# Market & Economic Analysis Associated with Expansion of the Ocean City Convention Center

**Presented to:**

**Maryland Stadium Authority**

**Presented by:**

Crossroads
CONSULTING SERVICES

**Final Report – January 2017**

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January 2017

Mr. Al Tyler, Senior Project Manager
Maryland Stadium Authority
The Warehouse at Camden Yards - South Warehouse
351 West Camden St., Ste. 500
Baltimore, MD 21201

Dear Mr. Tyler:

Crossroads Consulting Services LLC has completed its market and economic analysis associated with the proposed expansion of the Ocean City Convention Center. This report summarizes our research and analysis. The majority of the research associated with this market and economic analysis was completed in early 2016.

The information contained in the report is based on estimates, assumptions, and information developed from market research; knowledge of the convention and meeting industries; as well as data provided by management at the Ocean City Convention Center and the Town of Ocean City. We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. All information provided to us by others was not audited or verified and was assumed to be correct. Moreover, estimates and analysis are based on trends and assumptions and, therefore, there will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no obligation, unless subsequently engaged, to update this report or revise the information contained therein to reflect events and transactions occurring after the date of this report.

In accordance with the terms of our engagement letter, the accompanying report is restricted to internal use by the Maryland Stadium Authority and the Town of Ocean City and may not be relied upon by any third party for any purpose including financing. Notwithstanding these limitations, it is understood that this document may be subject to public information laws and, as such, can be made available to the public upon request.

Although you have authorized reports to be sent electronically for your convenience, only the final hard copy report should be viewed as our work product. We have enjoyed our relationship with the Maryland Stadium Authority and the Town of Ocean City and look forward to providing you with continued services in the future.

Sincerely,

*Crossroads Consulting Services LLC*

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# INTRODUCTION

Ocean City is located along the eastern shore of Maryland in Worcester County and is one of the most popular, year-round vacation destinations on the East Coast providing a safe, clean and fun environment for visitors. The community offers 10 miles of beach as well as many amenities including approximately 9,300 hotel rooms and 21,000 oceanfront and bay view condominiums for rental. Ocean City attracted approximately 6.6 million visitors in 2014.

In an effort to expand its visitor markets to include group business as well as to accommodate local needs, the Town of Ocean City (TOC) developed the Ocean City Convention Center (OCCC) in 1970. The facility included 40,000 square feet of exhibit space on two levels, seven meeting/breakout rooms, three board rooms, lobby and prefunction space and 666 parking spaces.

In 1990, Economic Research Associates completed a market and economic study that assessed the feasibility of expanding the OCCC. The study found that the OCCC captured a significant amount of convention activity within the State and the Mid-Atlantic region and that event attendance was higher than the average for competitive facilities in the region. Challenges cited in that study were 1) the size and configuration of the OCCC's exhibit and meeting facilities were inadequate, inflexible and outdated, 2) air access to Ocean City was limited and distance to a major airport was a deterrent, and 3) lodging facilities were not located within close proximity. The study recommended expansion of the OCCC's exhibit and meeting facilities to maintain and potentially increase convention market activity and to remain competitive. The study recommended the following 'ideal' facility program which could be achieved through a combination of both new construction and renovation: a total of 80,000 square feet of exhibit space; 30,000 square feet of meeting/breakout space; and 20,000 to 25,000 square feet of ballroom/swing space.

The OCCC was renovated and expanded in 1997 with the addition of exhibition and meeting space and the conversion of an exhibit hall into a ballroom.

In December 2007, the TOC asked the Maryland Stadium Authority (MSA) to conduct a feasibility study for another expansion of the OCCC. At that time, Crossroads Consulting Services LLC (Crossroads Consulting) was retained to evaluate the existing building, the current convention market, options for capital improvements, and the proposed addition of a performing arts center. Based on many factors, the study recommended a moderate expansion and remodeling of the OCCC to update audio-visual and technical amenities, provide more function space to accommodate multiple events, increase prime exhibit space that was, at the time, limited by obstructions in the existing exhibit hall C, and build a parking garage to replace lost surface space. The study was completed in 2008.

Since that time and based on the recommendations of that study effort, the TOC has completed a two-phased expansion/renovation including the addition of a second-story 19,126 square-foot ballroom in November 2012 and a 1,200-seat Performing Arts Center in January 2015. The new Performing Arts Center replaced exhibit hall C which reduced the amount of exhibit space.

The OCCC serves as the primary venue in the area for conventions, tradeshows, public shows, meetings and sports competitions and currently offers approximately 60,000 square feet of exhibit space in three halls; 19,126 square feet of ballroom space; and 23 fully divisible meeting rooms. Many of the OCCC's annual users, including State and regional conventions/tradeshows and sporting competitions, are constrained by the amount of exhibit space. Additional groups have expressed interest in utilizing the facility that cannot currently be accommodated due to date and/or exhibit space availability.

Given this background, the TOC and the MSA retained Crossroads Consulting to conduct a market and economic analysis associated with the addition of a maximum of 30,000 square feet of exhibit space along the north side of the existing exhibition space.

Specific research tasks conducted for this analysis include, but are not limited to, the following:

- Conducted interviews and/or work sessions with a variety of stakeholders including, but not limited to, representatives from the MSA, TOC, facility management, Centerplate, CVB, Hotel/Motel Restaurant Association, Ocean City Development Corporation, and Greater Ocean City Chamber of Commerce.
- Profiled market attributes in terms of demographics, employment, highway and air accessibility, existing hotel supply and planned additions, area meeting hotels, attractions, and tourism/visitor statistics.
- Summarized key industry trends that may impact future operations of an expanded OCCC.
- Analyzed historical event activity and financial operations for the existing OCCC.
- Conducted surveys with State and regional professional/trade association meeting planners and sporting event organizers to obtain their input on the potential market demand for an expanded OCCC.
- Analyzed competitive and comparable facilities in terms of owner/operator, building program elements, destination characteristics, utilization, and financial operations.
- Commented on the proposed expansion program's ability to address the needs of potential target markets.
- Estimated the potential incremental new impact to utilization and financial operations associated with an expanded OCCC.
- Estimated the potential incremental new economic/fiscal impacts in terms of spending, employment, earnings, and tax revenues associated with an expanded OCCC.

# EXECUTIVE SUMMARY

Crossroads Consulting was retained by the TOC and the MSA to conduct a market and economic analysis to evaluate the merits of adding a maximum of 30,000 square feet of exhibit space along the north side of the existing exhibition space in order to maximize its marketability, competitiveness and economic impact to the community.

Market research suggests that the expansion would allow the OCCC to better accommodate existing users as well as attract incremental new business in niches that are well-suited to Ocean City's strengths. These niches include State/regional conventions/tradeshows and sports competitions that more commonly attract overnight attendees that drive to/from the destination, are held in family-friendly destinations, and seek affordable options. In addition, the proposed exhibit hall expansion could better accommodate long-term users that serve the local community such as the Seaside Boat Show and the Stephen Decatur High School graduation.

The existing OCCC currently offers the second smallest amount of exhibit space relative to its competitive set. The proposed addition of a maximum of 30,000 square feet of contiguous exhibit space would place the OCCC in a better competitive position to host larger and/or more simultaneous events. If the OCCC's exhibit space is not expanded, the community could lose market share to other State/regional competitors. This recommended increase in exhibit space is generally consistent with the findings in previous studies.

Based on the research and analysis conducted for this study, the following table summarizes key elements of the market/economic analysis for the recommended expansion in terms of its impact to the facility's usage, financial operations and economic/fiscal benefits. This type of project is one of the few that allow the local government to positively impact the economy through its investment. As shown, although the OCCC realizes an operating deficit, this can be viewed as an investment that generates significant economic impacts (e.g., spending, jobs and earnings) and tax revenues to the community.

| Overall Summary of the OCCC Expansion Analysis | | | | | | | |
|---|---|---|---|---|---|---|---|
| Category | Historical Five-Year Average | Expanded OCCC (Stabilized Year) | | | Incremental New (Stabilized Year) | | |
| **Usage/Event Activity** | | | | | | | |
| Number of Events | 82 | 104 | - | 113 | 22 | - | 31 |
| Event Days | 216 | 272 | - | 294 | 56 | - | 78 |
| Total Attendee Days | 406,600 | 563,800 | - | 606,800 | 157,200 | - | 200,200 |
| High Impact Attendee Days | 245,100 | 351,200 | - | 380,100 | 106,100 | - | 135,000 |
| **Financial Operations** | | | | | | | |
| Operating Revenues | $1,721,000 | $2,455,000 | - | $2,581,000 | $734,000 | - | $860,000 |
| Operating Expenses | 4,373,000 | 5,063,000 | - | 5,157,000 | 690,000 | - | 784,000 |
| Operating Gain/(Loss) | ($2,652,000) | ($2,608,000) | - | ($2,576,000) | $44,000 | - | $76,000 |
| **Economic Impacts - Worcester County** | | | | | | | |
| Direct Spending | $106,155,000 | $134,504,000 | - | $144,935,000 | $28,349,000 | - | $38,780,000 |
| Indirect/Induced Spending | 41,535,000 | 57,314,000 | - | 61,764,000 | 15,779,000 | - | 20,229,000 |
| Total Spending | $147,690,000 | $191,818,000 | - | $206,699,000 | $44,128,000 | - | $59,009,000 |
| Total Earnings | $49,116,000 | $69,250,000 | - | $74,652,000 | $20,134,000 | - | $25,536,000 |
| Total Jobs | 1,650 | 2,100 | - | 2,200 | 450 | - | 550 |
| **Economic Impacts - State of Maryland** | | | | | | | |
| Direct Spending | $112,887,000 | $142,956,000 | - | $153,985,000 | $30,069,000 | - | $41,098,000 |
| Indirect/Induced Spending | 82,556,000 | 100,257,000 | - | 107,948,000 | 17,701,000 | - | 25,392,000 |
| Total Spending | $195,443,000 | $243,213,000 | - | $261,933,000 | $47,770,000 | - | $66,490,000 |
| Total Earnings | $73,778,000 | $95,081,000 | - | $102,361,000 | $21,303,000 | - | $28,583,000 |
| Total Jobs | 1,830 | 2,300 | - | 2,500 | 470 | - | 670 |
| **Fiscal Impacts** | | | | | | | |
| Worcester County | $2,477,000 | $3,213,000 | - | $3,483,000 | $736,000 | - | $1,006,000 |
| State of Maryland | 9,144,000 | 11,710,000 | - | 12,623,000 | 2,566,000 | - | 3,479,000 |
| Total | $11,621,000 | $14,923,000 | - | $16,106,000 | $3,302,000 | - | $4,485,000 |

A market/economic assessment is an initial step in any planning process. Expanding the OCCC will require additional strategic planning efforts. Consequently, the TOC and the MSA proceeded with subsequent phases of the study effort. Becker Morgan Group, Inc. (Becker Morgan) was hired to perform site, parking and architectural planning studies related to the recommended OCCC expansion program. In addition, MSA and Johnson Mirmiran & Thompson (JMT) jointly provided cost estimating services based on the designs prepared by Becker Morgan. As a point of reference, the total base project cost is estimated to be approximately $34 million. Appendix A includes the conceptual design documents prepared by Becker Morgan as well as the project cost estimate summary. Collectively, the information provided by the project team is intended to serve as a resource for the TOC and the State in their future planning decisions for this project.

Because the information presented in the executive summary is extracted from the more detailed report, it is important for the reader to review the report in its entirety in order to gain a better understanding of the research, methodology and assumptions used.

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# GENERAL MARKET OVERVIEW

General market conditions impact the marketability and operations of convention/meeting facilities. As such, this section of the report profiles select market characteristics including:

- Demographic/economic statistics
- Area employment
- Accessibility
- Hotel market
- Attractions
- Tourism statistics

## Demographic and Economic Statistics

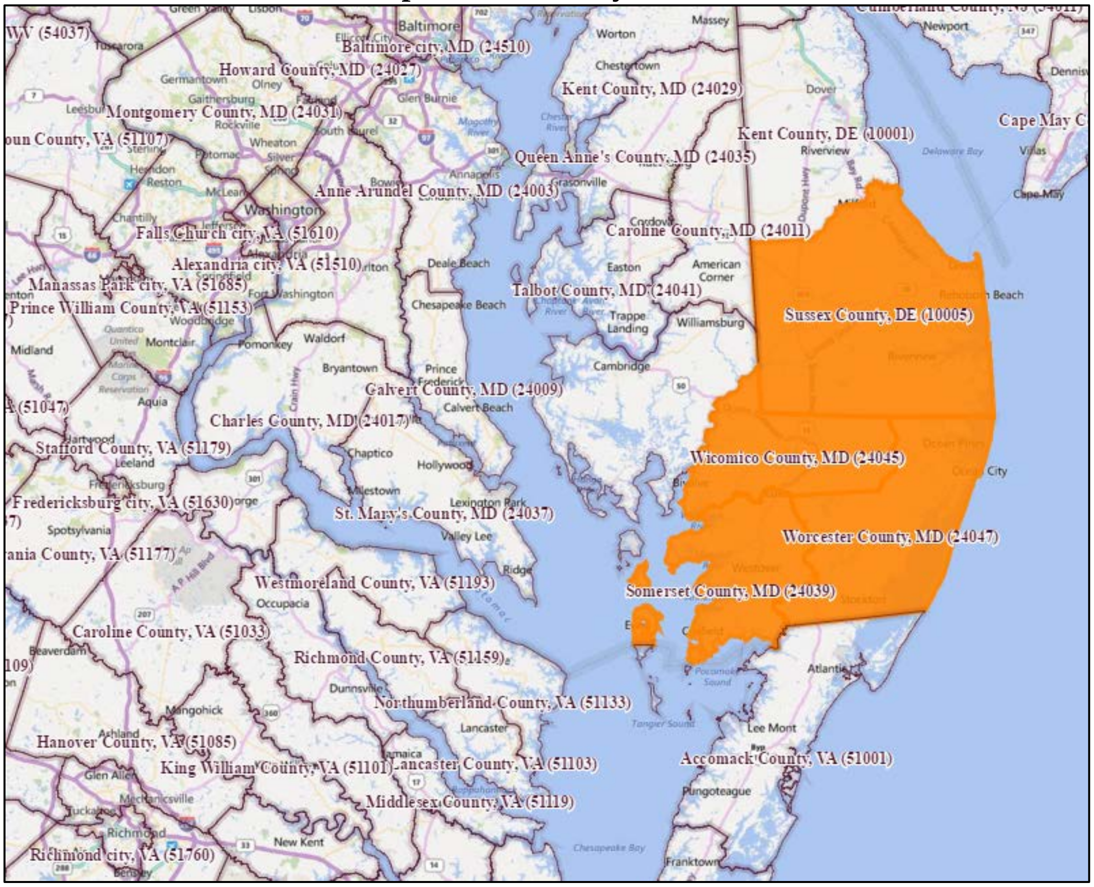
Factors such as demographic/economic conditions, the vibrancy of the area immediately surrounding a facility, and overall destination appeal to both event planners/promoters and attendees can all impact a facility's overall competitiveness within the broader marketplace.

Depending on the scope and nature of the event, convention centers draw from both area residents and out-of-town attendees. As such, a facility's location contributes to its marketability to convention/meeting and competitive sporting events. Consumer shows and local, civic-based events tend to draw from a relatively close geographic area while convention/meeting and competitive sporting events can draw from a larger radius.

When choosing a location, event planners/producers typically view several characteristics of a destination as important to the success of their event. The importance that event planners/producers place on these factors differs depending on the type of event. For instance, local events may place more importance on the accessibility of the venue to exhibitors and attendees from the surrounding communities. Whereas, convention/meeting planners may consider attributes such as accessibility via air and/or highway, hotel room inventory, and/or the relative travel costs most important. A consistent desire from both professional and trade associations is the number of convention quality hotel rooms proximate to the facility. Offering hotels in close proximity to the facility allows attendees to move freely between meetings and can decrease the overall cost of hosting the event if shuttle service is not required. For certain activities like sports competitions, factors such as highway accessibility and attractions are important considerations when selecting markets.

For purposes of this analysis, the primary market is defined as the Salisbury Metropolitan Statistical Area (Metro Area), which includes Somerset, Wicomico, and Worcester Counties in Maryland and Sussex County in Delaware. According to the U.S. Census Bureau, the term Metropolitan Statistical Area is defined as a metro area that contains a core urban area of 50,000 or more population. Each metro area consists of one or more counties and includes the counties containing the core urban area as well as any adjacent counties that have a high degree of social and economic integration (as measured by commuting to work) with the urban core.

**Map of the Primary Market**




Source: Nielsen Pop-Facts Demographics.

Demographic statistics are provided by Claritas; a Nielsen company that provides current and projected U.S. demographics based on U.S. census figures.

## Population

Population serves as a base from which events at convention centers draw attendance and other forms of support. In 2015, the population of the primary market is estimated to be 390,800. According to Nielsen, the population within the primary market is projected to increase by 5% between 2015 and 2020.

## Age Distribution

Analysis by age group is useful since certain events at convention centers are targeted toward consumers who fall within specific age categories. Approximately 40% of the primary market are within the ages of 21 and 54 which represents a popular target market for consumer shows and other entertainment events. Nearly one-quarter of the population (24%) in the primary market is under 21 years old, a popular age range for sports tournaments/competitions. The median age is 43.6 years old in the primary market.

Income

Income offers a broad measurement of spending potential for a specific population because it indicates the general ability of individuals or households to purchase a variety of goods. The median household income for the primary market is $53,400. As a point of reference, this figure is lower than that for the State of Maryland ($74,600) and comparable to that for the U.S. ($53,700). Approximately 21% of the households in the primary market have income levels of at least $100,000.

