complete the funding.

Work continues on the local option. The sooner we can get a fix on the potential room tax increment, the better for these discussions.

Below is a summary from the Fox Cities Convention and Visitors Bureau of the discussion that occurred on Wednesday, January 29:

1. The majority of hotel GMs support the Expo Center project in concept.
2. Ownership of the Little Chute hotel is opposed to the Expo Center project. I have also received an email from the owner of a local Bed & Breakfast that acknowledges the value of the Expo Center, but doesn't support increasing the room tax on his property since he won't directly benefit.
3. A 2% increase in room tax and then another 2% when the PAC tax sunsets (essentially keeping the PAC 2% in place and using it to fund the Expo Center) would be agreeable to hotels.

4. There was a strong feeling from several hoteliers that their customers alone should not pay for this project. We should find a way for other businesses that will benefit from this project (aka restaurants) to "pay something".
5. Hotels asked to have some sort of area in the Expo Center to promote themselves.
6. Hotels asked that they be notified of the events being booked at the Expo Center so that they can adjust their rates ... "Rate Compression" works optimally if the hotels know in advance that there is high demand in the market.

Review of alternative revenue streams and discussions with stakeholders continue.

Lease

A draft lease between the FCEC Board and LNR was shared with LNR Management on December 23, 2013.

Discussion continues.