The table below summarizes key demographic/economic characteristics of the TOC, Worcester County and the primary market.

| Summary of Key Demographic/Economic Characteristics | | | |
|---|---|---|---|
| | Geographic Area | | |
| Category | Town of Ocean City | Worcester County | Metro Area (Primary Market) |
| **Population** | | | |
| 2000 Population | 7,100 | 46,500 | 312,600 |
| 2010 Population | 7,100 | 51,500 | 373,800 |
| 2015 Population | 7,700 | 51,700 | 390,800 |
| 2020 Projection | 8,200 | 52,500 | 408,700 |
| Growth 2000-2010 | 0% | 11% | 20% |
| Growth 2010-2015 | 8% | 1% | 5% |
| Projected Growth 2015-2020 | 6% | 11% | 5% |
| **Age Distribution** | | | |
| Under 21 Years Old | 10% | 21% | 24% |
| 21 - 44 Years Old | 25% | 24% | 27% |
| 45 - 54 Years Old | 13% | 14% | 13% |
| 55+ Years Old | 52% | 42% | 36% |
| **Median Age** | 55.8 | 49.1 | 43.6 |
| **Household Income Distribution** | | | |
| Less than $25,000 | 22% | 17% | 23% |
| $25,000 to $49,999 | 24% | 23% | 25% |
| $50,000 to $74,999 | 22% | 18% | 19% |
| $75,000 to $99,999 | 7% | 14% | 13% |
| $100,000 to $149,999 | 10% | 15% | 13% |
| $150,000 or more | 16% | 13% | 8% |
| **Median Household Income** | $55,000 | $63,100 | $53,400 |
| **Average Household Income** | $86,600 | $83,800 | $69,400 |
| **Population by Single Race Classification** | | | |
| White | 87% | 80% | 71% |
| Black/African American | 3% | 14% | 18% |
| Hispanic or Latino | 7% | 4% | 7% |
| Other Races | 3% | 3% | 4% |

Note: Not all amounts add up to 100% due to rounding.
Source: Claritas.

## Area Employment

A broad workforce distribution helps lessen a community's dependency on support from any single industry segment. Industry diversification also helps a local economy withstand economic downturns due to dependency upon one industry; should one industry fail, there are others upon which the local economy can rely.

The distribution of an area's employment by industry is a consideration when targeting various events and/or seeking advertising and sponsorship opportunities. For instance, a large services sector is typically a positive indicator for the number of corporate events being held in the area. The services sector usually has significant financial resources to host activities such as conferences, seminars, banquets, receptions and other special events. In addition, employers may be members of professional/trade associations and can be instrumental in attracting State or regional conventions/tradeshows to the TOC. A significant leisure/hospitality sector is indicative of an established visitor market that includes out-of-town attendees for sports competitions, corporate meetings, conferences, and convention/tradeshows.

While Worcester County offers employment in various industries, employment data shown in the following table indicates that the workforce is primarily concentrated in leisure/hospitality, trade/ transportation/utilities, and education/health services.

**Worcester County Private Sector Employment by Place of Work - 2015**

| Industry | Total Jobs | % of Total |
|---|---|---|
| Leisure and Hospitality | 9,100 | 44% |
| Trade, Transportation, and Utilities | 4,100 | 20% |
| Education and Health Services | 2,200 | 11% |
| Professional and Business Services | 1,400 | 7% |
| Financial Activities | 1,200 | 6% |
| Construction | 1,100 | 5% |
| Other Services | 700 | 3% |
| Manufacturing | 700 | 3% |
| Information | 200 | 1% |
| Natural Resources and Mining | 100 | 0% |
| **Total** | **20,800** | **100%** |

Notes: Sorted in descending order by total jobs.
Includes civilian employment only; Excludes government employment.
Total jobs are rounded to the nearest hundred.

Source: Maryland Department of Labor, Licensing and Regulation, Office of Workforce Information and Performance.

The non-seasonally adjusted unemployment rate for Worcester County was approximately 13.7% in December 2015 which was significantly higher than that for the Salisbury Metro Area (6.9%), the State of Maryland (4.7%) and the U.S. (4.8%) during the same month.

With nearly 1,100 employees, Harrison Group, which is a hotel and restaurant management company, is the largest employer in Worcester County. As shown in the following table, other major employers include Atlantic General Hospital, Walmart, O.C. Seacrets, and Dough Roller.

| Major Employers in Worcester County - 2015 | | |
|---|---|---|
| **Company** | **Industry** | **Employees** |
| Harrison Group* | Accommodation/Food Services | 1,100 |
| Atlantic General Hospital | Health Care | 800 |
| Walmart | Retail Trade | 500 |
| O.C. Seacrets* | Accommodation/Food Services | 400 |
| Dough Roller* | Accommodation/Food Services | 400 |
| Phillips Seafood Restaurants* | Accommodation/Food Services | 300 |
| Carousel Resort Hotel & Condominiums* | Accommodation/Food Services | 300 |
| Clarion Resort Fontainebleau* | Accommodation/Food Services | 300 |
| Fager's Island* | Accommodation/Food Services | 200 |
| Ocean Enterprise 589/Casino at Ocean Downs | Arts/Entertainment/Recreation | 200 |
| Ocean Pines Association | Other Services | 200 |
| 91st Street Joint Venture/Princess Royale* | Accommodation/Food Services | 200 |
| Trimper's Rides* | Arts/Entertainment/Recreation | 200 |
| Berlin Nursing and Rehabilitation Center | Health Care | 200 |
| Bel-Art Products | Manufacturing | 200 |

Notes: Sorted in descending order by total employees.
Excludes post offices, State and local governments.
* Reflects summer employment levels.
Number of employees is rounded to the nearest hundred.

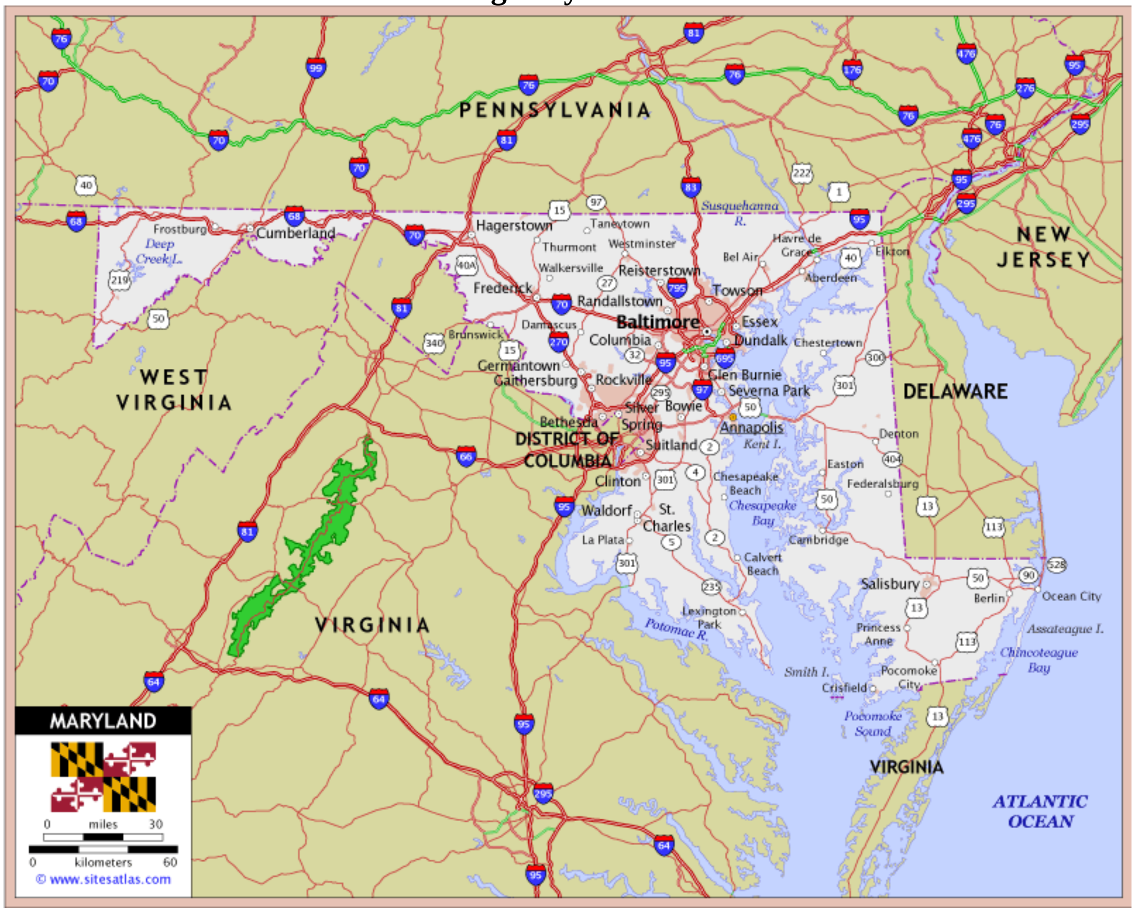
Sources: Worcester County Department of Economic Development; Maryland Department of Commerce.

## Accessibility

The method event promoters/producers use to select venues to host their event is partially based on ease of access to a market for attendees. As such, the location and accessibility of a facility relative to the population base can impact its marketability for certain types of events.

Ocean City is located along the eastern shore of Maryland. As shown in the following map, this region of the State is separated by the Chesapeake Bay and does not have direct interstate access. Maryland Route 528 and U.S. Route 113 provide north-south access and U.S. Route 50 and U.S. Route 90 provide east-west access to and from Ocean City.

**Highway Access**




The Salisbury-Ocean City-Wicomico Regional Airport provides commercial air access to Ocean City. This airport, which is located approximately 30 miles from the OCCC, is serviced by American Airlines. In 2015, the Salisbury-Ocean City-Wicomico Regional Airport had approximately 61,800 passenger enplanements. The Federal Aviation Administration (FAA) defines enplanements as domestic, territorial and international passengers who board an aircraft in scheduled and non-scheduled service of aircraft. While most of the OCCC's attendees drive in, the airport's relative proximity to the facility is advantageous for certain attendees or VIPs who wish to fly in. The OCCC is also serviced by the Baltimore-Washington International Airport and the Philadelphia International Airport, both of which are located approximately 140 miles from Ocean City.

## Hotel Market

The diversity and supply of hotel rooms proximate to the OCCC can play a role in attracting certain events that draw overnight attendees such as conventions/meetings and/or sports competitions/tournaments.

## Hotel Supply

As shown in the adjacent table, there are approximately 9,300 hotel rooms in Ocean City. These properties include chain-affiliated hotels, all-suite, boutique and independent properties. Over the last several years, five new hotels have been developed in the Ocean City area. These properties have a total of 422 rooms and offer relatively affordable rates which has enhanced the OCCC's marketability for group business. There are nine proposed new properties scheduled to be developed in the Ocean City area over the next several years which are anticipated to add more than 840 additional rooms to the existing supply.

According to the Ocean City Hotel/Motel Association, there are approximately 2,900 hotel rooms within walking distance of the OCCC. New property additions or replacements are anticipated to add more than 440 rooms within walking distance of the OCCC in the next several years including a new Residence Inn which is anticipated to open in 2017.

**Summary of Hotel Supply in Ocean City, MD**

| Property | Location | Number of Rooms |
|---|---|---|
| Carousel Resort Hotel & Condominiums | 91st - 146th Street | 340 |
| Princess Royale Family Resort & Condominiums | 91st - 146th Street | 340 |
| Clarion Resort Fontainebleau Hotel | 91st - 146th Street | 323 |
| Grand Hotel & Spa | Inlet - 27th Street | 251 |
| Francis Scott Key Family | West OC | 232 |
| Hilton Hotel & Suites | 28th - 90th Street | 225 |
| Holiday Inn Oceanfront | 28th - 90th Street | 216 |
| Holiday Inn Hotel & Suites | Inlet - 27th Street | 210 |
| Fenwick Inn | 91st - 146th Street | 201 |
| Comfort Inn Goldcoast | 91st - 146th Street | 201 |
| Princess Bayside Hotel | 28th - 90th Street | 194 |
| Castle in the Sand | 28th - 90th Street | 184 |
| Plim Plaza Hotel | Inlet - 27th Street | 181 |
| Quality Inn Boardwalk | Inlet - 27th Street | 179 |
| Days Inn Ocean Front | Inlet - 27th Street | 176 |
| Dunes Manor Hotel | 28th - 90th Street | 170 |
| Sahara Motel | Inlet - 27th Street | 161 |
| Sea Bay Hotel | 28th - 90th Street | 157 |
| Tidelands Caribbean | Inlet - 27th Street | 133 |
| Quality Inn Oceanfront | 28th - 90th Street | 130 |
| Holiday Inn Express | 91st - 146th Street | 122 |
| Hampton Inn Hotel & Suites | 28th - 90th Street | 113 |
| Flamingo Motel | 28th - 90th Street | 112 |
| Dunes Motel | Inlet - 27th Street | 111 |
| Admiral Motel | Inlet - 27th Street | 111 |
| Commander Hotel | Inlet - 27th Street | 109 |
| Quality Inn & Suites Beachfront | 28th - 90th Street | 109 |
| La Quinta Inn & Suites | 28th - 90th Street | 101 |
| Pinnaker Motel | Inlet - 27th Street | 100 |
| Bonita Beach Hotel | 28th - 90th Street | 100 |
| All Other Hotels | | 4,010 |
| **Total** | | **9,302** |

Notes: Sorted in descending order by number of rooms.
"All Other Hotels" include properties with under 100 rooms.
Source: Ocean City Department of Tourism.

In addition to hotel rooms, overnight visitors can stay in one of approximately 21,000 condominiums or rental accommodations in Ocean City. Overall, the number of hotel rooms and rental accommodations is favorable for attracting overnight business to the OCCC.

There are relatively few hotels in the immediate area that offer a minimum of 10,000 square feet of total function space. On average, these profiled hotels offer approximately 19,000 square feet of total function space, approximately 11,100 square feet of which is dedicated ballroom space. The maximum banquet seating capacity at these facilities ranges from 400 to 850. In addition, these hotels offer an average of 330 on-site sleeping rooms. The amount and type of function space combined with on-site hotel rooms and various resort-type amenities such as the beach, golf and tennis make these properties particularly attractive for smaller groups that prefer to meet under one roof and desire high-end function space for their convention/meeting activity. The OCCC's building program is particularly marketable to group business that requires all three types of function space (i.e., exhibit, ballroom, and meeting) under one roof.

| Facility | Location | Total Function Space SF | Total Ballroom SF | Largest Banquet Capacity | Total Meeting Room SF | Meeting Rooms | Sleeping Rooms |
|---|---|---|---|---|---|---|---|
| Princess Royale Family Resort & Condominiums | Ocean City | 30,000 | 9,900 | 600 | 1,200 | 1 | 340 |
| Hyatt Regency Chesapeake Bay | Cambridge | 24,000 | 16,100 | 850 | 7,900 | 13 | 400 |
| Clarion Resort Fountainebleau | Ocean City | 21,000 | 14,400 | 560 | 6,200 | 7 | 320 |
| Grand Hotel & Spa | Ocean City | 10,000 | 8,200 | 400 | 1,700 | 2 | 250 |
| Carousel Resort Hotel & Condominiums | Ocean City | 10,000 | 7,000 | 650 | 2,700 | 2 | 340 |
| **Average** | | **19,000** | **11,100** | **610** | **3,900** | **5** | **330** |

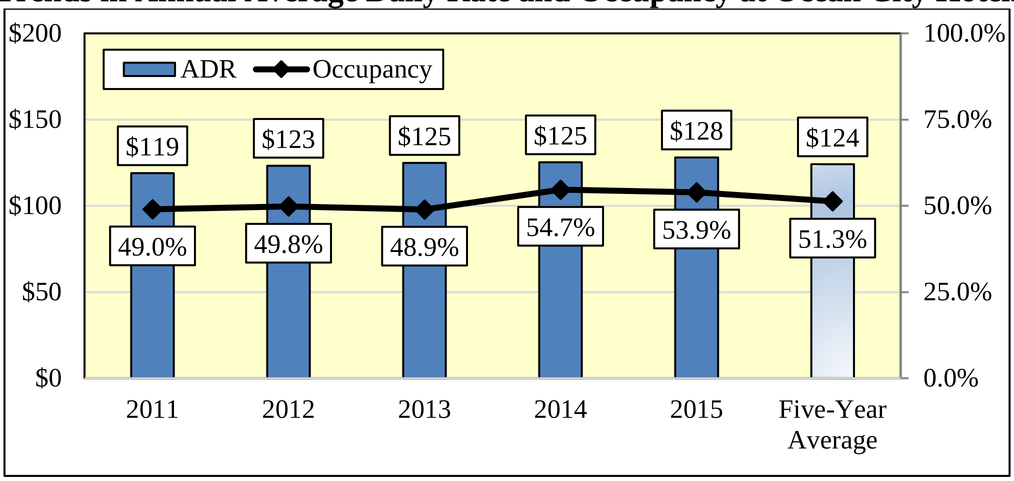
Notes: Sorted in descending order by total function space.
Profiled hotels are located in Maryland's Eastern Shore and offer a minimum of 10,000 SF of meeting/ballroom space.
Source: Individual hotel properties; secondary research.

In addition to the above properties, there are several meeting hotels in the region offering more than 10,000 square feet of meeting/ballroom space. These include, but are not limited to, the Gaylord National Resort & Convention Center, Hilton Baltimore, and Embassy Suites Baltimore Hotel. These properties are also attractive to groups wishing to contain their events under one roof.

## Hotel Demand

The ability for the OCCC to attract events that generate overnight stays is partially impacted by the availability and affordability of area hotels. Annual occupancy and average daily rate (ADR) statistics for Ocean City hotels is illustrated in the following graph. ADR remained steady between 2011 and 2015. Occupancy rates were also relatively consistent between 2011 and 2013 before experiencing nearly a six point increase in 2014. Between 2011 and 2015, occupancy rates averaged 51.3% and ADR averaged $124. Because the TOC's peak visitation season occurs in the summer, many independent properties close for the winter months which negatively impacts annual occupancy rates.

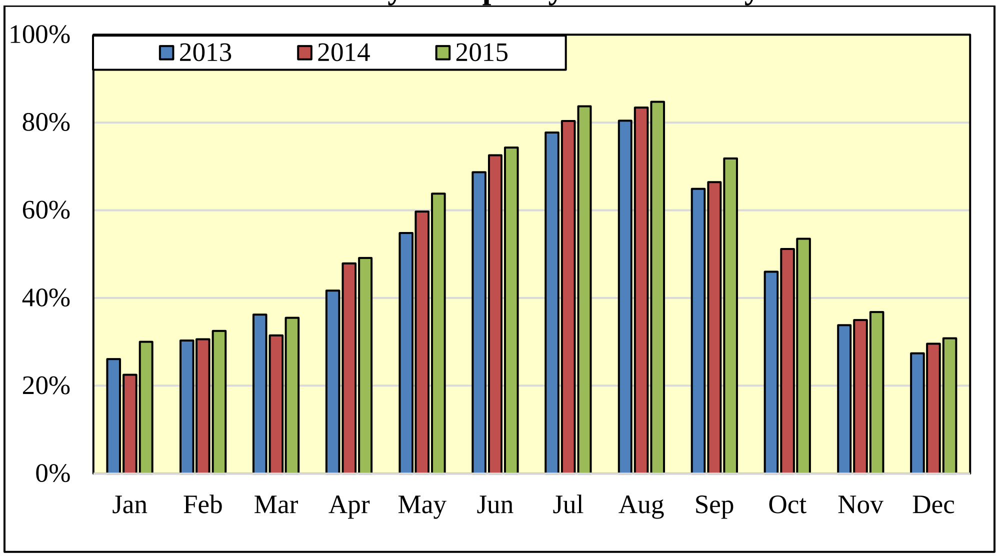
**Trends in Annual Average Daily Rate and Occupancy at Ocean City Hotels**




Source: Smith Travel Research.

The following graph summarizes trends in monthly occupancy rates at Ocean City hotels from 2013 to 2015. As shown, occupancy rates in 2014 increased in all but two months (January and March) as compared to 2013. This trend continued into calendar year 2015 where it increased each month in comparison to 2014.

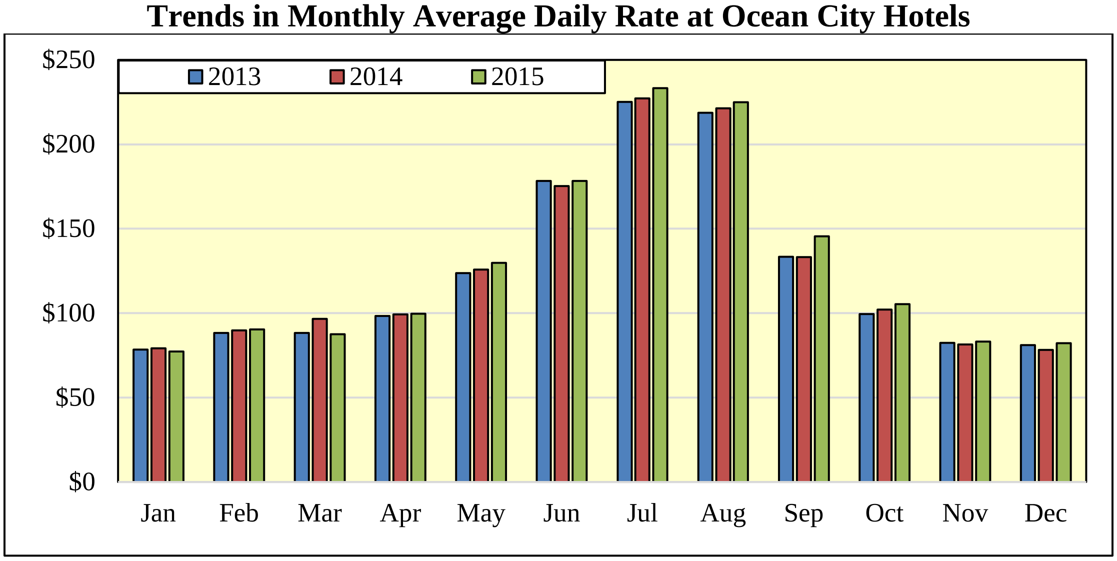
**Trends in Monthly Occupancy at Ocean City Hotels**




Source: TOC Department of Tourism.

The ADR at Ocean City hotels peaks during the summer months and tends to remain fairly constant throughout the rest of the year. Affordability of hotel rooms is advantageous when marketing to events that draw out-of-town attendees, particularly given event planners' desires to minimize overall facility and travel-related costs. Attracting business to the OCCC during the off-peak season could serve to augment the TOC's slower months and draw additional year-round visitors.

**Trends in Monthly Average Daily Rate at Ocean City Hotels**

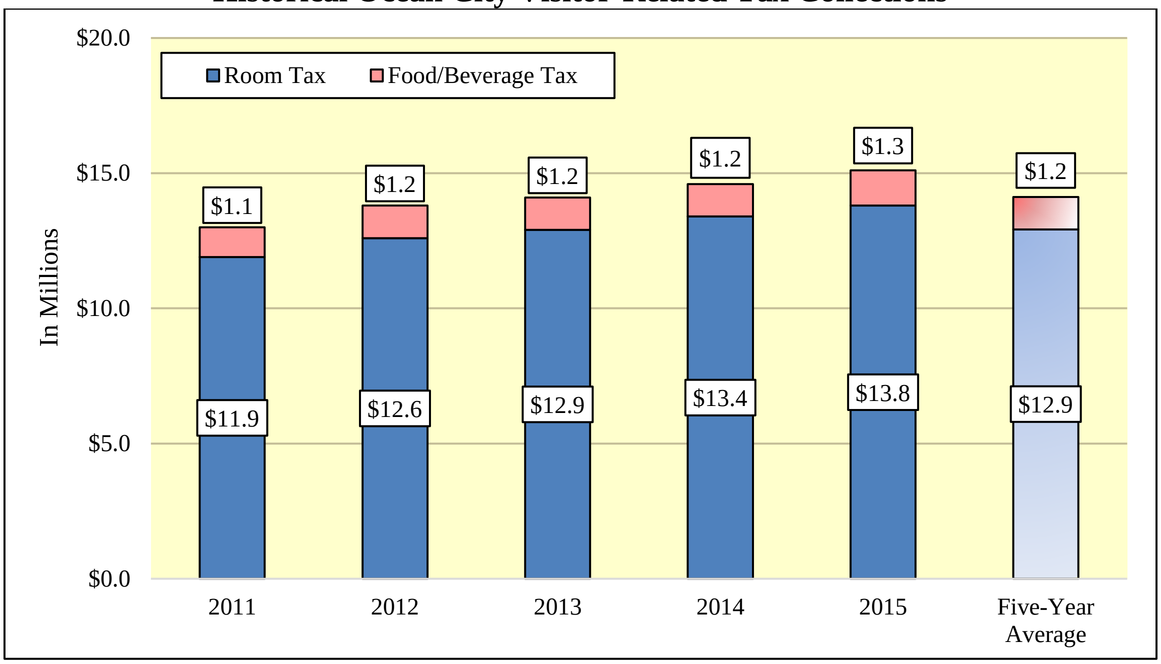



Source: TOC Department of Tourism.

Tax Collections

Worcester County imposes a 4.5% tax on hotel/motel rooms, apartments, condominiums, cottages, mobile homes, and any other sleeping accommodation and a 0.5% tax on food and beverage sales. Overall, collections from both of these tax sources have increased between 2011 and 2015. The five-year average for room and food/beverage tax collections were $12.9 million and $1.2 million, respectively.

**Historical Ocean City Visitor-Related Tax Collections**




Source: TOC.

## Tourism Statistics

Visitors traveling to Ocean City represent an important component of the TOC's economy. Visitor spending on items such as lodging, retail, eating/drinking and entertainment/recreation supplements local resident spending at area businesses and increases tax revenues to both local and State governments.

Ocean City is one of the top two destinations visited in Maryland. According to a study conducted by D.K. Shifflet and Associates, the number of annual visitors averaged approximately 5.9 million during the profiled five-year period. Total visitors increased by 17% from 5.8 million in 2012 to 6.8 million in 2013 before decreasing by 3% to 6.6 million in 2014. Average travel party size also increased between 2012 and 2013 before decreasing in 2014. According to the study, average spending per person per day fluctuated between 2012 and 2014 and spending in Maryland per group stay decreased each year since 2012. The following table summarizes an annual breakdown of Ocean City tourism statistics.

| Ocean City Travelers Summary | | | | | | |
|---|---|---|---|---|---|---|
| **Category** | **2010** | **2011** | **2012** | **2013** | **2014** | **Five-Year Average** |
| Estimated number of visitors (millions) | 4.2 | 6.0 | 5.8 | 6.8 | 6.6 | 5.9 |
| Average travel party size | 2.7 | 2.7 | 2.4 | 2.8 | 2.4 | 2.6 |
| Average length of trip (days) | 2.7 | 2.4 | 2.7 | 2.2 | 2.2 | 2.4 |
| Average spending per person per day | $99 | $104 | $138 | $127 | $132 | $120 |
| Spending in Maryland per group stay | $705 | $674 | $894 | $782 | $701 | $749 |

Note: Amounts for spending in Maryland per group stay may not add due to rounding.

Sources: D.K. Shifflet and Associates; Maryland Office of Tourism.

As a point of reference, the top three places of origin for tourists visiting Ocean City during 2014 were Baltimore (28%), Washington, D.C. (18%), and Philadelphia (14%).

## Attractions

The availability of cultural, recreational, retail and entertainment options is another factor that event planners/producers take into account when selecting a destination for their event and is important for periods when attendees are not at event-related functions. The variety of attractions is also an important consideration for attendees when deciding whether to bring additional family/friends and how long to stay. Popular attractions include, but are not limited to, the following:

- 10 miles of beach
- Casino at Ocean Downs
- Jolly Roger Amusement Park
- Bike World
- Miniature Golf
- Holly Ridge Equestrian Center
- Ocean City Boardwalk
- OC Magic Show
- Marty's Playland
- Frontier Town Western Park
- Baja Amusements
- Ripley's Believe It or Not!

Given its proximity to the coast, there is also a wide variety of water-related activities in Ocean City such as parasailing, boat rentals, jet-ski rentals as well as other watersports.

The next section provides an analysis of key industry trends.

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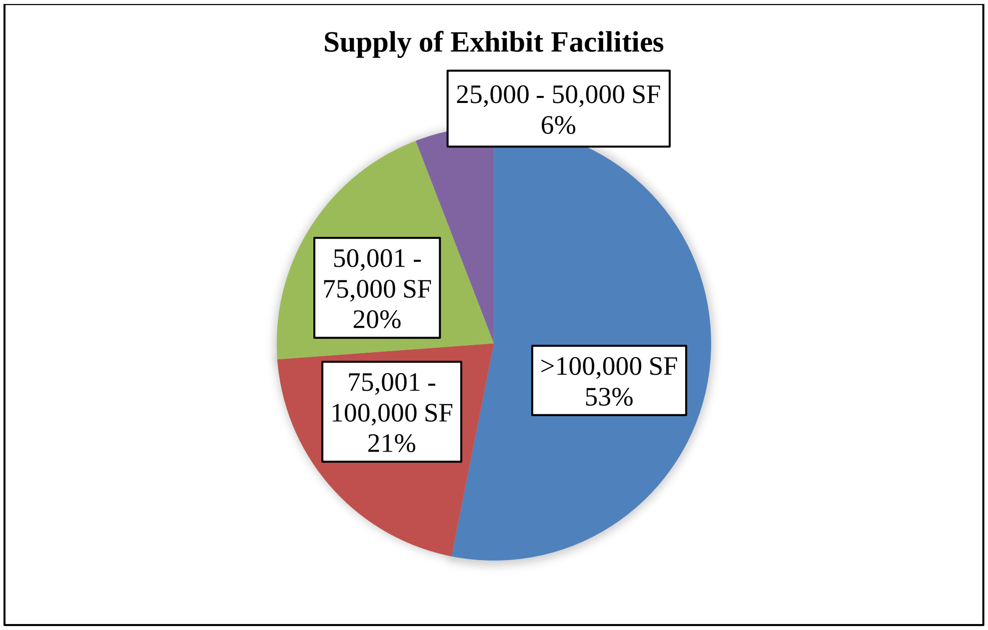
# KEY INDUSTRY TRENDS

The OCCC's success is somewhat dependent on the attributes of the industry(s). This analysis is based on information provided by secondary sources including, but not limited to, Center for Exhibition Industry Research (CEIR), Meeting Professionals International (MPI), *Trade Show Executive*, Destination Marketing Association International (DMAI), Pollstar, IBISWorld, and the Sports and Fitness Industry Association. This section outlines key trends in the convention/meeting and sports industries that may impact future operations of an expanded OCCC.

## Convention/Meetings Business

The following summarizes key trends in the convention/meetings industry:

- The convention/meetings market has experienced tremendous growth in the supply of space over the past two decades.
- This growth coupled with an economic downturn created a gap in the supply of space and demand for space that led to a more competitive buyer's market.
  - Numerous facilities can accommodate meeting planners' needs strictly in terms of required space.
  - Hotels and larger convention centers are also vying for more moderately sized group business.
- Hotels with exhibit and/or ballroom/meeting space can have an advantage over stand-alone meeting facilities because they control all major components of an event (i.e., function space, lodging and food/beverage) under one roof. Since the hotel is the primary beneficiary of all revenue streams, it can negotiate packages as it sees fit in any or all areas to attract business.
  - Some privately-operated hotels offer entertainment (i.e., a headliner act for a banquet) as part of their overall package to entice meeting planners. Some of these properties, such as those adjacent to casinos, are situated in suburban locations, remote from other businesses that might attract some of the attendee spending away from the hotel's internal revenue generators.
- The pie chart that follows represents the supply of exhibit facilities within the U.S. based on information from *Trade Show Executive*. Of the 250+ facilities located in the U.S., 53% offer greater than 100,000 square feet while only 6% offer between 25,000 and 50,000 square feet.



Source: *Trade Show Executive.*

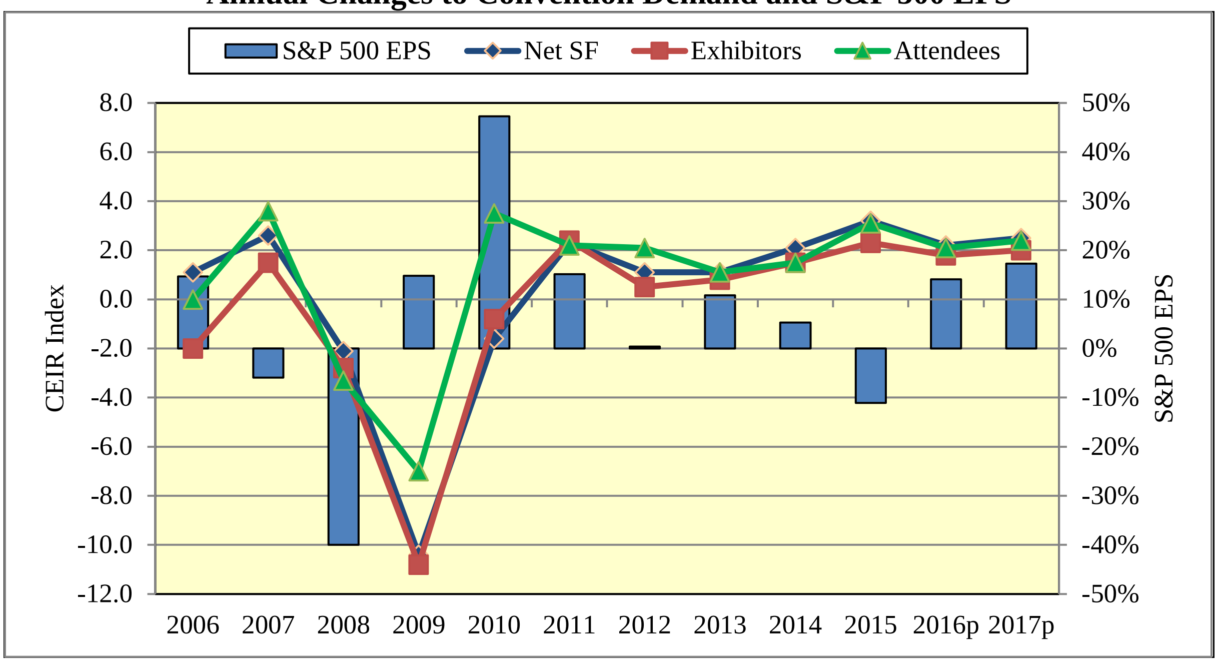
- While supply growth has slowed significantly, new space has recently been developed and/or is being contemplated. For instance, the Baltimore Convention Center is currently exploring the merits of expansion.
- More convention centers are constructing or re-purposing existing space into multi-purpose, flex space that can be used as exhibit, meeting, or ballroom space to provide more flexibility and accommodate changing trends.
- Facilities located in destinations offering an attractive package in terms of overall appeal, hotel supply, accessibility, and facility/travel-related costs have been better able to maintain, grow and diversify their business in challenging economic times.
- While the supply of exhibition and meeting space has experienced significant growth over the past decade, demand has been less aggressive. The following table summarizes industry data provided by CEIR which tracks annual changes in several industry metrics: net square feet used for exhibitions; total number of exhibitors and attendees; and industry revenues. As shown, the industry experienced negative growth between 2008 and 2010. In 2015, the total index increased by 3.7% and was 1.8 points higher than in 2014. All four profiled metrics increased in 2015. Attendees trended upward since the end of the recent recession and at 33.4 million, exceeded its 2007 peak of 32.4 million. The strengthening job market helped attendee numbers and, as a leading indicator of the exhibition industry, bodes well for business in the coming years.

| Year-On-Year Percent Change of the Metrics and CEIR Index | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Metric** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016p** | **2017p** | **2018p** | **CAGR, 2000-2015** |
| Net SF | 1.1 | 2.6 | -2.1 | -10.4 | -1.6 | 2.3 | 1.1 | 1.1 | 2.1 | 3.2 | 2.2 | 2.5 | 2.9 | 0.1 |
| Exhibitors | -2.0 | 1.5 | -2.8 | -10.8 | -0.8 | 2.4 | 0.5 | 0.8 | 1.5 | 2.3 | 1.8 | 2.0 | 2.2 | -0.7 |
| Attendees | 0.0 | 3.6 | -3.3 | -7.0 | 3.5 | 2.2 | 2.1 | 1.1 | 1.5 | 3.1 | 2.1 | 2.4 | 2.7 | 0.3 |
| Real Revenues[1] | -0.8 | 5.2 | -3.7 | -11.7 | -6.3 | 2.5 | 2.1 | 1.7 | 2.3 | 6.2 | 3.4 | 3.8 | 4.2 | 0.0 |
| Total | -0.4 | 3.2 | -3.0 | -10.0 | -1.4 | 2.3 | 1.5 | 1.2 | 1.9 | 3.7 | 2.4 | 2.7 | 3.0 | -0.1 |

Notes: [1]Inflation adjusted revenues, adjusted for CPI for all urban consumers.
p = Projected.
Source: CEIR 2016.

- Convention/meeting/exhibition industry trends generally mirror broader U.S. economic trends. The following graph illustrates annual changes for key industry measures alongside the S&P 500 earnings-per-share (EPS) which further illustrates the relationship between the convention industry and overall economic conditions.

**Annual Changes to Convention Demand and S&P 500 EPS**




Note: p = projected.
Sources: CEIR; Standard & Poors.

Negative S&P EPS precedes periods of decreases in the number of exhibitors and similarly, periods of positive economic and industry growth, as measured by EPS, are followed by a growth in the convention and meeting industry with a substantive lag period. Of note, S&P earnings began to experience growth in 2009, whereas the convention and meetings industry lagged 12 to 18 months behind the broader economy as many conventions/meetings are planned years in advance. As measured by S&P earnings, overall economic conditions decreased in 2015 but are expected to increase by 14.1% in 2016 over reported 2015 earnings. Despite the S&P earnings decrease in 2015, the convention industry conditions are projected to continue to increase through 2017.

- The following table illustrates the destination and venue selection criteria that meeting planners considered most important and their relative ranking according to a survey conducted by MPI. Overall cost, space requirements, location and overall value rank high in terms of both the site and venue selection.

| Most Important Decision Factors When Choosing a Destination | | Most Important Decision Factors When Choosing a Venue | |
|---|---|---|---|
| **Factor** | **%** | **Factor** | **%** |
| Overall cost | 42% | Meeting space requirements | 45% |
| Available venues which meet space requirements | 42% | Overall cost | 41% |
| Ease of access/travel | 39% | Location | 38% |
| Overall value | 33% | Condition and quality of venue | 37% |
| Attractive location to attendees | 32% | Overall value | 31% |
| Proximity to members/delegates | 29% | Flexible contracts | 26% |
| Travel cost to destination | 29% | Attractive location to attendees | 24% |
| Area hotel rates | 22% | Customer service | 24% |
| Distance between airport and venue | 20% | Meeting room rates | 19% |
| Public perception | 14% | Flexible and dedicated staff | 16% |
| Attractions and activities | 11% | Incentives and concessions | 15% |
| Availability of airlift | 11% | Amenities and services offered | 11% |

Note: Respondents could choose more than one factor, as such percentages do not add to 100%.
Source: MPI Business Barometer.

- MPI conducts surveys (*Meetings Outlook*) to gather key facts and comment on meeting industry trends. Several metrics project positive economic and industry growth that should bode well for the convention/meetings market:
  - The meetings industry is projected to experience steady, positive growth.
  - Approximately 58% of meeting planners predict an increase in live meeting attendance.
  - Per *Meetings Outlook*, 70% of respondents projected that business conditions over the coming year will be favorable.
  - The largest growth is expected to occur with domestic corporate meetings followed by domestic association meetings. By contrast, government meetings are anticipated to experience the largest decline.
- Technology continues to be an important issue. Many meeting professionals are experimenting with technology to bring more productivity, value, cost savings, accuracy, and revenue to their meetings and events.

- Per *Meetings Outlook*, approximately 16% of respondents cited “more valuable technology” as a top issue. The flood of new technological capabilities into the market has meeting planners facing difficult decisions on which solutions are best for their events.
- Convention centers of all sizes are enhancing their technology infrastructure to provide more bandwidth and faster Wi-Fi as the demand for 24/7 connectivity among event organizers and attendees continues to increase. Specialized video boards and digital display areas as well as outdoor video boards are also becoming more common at convention centers.

## Competitive Sports

The OCCC's exhibit hall provides a flexible room for a variety of indoor sports including basketball, cheerleading, gymnastics, volleyball, wrestling, badminton, mixed martial arts, and table tennis. In addition, OCCC's Performing Arts Center also provides a good setting for staged sports competitions including cheerleading and dance.

The following summarizes key trends in the competitive sports industry:

- More communities are realizing the value of sports tourism as an economic generator.
- The competitive youth and adult amateur sports industry has continued to be a significant market opportunity with multiple sports/age groups/demand segments.
- Demand is less impacted by economic fluctuations as participants and family/friends are willing to travel significant distances for their preferred sport.
- More communities are developing specialized sports complexes to accommodate multiple games/competitions due to their value as a tourism generator.
- It is important for destinations to have a strong volunteer base and elite level leagues to support and promote tournament activity that generates overnight stays.

The next section provides a summary of historical OCCC operations.

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# HISTORICAL OCCC OPERATIONS

This section provides an overview of OCCC operations in terms of building program, utilization trends, future bookings, exhibit space usage, and financial operations.

## Building Program

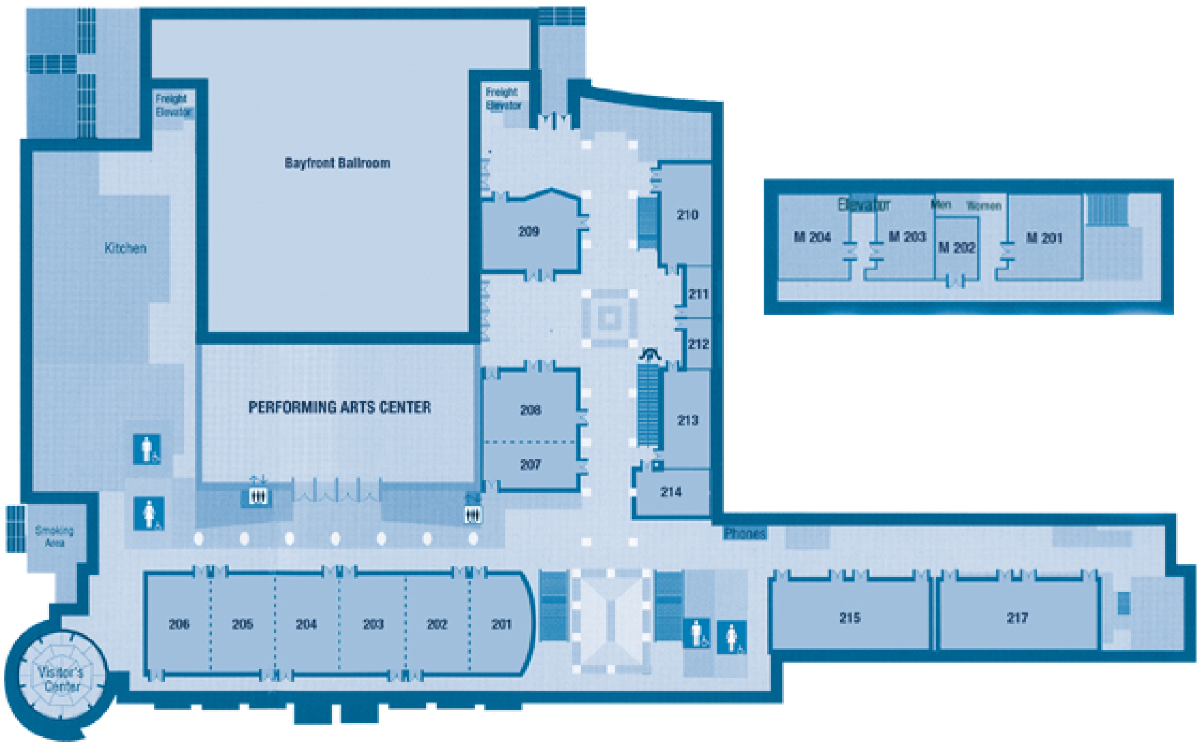
As mentioned previously, the OCCC currently offers nearly 60,000 square feet of exhibit space in three halls; 19,126 square feet of ballroom space; 23 fully divisible meeting rooms; and a 1,200-seat Performing Arts Center.

Plans for each floor follow.

| OCCC Building Program | |
|---|---|
| **Area** | **Square Feet** |
| **Exhibit Space** | |
| Hall A | 25,070 |
| Hall B | 20,700 |
| Dockside Hall | 14,190 |
| Total | 59,960 |
| Bayfront Ballroom | 19,126 |
| Meeting Rooms | 24,000 |

**First Floor**

**Second Floor**



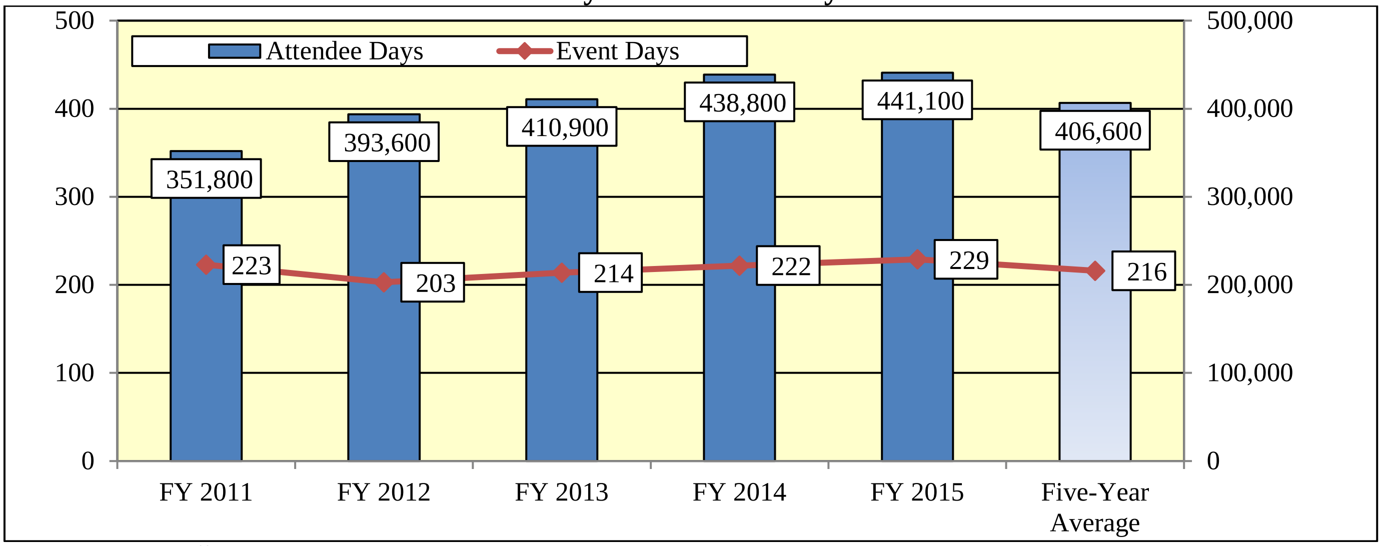

## Utilization Trends

Understanding historical utilization at the OCCC is one factor in assessing the potential need for expansion. In order to gain an understanding of the types of events that the OCCC has held as well as general event attributes, the facility's event activity was analyzed for fiscal year (FY) 2011 through FY 2015.

The following graph illustrates the number of event days and total attendee days at the OCCC for the last five fiscal years ending June 30. OCCC event days have steadily increased over the past three years and attendee days have increased each year since FY 2011. The OCCC hosted an average of 216 event days that generated approximately 406,600 attendee days over the last five years.

An attendee day is defined as total attendance multiplied by the event length. For example, a three-day convention with 200 attendees equates to 600 attendee days which reflects that the same attendees return to the event each of the three days.

**Historical Event Days & Attendee Days at the OCCC**




Notes: Excludes off-site and internal use events.
Five-year average excludes concert/entertainment events as this category was only applicable for a portion of FY 2015.
Source: Facility management.

Utilization by Event Type

Conventions/tradeshows and competitions include multi-day professional/trade association and sporting events, respectively, that generate overnight stays as attendees typically stay for the duration of the event. Consumer shows represent business-to-consumer expositions and serve the local community by bringing many dealers/providers of a particular product or service to one location for buyers' convenience. Meetings include local condo association meetings as well as several larger events that are held annually at the OCCC including the Stephen Decatur High School graduation and prom. Concerts/entertainment events include those held in the new Performing Arts Center since its opening in January 2015.

As shown in the table that follows, conventions and tradeshows have consistently accounted for the highest percentage of total attendee days at the OCCC over the last five years. These events typically attract a large number of overnight attendees and generate significant economic impact. Average attendee days for conventions and tradeshows was relatively consistent between FY 2011 and FY 2013 before experiencing a spike in 2014.

Total attendee days at consumer shows have increased each of the last four years. Consumer shows, which typically attract local residents, can be beneficial in terms of occupying a building during non-peak seasons.

The OCCC hosted an average of eight competitions over the last five years which accounted for an average of 22% of annual attendee days. These events averaged 11,100 attendee days per event, which is nearly double the average for conventions/tradeshows. Competitions include a variety of sports such as cheerleading, dance, and volleyball and are likely to attract family and/or friends who join the competitor as part of the overnight visitors. In addition, sporting competitions are likely to attract attendees who extend their stay to enjoy the host destination's amenities, therefore generating significant economic impact.

The OCCC hosted the lowest number of meetings and related attendee days in FY 2015 primarily due to fewer condo association meetings. With the addition of the OCCC Performing Arts Center, concerts and entertainment shows represent a new event category.

**OCCC - Utilization by Event Type**

| | Total Events | | | | | |
|---|---|---|---|---|---|---|
| **Event Type** | **2011** | **2012** | **2013** | **2014** | **2015** | **Five-Year Average** |
| Conventions/Tradeshows | 36 | 31 | 30 | 26 | 31 | 31 |
| Consumer Shows | 31 | 24 | 24 | 28 | 23 | 26 |
| Meetings | 23 | 17 | 22 | 14 | 7 | 17 |
| Competitions | 7 | 8 | 9 | 7 | 11 | 8 |
| Concerts/Entertainment* | | | | | 3 | |
| **Total** | **97** | **80** | **85** | **75** | **75** | **82** |

| | Total Event Days | | | | | |
|---|---|---|---|---|---|---|
| **Event Type** | **2011** | **2012** | **2013** | **2014** | **2015** | **Five-Year Average** |
| Conventions/Tradeshows | 104 | 95 | 86 | 87 | 100 | 94 |
| Consumer Shows | 68 | 58 | 62 | 84 | 75 | 69 |
| Meetings | 32 | 30 | 39 | 31 | 10 | 28 |
| Competitions | 19 | 20 | 27 | 20 | 38 | 25 |
| Concerts/Entertainment* | | | | | 6 | |
| **Total** | **223** | **203** | **214** | **222** | **229** | **216** |

| | Average Number of Event Days | | | | | |
|---|---|---|---|---|---|---|
| **Event Type** | **2011** | **2012** | **2013** | **2014** | **2015** | **Five-Year Average** |
| Conventions/Tradeshows | 2.9 | 3.1 | 2.9 | 3.3 | 3.2 | 3.0 |
| Consumer Shows | 2.2 | 2.4 | 2.6 | 3.0 | 3.3 | 2.7 |
| Meetings | 1.4 | 1.8 | 1.8 | 2.2 | 1.4 | 1.6 |
| Competitions | 2.7 | 2.5 | 3.0 | 2.9 | 3.5 | 3.1 |
| Concerts/Entertainment* | | | | | 2.0 | |

| | Total Attendee Days | | | | | |
|---|---|---|---|---|---|---|
| **Event Type** | **2011** | **2012** | **2013** | **2014** | **2015** | **Five-Year Average** |
| Conventions/Tradeshows | 190,800 | 162,900 | 159,400 | 169,900 | 179,600 | 172,500 |
| Consumer Shows | 99,800 | 116,100 | 128,600 | 148,700 | 156,900 | 130,000 |
| Meetings | 13,500 | 23,600 | 17,200 | 17,000 | 4,700 | 15,200 |
| Competitions | 47,700 | 91,000 | 105,700 | 103,200 | 96,800 | 88,900 |
| Concerts/Entertainment* | | | | | 3,100 | |
| **Total** | **351,800** | **393,600** | **410,900** | **438,800** | **441,100** | **406,600** |

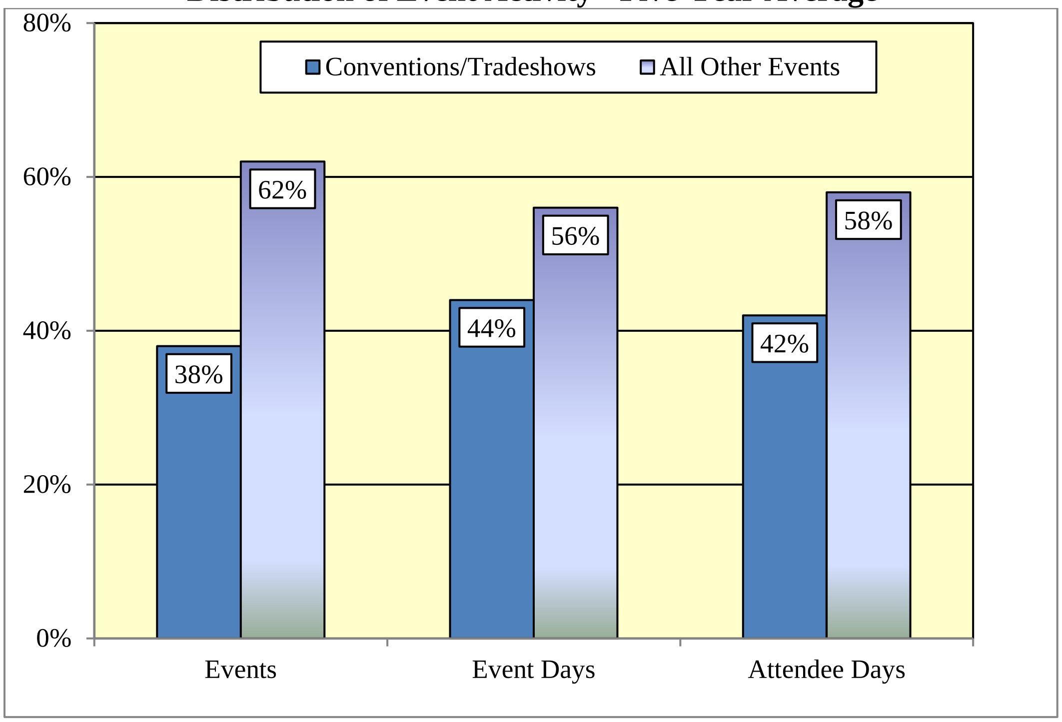
| | Average Attendee Days Per Event | | | | | |
|---|---|---|---|---|---|---|
| **Event Type** | **2011** | **2012** | **2013** | **2014** | **2015** | **Five-Year Average** |
| Conventions/Tradeshows | 5,300 | 5,300 | 5,300 | 6,500 | 5,800 | 5,600 |
| Consumer Shows | 3,200 | 4,800 | 5,400 | 5,300 | 6,800 | 5,000 |
| Meetings | 600 | 1,400 | 800 | 1,200 | 700 | 900 |
| Competitions | 6,800 | 11,400 | 11,700 | 14,700 | 8,800 | 11,100 |
| Concerts/Entertainment* | | | | | 1,000 | |

Notes: *Concert/entertainment events are not included in the five-year average as this category is only represented in FY 2015. The OCCC Performing Arts Center opened in January 2015.

Source: Facility management.

Over the last five fiscal years, conventions and tradeshows have represented approximately 38% of total events, 44% of total event days and 42% of total attendee days annually.

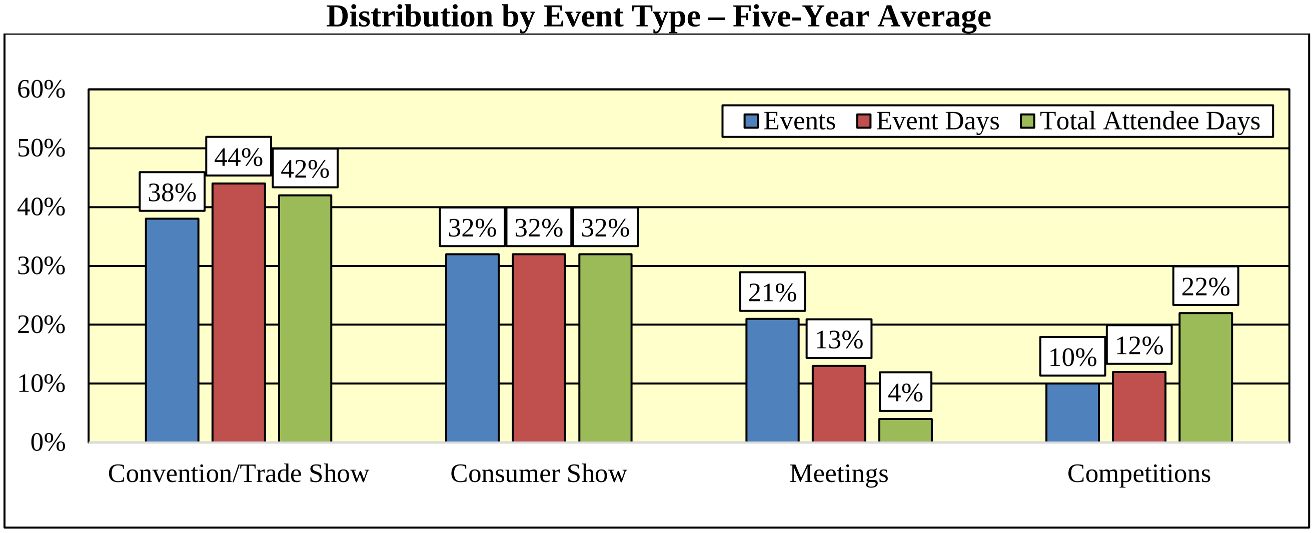
**Distribution of Event Activity - Five-Year Average**




Source: Facility management.

Over the last five years, conventions and tradeshows have comprised the largest portion of events, event days and total attendee days followed by consumer shows.

**Distribution by Event Type – Five-Year Average**

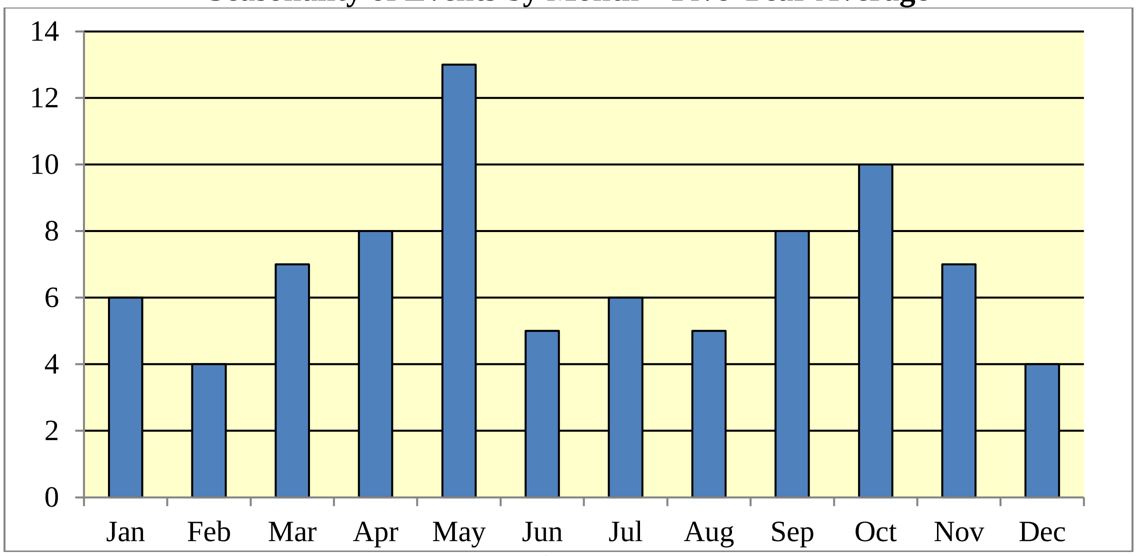



Note: Concert/entertainment events are not included in the five-year average as this category is only represented in FY 2015.
Source: Facility management.

Seasonality

OCCC usage was analyzed by month to review seasonality. Over the last five years, the facility averaged the highest number of events in May and October. In general, spring and fall are the busiest seasons in terms of number of events and summer is the slowest period.

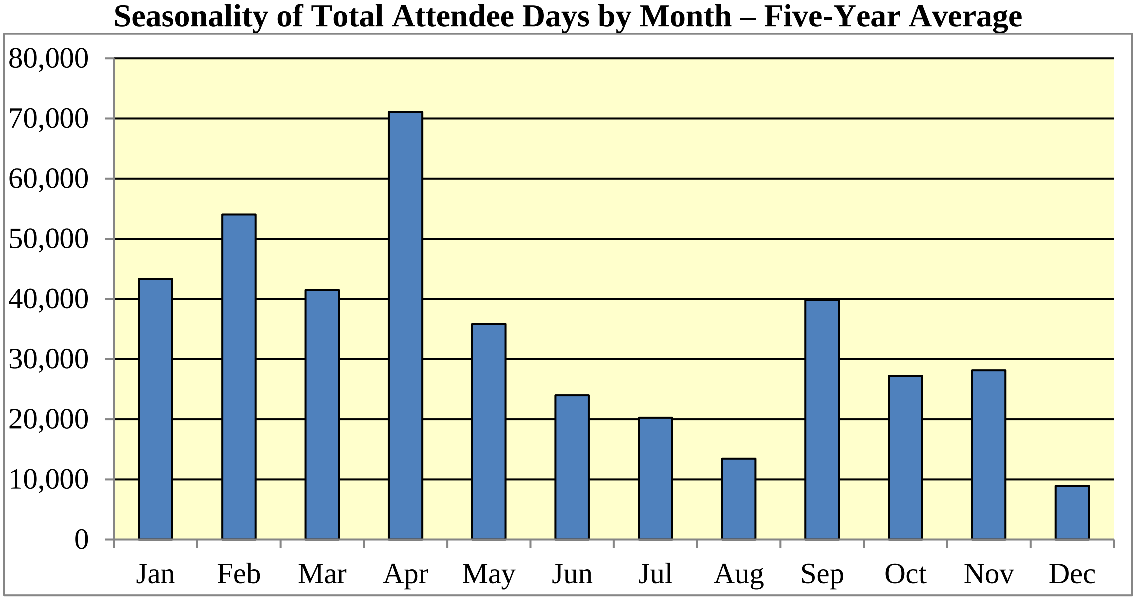
**Seasonality of Events by Month – Five-Year Average**




Note: Concert/entertainment events are not included in the five-year average as this category is only represented in FY 2015.
Source: Facility management.

In terms of total attendee days, the OCCC has experienced peak usage in April when the facility hosts its largest cheerleading competition. Total attendee days have also been high in January and February when several conventions and the annual Seaside Boat Show are held.

**Seasonality of Total Attendee Days by Month – Five-Year Average**




Note: Concert/entertainment events are not included in the five-year average as this category is only represented in FY 2015.
Source: Facility management.

## Exhibit Space Occupancy

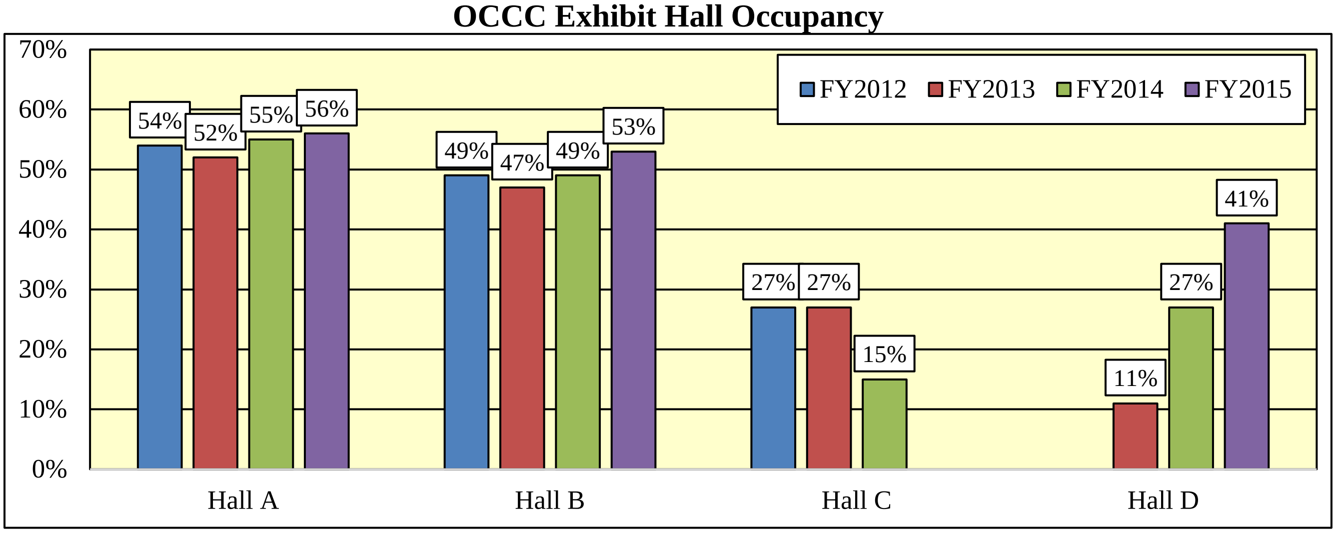
It is also important to assess convention center use in terms of square footage occupancy as this is a measurement of the degree to which usage of the facility has reached a maximum capacity. There are several methods of calculating convention center occupancy. Some facilities utilize a measurement of total days used divided by the days available, others only account for event days. For purposes of this analysis, occupancy is calculated based on the following formula:

Occupancy = Total occupied square foot days / Total available square foot days in a given year

Occupied square foot days include both event days and move in/out days. A convention center's practical maximum exhibit hall occupancy rate is generally considered to be approximately 70% according to industry standards. Occupancy levels above 60% generally indicate that a facility is beginning to approach full capacity. Occupancy levels less than 50% typically indicate that the facility has available dates to attract additional business. These industry guidelines reflect that occupancy levels at convention centers are impacted by the total number of days that a facility can realistically be sold and/or occupied. For instance, events often require move in/out days which can hinder a facility's ability to immediately accommodate another incoming event. Furthermore, occupancy is impacted by the number of days that are required for building maintenance and upkeep because the facility cannot be sold during this time.

Although OCCC management does not currently maintain detailed occupancy reports, they do track the number of days that the existing exhibit halls are utilized. Based on available event data provided by facility management, Crossroads calculated occupancy for each of the exhibit halls for a four-year period which is summarized in the following graph.

**OCCC Exhibit Hall Occupancy**




Note: Exhibit Hall C closed in FY 2014 and Exhibit Hall D (or Dockside Hall) opened October 2012.
Source: Facility management.

Over the profiled period, occupancy was impacted by construction of the Performing Arts Center. Exhibit Hall C closed in FY 2014. Exhibit Hall D (or Dockside Hall) opened in October 2012. Events that were scheduled to use Exhibit Hall C during FY 2015 were moved to Exhibit Hall D (or Dockside Hall).

Occupancy in Halls A and B has been fairly consistent over the profiled four-year period. While Halls C and D offer ancillary exhibit space, they are not contiguous with Halls A and B and are not considered prime exhibit space. In 2015, 23 events used all available exhibit space (Halls A, B, and D) for a total of 117 total use days.

## Future Bookings

Many conventions/tradeshows book their events several years in advance; other users such as public shows often book their event annually on the same weekend. Based on a facility's booking policy, meetings, banquets, and other events typically contract their event less than 12 months out. Consequently, it is not unusual for a greater number of future bookings to be within a shorter time period. Management indicated that the OCCC has limited date availability throughout the year which is primarily due to a high level of repeat bookings. At the time when the market research was conducted, facility management indicated that 43 contracted events and 26 definite bookings for CY 2016.

## Lost Business

Facility management does not formally track lost business. However, input from staff indicates that there are groups who want to host their event at the OCCC who cannot due to date/space availability. These groups include conventions/tradeshows and sports competitions. In addition, existing users indicated they would be able to expand the size of their events if more exhibit space were available at the OCCC.

## Financial Operations

As shown in the following table, the OCCC has averaged an operating loss of approximately $2.7 million over the last five fiscal years excluding non-operating revenues and expenses. Both operating revenues and operating expenses have fluctuated during the profiled period. Facility rental revenue averaged 49% of total operating revenue during the last five fiscal years. During the profiled period, food/beverage revenue reached their highest levels in FY 2014 and FY 2015.

Salaries, wages and benefits averaged 65% of total operating expenses over the last five fiscal years. Repairs and maintenance expenses have peaked in the last two years. Employee benefits averaged 50% of salaries/wages expenses, which is higher than other competitive/comparable convention centers which range from 30% to 35% of salaries/wages costs. Part of this increased cost is attributable to the fact that the TOC allocates pension payments to previous OCCC employees in the facility's operating expenses not just benefits paid to current employees.

**Summary of Historical OCCC Financial Operations**

| Category | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | Five-Year Average |
|---|---|---|---|---|---|---|
| **Operating Revenues** | | | | | | |
| Facility Rental | $878,000 | $835,000 | $816,000 | $850,000 | $875,000 | $851,000 |
| Food/Beverage | 327,000 | 340,000 | 260,000 | 345,000 | 360,000 | 326,000 |
| Special Events | 101,000 | 86,000 | 91,000 | 61,000 | 83,000 | 84,000 |
| Service Charges | 345,000 | 298,000 | 292,000 | 296,000 | 322,000 | 311,000 |
| Sales/Membership Dues | 54,000 | 63,000 | 63,000 | 65,000 | 81,000 | 65,000 |
| Other | 38,000 | 37,000 | 33,000 | 225,000 | 81,000 | 84,000 |
| **Total Operating Revenues** | 1,743,000 | 1,659,000 | 1,555,000 | 1,842,000 | 1,802,000 | 1,721,000 |
| | | | | | | |
| **Operating Expenses** | | | | | | |
| Salaries and Wages | 2,040,000 | 1,847,000 | 1,774,000 | 1,881,000 | 1,904,000 | 1,889,000 |
| Employee Benefits | 929,000 | 992,000 | 914,000 | 979,000 | 928,000 | 948,000 |
| Professional Services | 8,000 | 18,000 | 13,000 | 12,000 | 5,000 | 11,000 |
| Repairs & Maintenance | 271,000 | 256,000 | 175,000 | 359,000 | 337,000 | 280,000 |
| Communications | 26,000 | 25,000 | 17,000 | 16,000 | 25,000 | 22,000 |
| Other Purchased Services | 195,000 | 161,000 | 175,000 | 153,000 | 210,000 | 179,000 |
| General Supplies | 147,000 | 167,000 | 198,000 | 153,000 | 184,000 | 170,000 |
| Energy | 558,000 | 428,000 | 514,000 | 563,000 | 651,000 | 543,000 |
| Vehicle Operations | 19,000 | 27,000 | 33,000 | 20,000 | 21,000 | 24,000 |
| Insurance & Intragovernmental | 342,000 | 315,000 | 271,000 | 275,000 | 294,000 | 299,000 |
| Other Expenses | 6,000 | 8,000 | 12,000 | 7,000 | 7,000 | 8,000 |
| **Total Operating Expenses** | 4,541,000 | 4,244,000 | 4,096,000 | 4,418,000 | 4,566,000 | 4,373,000 |
| | | | | | | |
| **Operating Revenues Over Operating Expenses** | ($2,798,000) | ($2,585,000) | ($2,541,000) | ($2,576,000) | ($2,764,000) | ($2,652,000) |

Notes: Excludes non-operating revenues and expenses.
In FY 2014, there was a one-time FEMA reimbursement revenue line item totaling approximately $39,000 included in the Other category.
In FY 2014, there was also a one-time insurance claim revenue line item totaling approximately $163,000 included in the Other category.
Other revenue includes parking fees, monthly leases, interest and other miscellaneous revenue sources.
Source: Facility management.

The next section provides an analysis of potential demand generators for an expanded OCCC.

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# POTENTIAL DEMAND GENERATORS

In order to assess the potential demand for expanded OCCC exhibit space, it is important to obtain and analyze input directly from existing and potential users as to how the OCCC and Ocean City are viewed in terms of attracting their event(s). As part of our research, representatives of professional/trade associations as well as competitive sporting event organizers were surveyed in order to assess their future needs at the OCCC and their reasons for choosing (or not choosing) Ocean City as a destination. Survey participants were selected from a variety of sources including past users of the OCCC, competitive facility event calendars, and Association Execs database. This input provides a basis for evaluating the proposed exhibit space expansion program and its ability to positively impact usage at the OCCC.

## Convention/Meeting Business

Understanding the macro level population of events is one factor in evaluating the potential ability to increase market share. It is important to note that there is not one single industry source that can provide a measure of the universe of demand. As such, multiple sources are presented to show the order of magnitude demand that exists in the broader convention/meeting industry. The various sources do not represent mutually exclusive demand potential.

Breadth of Potential Convention/Meeting Market

Access Intelligence Research & Consulting (Access Intelligence) is a privately-held business media company that publishes magazines as well as produces conferences and trade shows in the event, media and marketing industries. Access Intelligence helps leaders in the event and media industries analyze data and information to make more informed business decisions and gain a competitive advantage. It leverages their brands, industry leading data and market expertise to provide clients with insights and improve their business performance. Access Intelligence works across all of the company's industry leading magazines including Event Marketer, Chief Marketer and Folio. It also provides data and analysis as a service of the Event Marketing Institute and several conferences and numerous websites. Access Intelligence identified the market potential for events requiring various amounts of exhibit space. This research provides an estimate of the number of exhibit-centric events, mainly association conventions with exhibits and for-profit exhibitions/tradeshows, and the percentage of the market segmented by various requirements for gross square feet of exhibit space. The events covered in the data set are primarily held in convention centers and hotels with exhibition spaces.

Based on industry resources, 35% of conventions and exhibitions held in the U.S. require up to 60,000 gross square feet of exhibit space. In addition, 643 conventions and exhibitions are estimated to require between 60,001 and 90,000 gross square feet of exhibit space.

| Gross SF Used by Convention & Exhibit Market - Industry Wide | | |
|---|---|---|
| **Exhibit Space Gross SF** | **Share** | **Number of Events** |
| Under 21,000 | 12% | 635 |
| 21,001 - 46,000 | 14% | 737 |
| 46,001 - 60,000 | 9% | 481 |
| 60,001 - 90,000 | 12% | 643 |
| Over 90,000 | 53% | 2,802 |
| **Universe of Possible Events** | **100%** | **5,298** |

Sources: Access Intelligence, Tradeshow Week, Tradeshow News Network.

The table below uses the same convention and exhibition data set but adjusts for events that are held in the Mid-Atlantic region either exclusively or on a rotational basis. Within this subset, approximately 1,100 events (or 38%) need up to 60,000 gross square feet of exhibit space. An additional 273 events (or 9%) require venues with between 60,001 and 90,000 gross square feet of exhibit space.

| Gross SF Used by Convention & Exhibit Market - Rotate Nationally or Held in Mid-Atlantic States | | |
|---|---|---|
| **Exhibit Space Gross SF** | **Share** | **Number of Events** |
| Under 21,000 | 14% | 422 |
| 21,001 - 46,000 | 13% | 371 |
| 46,001 - 60,000 | 11% | 332 |
| 60,001 - 90,000 | 9% | 273 |
| Over 90,000 | 52% | 1,517 |
| **Universe of Possible Events** | **100%** | **2,915** |

Sources: Access Intelligence, Tradeshow Week, Tradeshow News Network.

The table below provides a similar event market breakout for events that meet in Maryland. As shown, 88 events (or 41%) in the market require up to 60,000 gross square feet of exhibit space and an additional 24 events (or 11%) utilize between 60,001 and 90,000 gross square feet of exhibit space.

| Gross SF Used by Convention & Exhibit Market - Events Held in Maryland | | |
|---|---|---|
| **Exhibit Space Gross SF** | **Share** | **Number of Events** |
| Under 21,000 | 15% | 32 |
| 21,001 - 46,000 | 19% | 41 |
| 46,001 - 60,000 | 7% | 15 |
| 60,001 - 90,000 | 11% | 24 |
| Over 90,000 | 48% | 103 |
| **Universe of Possible Events** | **100%** | **215** |

Sources: Access Intelligence, Tradeshow Week, Tradeshow News Network.

Per Association Execs, there are 874 professional and trade associations headquartered in the region that includes Maryland, Washington, D.C., Virginia, and Delaware.

| Count of State/Regional Associations Headquartered | | | |
|---|---|---|---|
| Area | Number | Percent Region | Percent U.S. |
| Virginia | 357 | 41% | 3% |
| **Maryland** | **287** | **33%** | **2%** |
| Washington D.C. | 147 | 17% | 1% |
| Delaware | 83 | 9% | 1% |
| **Regional Total** | **874** | **100%** | **8%** |
| **Total U.S.** | **11,607** | | **100%** |

Note: Sorted in descending order by number of associations.
Source: Association Execs 2015 Database.

These groups represent a target market within the State and region for annual conventions, tradeshows and other meetings.

Survey Results

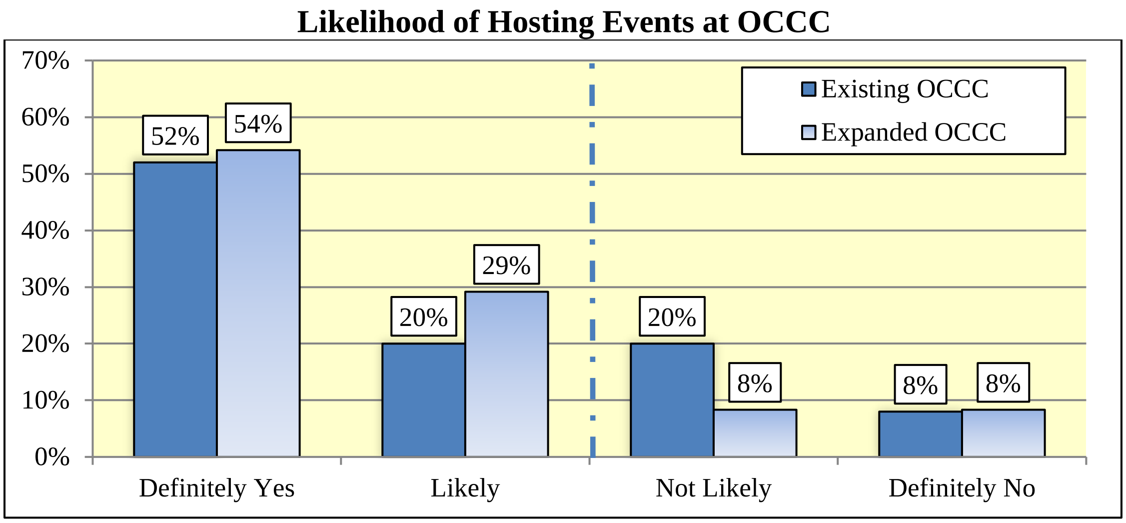
In addition to this macro level assessment of potential demand generators, direct interviews and web-based surveys were completed with meeting planners responsible for planning conventions or tradeshows for the following organizations.

| Responding Organizations | |
|---|---|
| ABC Chesapeake Shores | Maryland Chiefs of Police Association |
| American Institute of Architects Maryland | Maryland Dental Association |
| Association of School Business Officials Maryland & DC | Maryland Library Association |
| Baltimore Teachers Union | Maryland Municipal League |
| Chesapeake and Potomac Association of Registrars and Admissions Officers | Maryland Society of Accounting and Tax Professionals Inc. |
| Community Behavioral Health Association of Maryland | Maryland Society of Professional Engineers |
| Funeral Consumers Alliance of Maryland and Environs | Maryland State Firemen's Association |
| Great Dane Club of America | MD\|DC Credit Union Association |
| Greater Ocean City Chamber of Commerce | Metro Maryland Youth for Christ |
| Handbell Musicians of America Area 3 | Mid-Atlantic Glass Association |
| Health Facilities Association of Maryland | Ocean City Community Health Fair |
| Market America, Inc. | Ocean City Hotel-Motel-Restaurant Association |
| Marketing Solutions Inc. | Peninsula-Delaware Conference of The United Methodist Church |
| Maryland Association of Counties | Sessions By The Sea |
| Maryland Association of Realtors | Washington, Maryland, Delaware Service Station and Automotive Repair Association |

The survey process sought to gauge how the existing OCCC is positioned to meet the long-term needs of the groups from the event planners' perspective. Questions focused on event-related information (e.g., scope, seasonality of event, attendance, event length, and location where group has met in the past), space requirements (e.g., amount and type of space requirements), hotel requirements (e.g., minimum headquarter hotel room block, required peak room night block) as well as other factors influencing their decision to meet in Ocean City as well as their interest level in hosting events at the OCCC with and without expansion.

This section of the report presents a summary of findings from this analysis. Approximately 76% of groups have previously met in Ocean City. The most commonly used venues include the OCCC, Clarion Resort Fontainebleau Hotel and Carousel Resort Hotel & Condominiums. Other cities where respondents have held their events include, but are not limited to, Annapolis and Baltimore as well as Lansdowne and Roanoke, Virginia.

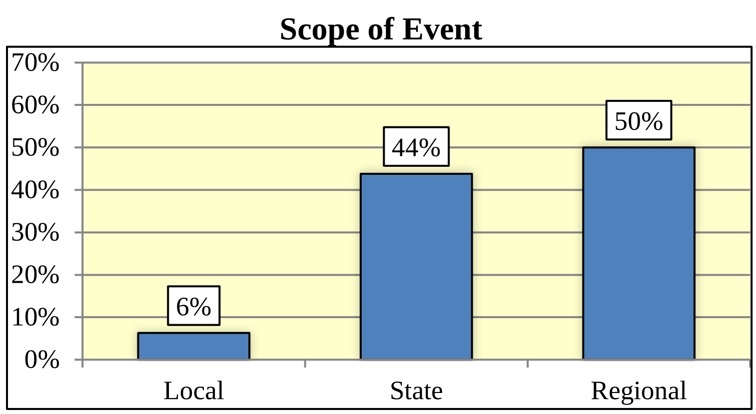
Meeting planners were asked if they would consider meeting at the OCCC given the existing program and with the proposed expansion, adding a maximum of 30,000 square feet of exhibit space. As shown in the following graph, 72% of meeting planners responded "Definitely Yes" or "Likely" with the existing program whereas 83% responded favorably with the proposed expansion. Although many groups surveyed would consider the existing OCCC for their events without expansion, several respondents mentioned that they have been unable to secure dates and/or space at the facility which is consistent with historical utilization trends and input from OCCC management.




Distance from a major airport was the most common weakness and reason for groups responding "Not Likely" or "Definitely No" to hosting their event at the OCCC with or without expansion. Other weaknesses cited include hotel location, delegates not interested in Ocean City, lack of membership base, and the cost/value.

By contrast, groups who responded favorably to hosting events at the OCCC cited location/accessibility and price/value as strengths of Ocean City. Other positive attributes cited include Ocean City's hotel supply/location, access to membership base, and proximity to the beach.

Those groups responding favorably were asked specific details regarding their event's characteristics. The adjacent graph illustrates that the majority of groups responding favorably represent regional (multi-state) professional/trade associations.




September, October and March are the most common months for conventions from the sample. Attracting new events during these months would augment Ocean City's slower seasons for hotel stays.

On average, positive respondents estimated that their events attract approximately 1,490 delegates, 320 exhibitors, and 1,160 spouses/other travel party members.

Given Ocean City's destination characteristics, respondents indicated their delegates are likely to extend their length of stay by two days and bring an average of two additional travel party members. The presence of Ocean City's oceanfront & bayview condominiums as a potential housing option would positively impact 53% of respondents' decisions to host an event at the OCCC.

Respondents indicating an interest in meeting at the OCCC were also asked the amount of gross exhibit space required. Overall, positive respondents require an average of 46,300 square feet and up to a maximum of 85,000 square feet of exhibit space. While many of the groups responding can be accommodated by the OCCC's existing exhibit space, date/space availability hinders the ability for some groups to bring their events to Ocean City. Several groups responding favorably require more exhibit space than currently offered by the facility and could be accommodated by the amount of exhibit space anticipated with the proposed expansion. The majority of positive respondents indicated that the exhibit space required for their event must be contiguous. The OCCC currently offers 45,800 square feet of contiguous exhibit space which would be increased to more than 75,000 square feet with the proposed expansion.

| Positive Respondents | |
|---|---|
| **Space Requirements** | **Average** |
| Exhibit Space (SF) | 46,300 |
| General Session (largest capacity) | 1,400 |
| Meeting Rooms (number) | 7 |
| Meeting Space (SF) | 12,000 |
| Banquet (largest capacity) | 500 |
| Banquet (SF) | 9,200 |
| Auditorium/Theater (largest capacity) | 1,200 |
| **Event Length** | **Average** |
| Event Days | 3.1 |
| Move In/Out Days | 1.4 |
| Total Use Days | 4.4 |

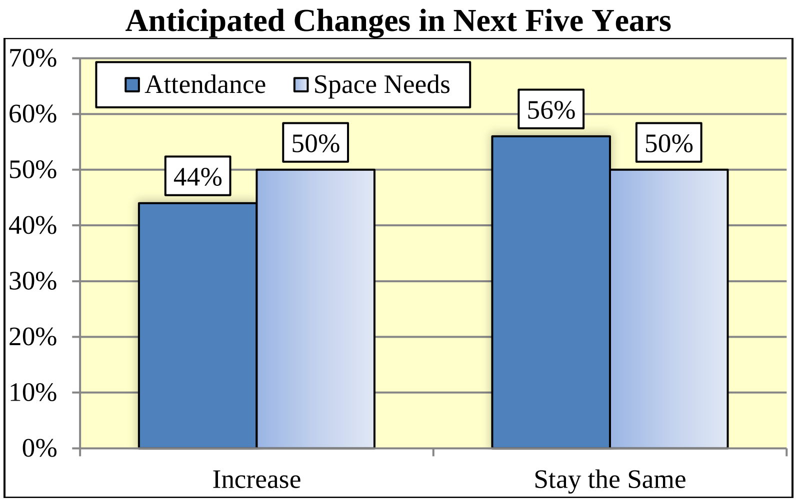
Positive respondents average more than three event days with an additional 1.4 move in/out days which is consistent with conventions/tradeshows historically held at the OCCC.

On average, positive respondents indicated that approximately 80% of attendees stay overnight and require a minimum of 230 rooms in the headquarter hotel block and a total of 510 peak rooms citywide. Respondents estimate that overnight attendees spend an average of $116 per night on lodging. In addition, overnighters average two people per hotel room.

| Average Response - Positive Respondents | |
|---|---|
| **Hotel Requirements** | **Average** |
| Percent Overnight Attendees | 80% |
| Peak Citywide Rooms | 510 |
| Minimum HQ Hotel(s) Block | 230 |

Approximately 60% of respondents indicated that the availability of a shuttle service to/from hotels would positively impact their decision to utilize the facility. Although a few meeting planners/event organizers commented that they would like additional on-site parking space, none indicated that they would move their event away from the OCCC because of this factor.

Approximately 44% of respondents indicated they anticipate attendance at their event to increase over the next five years, the balance (56%) of respondents anticipate attendance will remain the same. One-half of respondents indicated they anticipate their space needs increasing in the next five years and the other 50% anticipate their space needs staying the same; no one responded that they anticipate either their attendance or space needs decreasing over the next five years.




## Competitive Sporting Events

This section summarizes statistics related to the macro level population of competitive sporting events as well as responses from survey efforts with competitive sporting event organizers.

<u>Breadth of Potential Competitive Sporting Event Market</u>

Similar to the convention/meeting market, there is not one single industry source that can provide a measure of the universe of demand for sporting events. Various sports-related associations utilize survey efforts to measure the breadth of events and gauge trends in participation rates. In addition, membership in individual sports is typically tracked by a national governing body or similar organization. These participants tend to have a more vested interest in participation than the causal, recreational participant.

The Sports and Fitness Industry Association (SFIA) in conjunction with the Physical Activity Council (PAC) conduct an annual nationwide survey of individuals and households to obtain sports participation statistics. This survey titled, *2015 Sports, Fitness and Leisure Activities Topline Participation Report,* included 10,778 online interviews with a total of 5,067 individual and 5,711 household surveys. According to the survey, there are an estimated 68.7 million indoor sport participants representing a significant demand segment for competitive level tournaments that could be held at the OCCC.

The SFIA/PAC survey reports a macro level view of participation numbers and is helpful for comparative purposes among sports. However, it is important to recognize that participation trends within any given sport outlined in the SFIA/PAC report may vary from those specifically tracked by the national governing body.

The study finds that team sports are more of a Generation Z activity. Generation Z is defined as being born since the year 2000. Water and racquet sports are dominated by the Millennials, defined as being born between 1980 and 1999. Outdoor and individual sports tend to have younger participants as participation decreases with age, cites the study results.

The following tables summarize indoor sports participation from 2010 through 2014 based on the SFIA/ PAC survey results for participants 6 years of age and older. Total participation in each sport is defined as the sum of both casual and CORE participants. CORE participants are those who participate in a sport or activity on a regular basis with casual participants engaging in a sport or activity on an inconsistent basis. These levels vary based on the individual sport.

Over the five-year period shown, the team sports of cheerleading and gymnastics experienced gains in participation with increases of 10% and 5%, respectively. Wrestling experienced the greatest loss in participation with a decrease of 25% followed by court volleyball (-14%) and basketball (-8%).

**Indoor Sports Participation Data - Team Sports (in 000s)**

| Sport | 2010 | 2011 | 2012 | 2013 | 2014 | Five-Year Average |
|---|---|---|---|---|---|---|
| ***Team Sports*** | | | | | | |
| Basketball | | | | | | |
| Total | 25,156 | 24,790 | 23,708 | 23,669 | 23,067 | 24,078 |
| Casual | 8,094 | 8,118 | 7,389 | 6,998 | 7,321 | 7,584 |
| CORE | 17,062 | 16,672 | 16,319 | 16,671 | 15,746 | 16,494 |
| Cheerleading | | | | | | |
| Total | 3,134 | 3,049 | 3,244 | 3,235 | 3,456 | 3,224 |
| Casual | 1,462 | 1,487 | 1,514 | 1,669 | 1,841 | 1,595 |
| CORE | 1,672 | 1,562 | 1,730 | 1,566 | 1,615 | 1,629 |
| Gymnastics | | | | | | |
| Total | 4,418 | 4,823 | 5,115 | 4,972 | 4,621 | 4,790 |
| Casual | 2,734 | 2,991 | 3,252 | 3,209 | 2,932 | 3,024 |
| CORE | 1,684 | 1,832 | 1,863 | 1,763 | 1,689 | 1,766 |
| Court Volleyball | | | | | | |
| Total | 7,316 | 6,663 | 6,384 | 6,433 | 6,304 | 6,620 |
| Casual | 3,261 | 2,754 | 2,553 | 2,715 | 2,759 | 2,808 |
| CORE | 4,055 | 3,909 | 3,831 | 3,718 | 3,545 | 3,812 |
| Wrestling | | | | | | |
| Total | 2,536 | 1,971 | 1,922 | 1,829 | 1,891 | 2,030 |
| Casual | 1,362 | 915 | 965 | 948 | 941 | 1,026 |
| CORE | 1,174 | 1,056 | 957 | 881 | 950 | 1,004 |

Source: *2015 SFIA Topline Participation Report*.

Relative to individual sports, mixed martial arts increased in participation by 36% while participation in table tennis and badminton decreased by 15% and 6%, respectively.

| Indoor Sports Participation Data - Individual Sports (in 000s) | | | | | | |
|---|---|---|---|---|---|---|
| **Sport** | **2010** | **2011** | **2012** | **2013** | **2014** | **Five-Year Average** |
| ***Individual Sports*** | | | | | | |
| Badminton | | | | | | |
| Total | 7,645 | 7,135 | 7,277 | 7,150 | 7,176 | 7,277 |
| Casual | 4,973 | 4,687 | 5,092 | 4,834 | 5,049 | 4,927 |
| CORE | 2,672 | 2,448 | 2,185 | 2,316 | 2,127 | 2,350 |
| Mixed Martial Arts | | | | | | |
| Total | 910 | 713 | 820 | 977 | 1,236 | 931 |
| Casual | 528 | 419 | 638 | 783 | 979 | 669 |
| CORE | 382 | 294 | 182 | 194 | 257 | 262 |
| Table Tennis | | | | | | |
| Total | 19,374 | 18,561 | 16,823 | 17,080 | 16,385 | 17,645 |
| Casual | 13,245 | 12,963 | 12,041 | 12,364 | 11,832 | 12,489 |
| CORE | 6,129 | 5,598 | 4,782 | 4,716 | 4,553 | 5,156 |

Source: *2015 SFIA Topline Participation Report.*

Survey Results

Direct interviews and web-based surveys were completed with competitive sporting event organizers to gauge their interest in hosting events at the OCCC with and without expansion. This section summarizes their responses.

- Approximately 57% of respondents have previously held their event in Ocean City.
- All respondents who held events in Ocean City utilized the OCCC. Groups had also used Carousel Resort Hotel & Condominium, Dunes Manor Hotel, Hilton Suites Oceanfront and Princess Royale Family Resort & Condominium.
- If the OCCC remains the same, 72% of respondents answered “Definitely No” or “Not Likely” to hosting their event at the facility.
- By contrast, if the OCCC expanded its exhibit space by a maximum of 30,000 square feet, the amount of positive responses answering “Definitely Yes” or “Likely” increased to 85%.
- The most common strengths cited by positive respondents were Ocean City’s location/accessibility, attractions and proximity to the beach.
- Those that responded “Not Likely” or “Definitely No” primarily cited limited space as the reason they would not host events at the OCCC.

Positive respondents were asked more detailed questions regarding their event and attendee characteristics. Their responses are summarized below.

- Positive respondents would host a variety of sports at the OCCC including cheerleading, dance, gymnastics, wrestling and parkour (a non-combative martial art modeled after military training courses).
- Approximately 80% of positive respondents represent regional (multi-state) events and the remaining 20% represent national/international events.
- Sporting event organizers commented they think the OCCC could hold more national level events with concerted sales/marketing efforts with local sports organizations to attract their larger competitions.
- Approximately 80% of the events represented by positive respondents are held in the winter; 40% are held in the spring; 20% are held in the fall; and 20% occur year-round. Respondents could choose multiple seasons. Based on these responses, competitive sporting events could augment Ocean City's peak season of summer by drawing visitors during shoulder seasons.
- Although positive respondents host events involving a variety of age groups, all organizers indicated that their events have participants between the ages of 16 and 18.
- Positive respondents indicated that they require between one and eight regulation courts or competition areas.
- On average, positive respondents required 67,500 gross square feet of exhibit space.
- Only 20% require a banquet/general session as part of their event with an average seating capacity of approximately 125.
- Approximately 66% of positive respondents prefer to host their banquet at a convention center while 33% said either a convention center or hotel would be adequate.
- Approximately 80% of positive respondents anticipate an increase in the amount of space required to host their event in the future and the remaining 20% anticipate no change. No one responded that they anticipate their space needs decreasing over the next five years.
- Groups interested in bringing their event to the OCCC have an average of approximately 1,500 participants and 2,400 spectators. Over half of those attendees would come from outside Maryland and 55% would stay overnight in hotels or rental accommodations.
- Approximately 86% of respondents indicated attendees are "Somewhat Likely" or "Very Likely" to extend their stay in Ocean City given its visitor amenities.
- Positive respondents estimated that attendees stay an average of 2.3 days and 1.5 nights in the location that hosts the event.
- Approximately 80% of respondents indicated they anticipate attendance at their event to increase over the next five years, the balance (20%) of respondents anticipate attendance will remain the same. As with space needs, no one responded that they anticipate their attendance to decrease over the next five years.

- Survey respondents noted that approximately 3.4 people stay in each hotel/motel room, condo, or rental accommodation.
- When asked the maximum distance that the majority of attendees would be willing to drive to participate in their event, 40% responded less than 100 miles, 40% responded between 100 and 250 miles, and the remaining 20% responded more than 250 miles.
- Positive survey respondents estimate that overnight attendees spend between $125 and $130 per night on lodging which is consistent with Ocean City's annual ADR.
- Approximately 83% of positive survey responses indicated that their attendees are willing to use multiple property types to house their participants in Ocean City.
- One-half of respondents prefer visitor amenities such as lodging, restaurants, retail, and entertainment establishments to be located within 10 miles of the OCCC.

The next section presents a comparison of facility and destination characteristics with competitive and comparable convention centers.

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# COMPETITIVE/COMPARABLE FACILITY ANALYSIS

It is important to understand the competitive environment within which the OCCC operates as well as profile other facilities comparable in size to the proposed expanded building. This analysis will assist the TOC and the MSA in assessing Ocean City's position relative to other convention/tradeshow markets as they explore the need for expanded space.

This section profiles the following competitive convention centers based on input from facility management, surveys of event planners, and location along the East Coast:

- Baltimore Convention Center
- Charleston (SC) Area Convention Center
- Hampton Roads Convention Center
- Myrtle Beach Convention Center
- Prime F. Osborn Convention Center in Jacksonville
- Virginia Beach Convention Center
- Wildwoods Convention Center

In addition to the profiled convention centers, the OCCC also competes with larger hotel properties in Maryland and Washington, D.C. Hotels with meeting/ballroom space can have an advantage over convention centers for certain events because they control all major components of an event (i.e., function space, lodging and food/beverage) under one roof. Since the hotel is the primary beneficiary of all revenue streams, it can negotiate packages as it sees fit in any or all areas to attract business. For instance, a hotel can offer meeting and/or exhibit space for free or at a deeply discounted rate because it would still receive revenue from the rooms and food service which is often more profitable. Competitive hotels are not profiled because they are privately operated and, as such, usage and financial data is not available for comparative purposes.

The following comparable convention centers were chosen based on their facility size and/or market size:

- American Bank Convention Center in Corpus Christi
- Dayton Convention Center
- Knoxville Convention Center
- Spokane Convention Center
- Statehouse Convention Center in Little Rock
- Rushmore Plaza Civic Center in Rapid City

Crossroads Consulting obtained and analyzed ownership/operating structure, building program, destination attributes and operating data from the profiled set based on interviews with management, industry resources, published reports and our internal database. The data shown in this report is based on available information for each of the profiled facilities.

Benchmarking is a key element to short and long-term strategic planning. While providing significant data, benchmarks still only serve as a guide. Other attributes such as specific facility/market factors and industry trends are also considered when developing the conclusions and recommendations outlined in this study. Benchmarking OCCC operations to other competitive/comparable venues can be beneficial in terms of identifying various strengths, weaknesses, opportunities, and threats.

## Owner and Operator

The table below summarizes the owner and operator for the profiled facilities. Eleven (11) of the profiled facilities are City-owned. Similar to the OCCC, four of the profiled facilities are managed by a city. Six of the profiled facilities are privately managed and two are managed by their respective destination marketing organization (DMO).

**Profiled Facilities - Owner/Operator**

| Facility | Location | Owner | Operator |
|---|---|---|---|
| American Bank Convention Center | Corpus Christi, TX | City | Private |
| Baltimore Convention Center | Baltimore, MD | City | City |
| Charleston Area Convention Center | North Charleston, SC | City | Private |
| Dayton Convention Center | Dayton, OH | City | City |
| Hampton Roads Convention Center | Hampton, VA | City | Private |
| Knoxville Convention Center | Knoxville, TN | City | Private |
| Myrtle Beach Convention Center | Myrtle Beach, SC | City | City |
| **Ocean City Convention Center** | **Ocean City, MD** | **Town** | **Town** |
| Prime F. Osborn Convention Center | Jacksonville, FL | City | Private |
| Rushmore Plaza Civic Center | Rapid City, SD | City | City |
| Spokane Convention Center | Spokane, WA | Public Facilities District | |
| Statehouse Convention Center | Little Rock, AR | City | DMO |
| Virginia Beach Convention Center | Virginia Beach, VA | City | DMO |
| Wildwoods Convention Center | Wildwood, NJ | Authority | Private |

Note: Sorted alphabetically by facility.

Sources: Individual facilities; secondary research.

## Building Program

The table below summarizes key building program elements for profiled facilities. The OCCC offers 35% less total function space relative to the profiled set which is primarily due to its smaller supply of exhibit space. Competitive convention centers in Baltimore, Virginia Beach, Hampton, and Myrtle Beach offer significantly more exhibit space than the OCCC which allows these facilities to accommodate small to mid-size conventions given their flexible layouts. Although the OCCC offers less ballroom space than the average of the profiled set, its ratio of meeting/ballroom space to exhibit space is significantly higher than the average of the profiled set. Six of the profiled facilities have a theater or auditorium component and the average seating capacity is comparable to that offered at the OCCC's new Performing Arts Center. The existing OCCC offers 30% fewer parking spaces than the average of the profiled set which is an important attribute given its attendees primarily drive in to the market. However, free on-site parking and the availability of a shuttle service were viewed as positives by many meeting planners/event organizers who were surveyed/interviewed as part of this study effort.

**Profiled Facilities - Building Program**

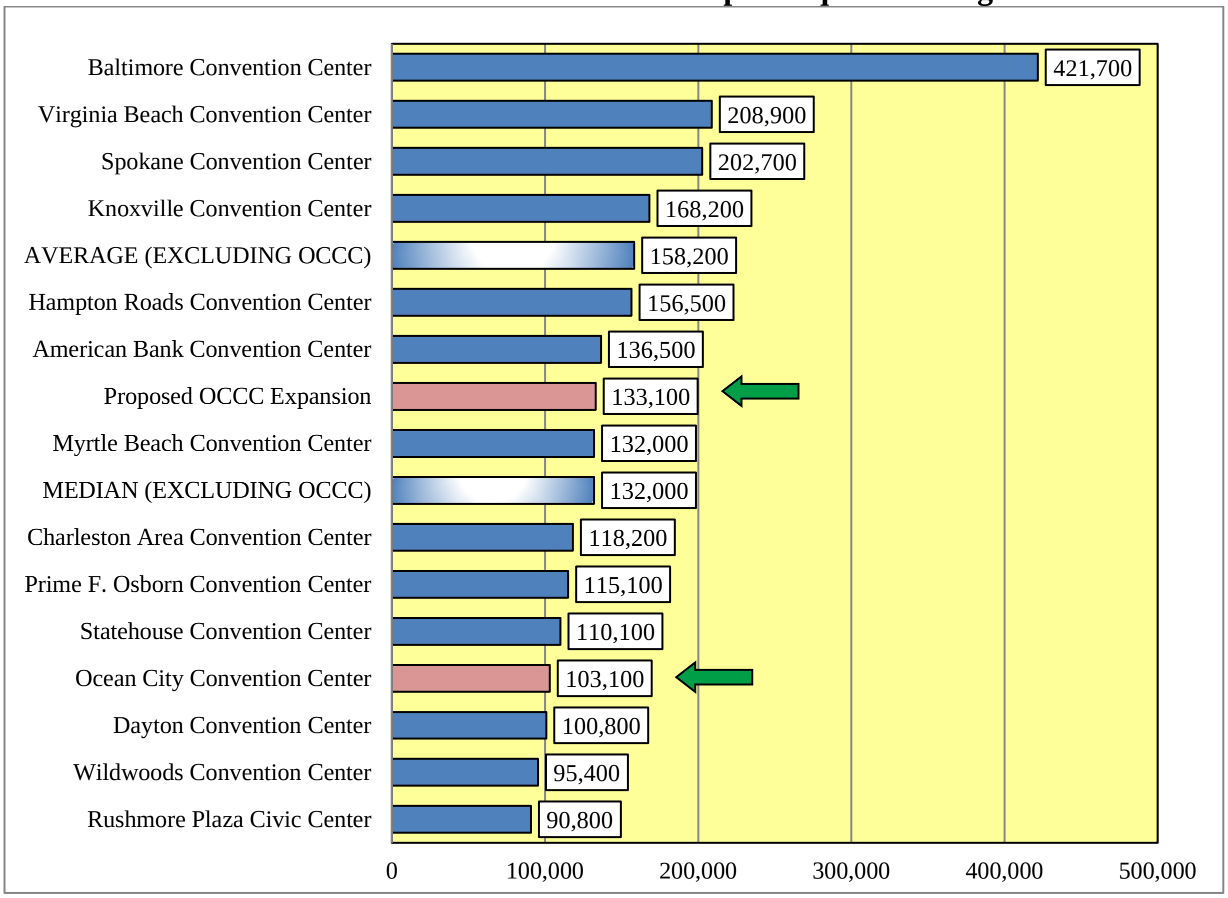
| Facility | City | Total Exhibit SF | Total Ballroom SF | Total Meeting Room SF | Total Function SF | Divisible Breakout Rooms | Mtg/BR to Exhibit Ratio | Theater Seating Capacity | On-Site Parking |
|---|---|---|---|---|---|---|---|---|---|
| Baltimore Convention Center | Baltimore, MD | 300,000 | 36,700 | 85,000 | 421,700 | 50 | 41% | n/a | n/s |
| Virginia Beach Convention Center | Virginia Beach, VA | 150,000 | 31,000 | 27,900 | 208,900 | 25 | 39% | n/a | 2,210 |
| Spokane Convention Center | Spokane, WA | 124,600 | 50,800 | 27,300 | 202,700 | 31 | 63% | 270 | n/s |
| Knoxville Convention Center | Knoxville, TN | 119,900 | 27,300 | 21,000 | 168,200 | 17 | 40% | 460 | 0 |
| Hampton Roads Convention Center | Hampton, VA | 102,600 | 27,900 | 26,000 | 156,500 | 26 | 53% | n/a | 4,000 |
| American Bank Convention Center | Corpus Christi, TX | 76,500 | 43,900 | 16,100 | 136,500 | 14 | 78% | 2,526 | 1,700 |
| **Proposed OCCC Expansion** | **Ocean City, MD** | **90,000** | **19,100** | **24,000** | **133,100** | **23** | **48%** | **1,200** | **1,320** |
| Myrtle Beach Convention Center | Myrtle Beach, SC | 100,800 | 17,000 | 14,200 | 132,000 | 17 | 31% | n/a | 2,250 |
| Charleston Area Convention Center | North Charleston, SC | 77,000 | 25,000 | 16,200 | 118,200 | 19 | 54% | 2,332 | 1,235 |
| Prime F. Osborn Convention Center | Jacksonville, FL | 78,500 | 10,100 | 26,500 | 115,100 | 23 | 47% | n/a | 1,800 |
| Statehouse Convention Center | Little Rock, AR | 82,900 | 18,400 | 8,800 | 110,100 | 12 | 33% | n/a | n/s |
| **Ocean City Convention Center** | **Ocean City, MD** | **60,000** | **19,100** | **24,000** | **103,100** | **23** | **72%** | **1,200** | **1,320** |
| Dayton Convention Center | Dayton, OH | 68,400 | 20,000 | 12,400 | 100,800 | 16 | 47% | 672 | 1,500 |
| Wildwoods Convention Center | Wildwood, NJ | 75,000 | 11,700 | 8,700 | 95,400 | 10 | 27% | n/a | 1,500 |
| Rushmore Plaza Civic Center | Rapid City, SD | 41,400 | 15,300 | 34,100 | 90,800 | 14 | 119% | 1,745 | 2,800 |
| **Average (excluding OCCC)** | | **107,500** | **25,800** | **24,900** | **158,200** | **21** | **47%** | **1,300** | **1,900** |
| **Median (excluding OCCC)** | | **82,900** | **25,000** | **21,000** | **132,000** | **17** | **47%** | **1,209** | **1,750** |

Notes: Sorted in descending order by total function space which equals the sum of exhibit, ballroom and meeting space.
n/a denotes not applicable and n/s denotes not supplied.

Sources: Individual facilities; secondary research.

As shown in the following graph, the existing OCCC offers one of the lowest amounts of total function space among the competitive set. The proposed expansion would place the OCCC in a more competitive position among its direct competitors in terms of total function space.

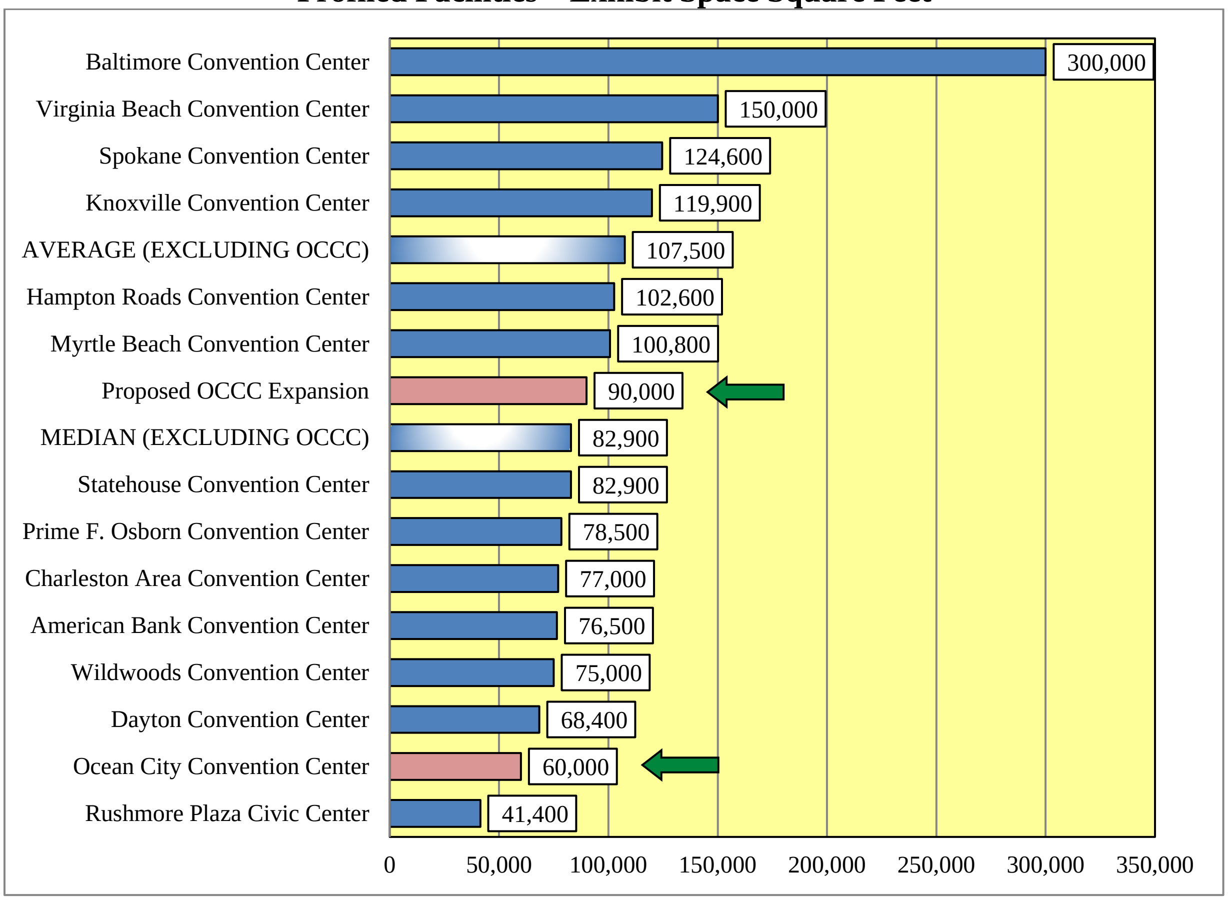
**Profiled Facilities – Total Function Space Square Footage**




Note: Total function space equals the sum of the exhibit, meeting and ballroom space.
Sources: Management at individual facilities; secondary research.

Of the profiled facilities, only Rushmore Plaza Civic Center offers less exhibit space than the existing OCCC. The proposed new exhibit hall would be contiguous with Halls A and B and offer 50% more total exhibit space than currently offered and 65% more prime exhibit space than the existing OCCC which would enhance the facility's marketability and competitive position among its direct competitors.

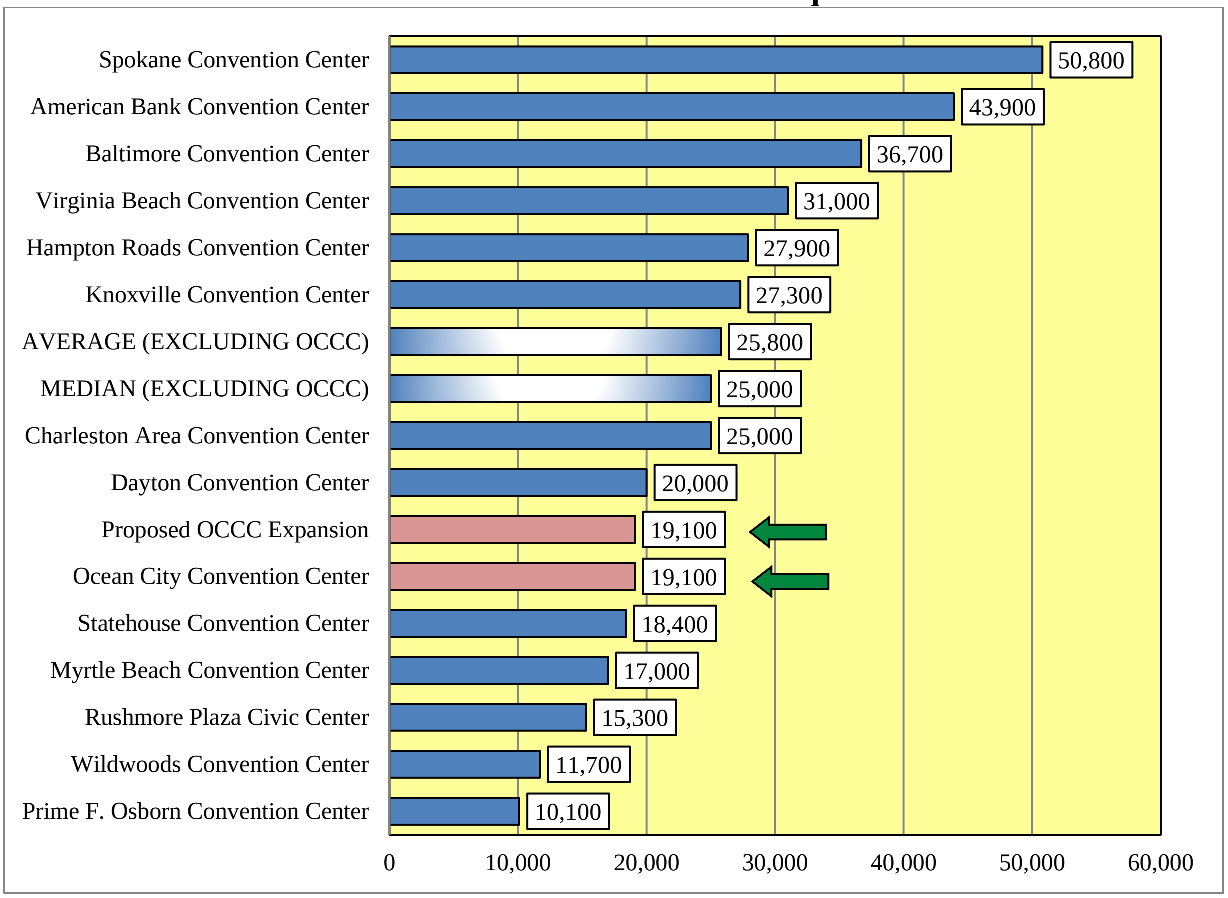
**Profiled Facilities – Exhibit Space Square Feet**




Sources: Management at individual facilities; secondary research.

The OCCC offers approximately 26% less ballroom space relative to the average and the median of the profiled set.

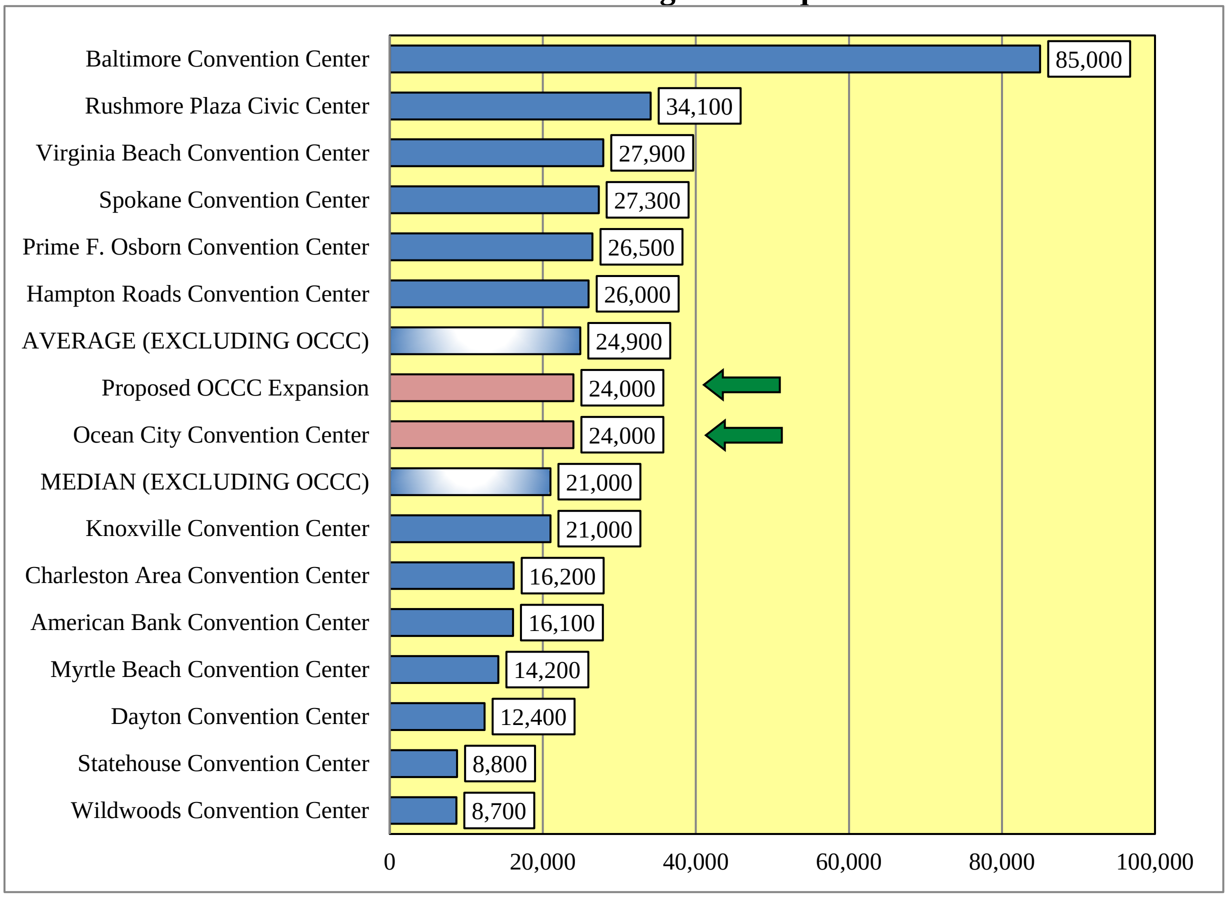
**Profiled Facilities – Ballroom Square Feet**




Sources: Management at individual facilities; secondary research.

OCCC offers a comparable amount of meeting space relative to average of the profiled set.

**Profiled Facilities – Meeting Room Square Feet**




Sources: Management at individual facilities; secondary research.

## Destination Characteristics

Convention and meeting planners consider destination characteristics in their site selection process. As the exhibition/meeting industry has undergone a supply boom and a demand slump in recent years, planners are increasingly booking venues with better overall destination packages (e.g., proximate hotel rooms, nearby entertainment/restaurants, safe/secure surroundings, etc.) to support their event. In addition, the resulting buyer's market has planners considering the overall price of hosting their event in a particular city including facility, lodging, and transportation costs.

The OCCC is serviced by Salisbury Regional Airport which has the fewest number of passenger enplanements among the profiled set which is a competitive disadvantage. As mentioned previously the OCCC is also serviced by the Baltimore/Washington International Airport and the Philadelphia International Airport. Despite this disadvantage, Ocean City's visitor amenities make it attractive for group business with primarily drive-in attendance such as social, military, educational, religious, and fraternal conventions and competitive sporting events.

| Profiled Facilities - Summary of Passenger Enplanements | | |
|---|---|---|
| | Air Service | |
| Facility | Airport | CY 15 Passenger Enplanements[1] |
| Baltimore Convention Center | Baltimore/Washington International | 11,738,800 |
| Prime F. Osborn Convention Center | Jacksonville International | 2,716,500 |
| Charleston Area Convention Center | Charleston International | 1,670,000 |
| Spokane Convention Center | Spokane International | 1,515,300 |
| Virginia Beach Convention Center | Norfolk International | 1,515,200 |
| Hampton Roads Convention Center | Norfolk International | 1,515,200 |
| Dayton Convention Center | Dayton International | 1,041,700 |
| Statehouse Convention Center | Clinton National | 985,500 |
| Myrtle Beach Convention Center | Myrtle Beach International | 899,900 |
| Knoxville Convention Center | McGhee Tyson Airport | 848,400 |
| Wildwoods Convention Center | Atlantic City International | 588,000 |
| American Bank Convention Center | Corpus Christi International | 338,300 |
| Rushmore Plaza Civic Center | Rapid City Regional | 264,200 |
| **Ocean City Convention Center** | **Salisbury Regional** | **61,800** |
| **Average (Excluding OCCC)** | | **1,972,100** |
| **Median (Excluding OCCC)** | | **1,041,700** |

Notes: Sorted in descending order by enplanements.

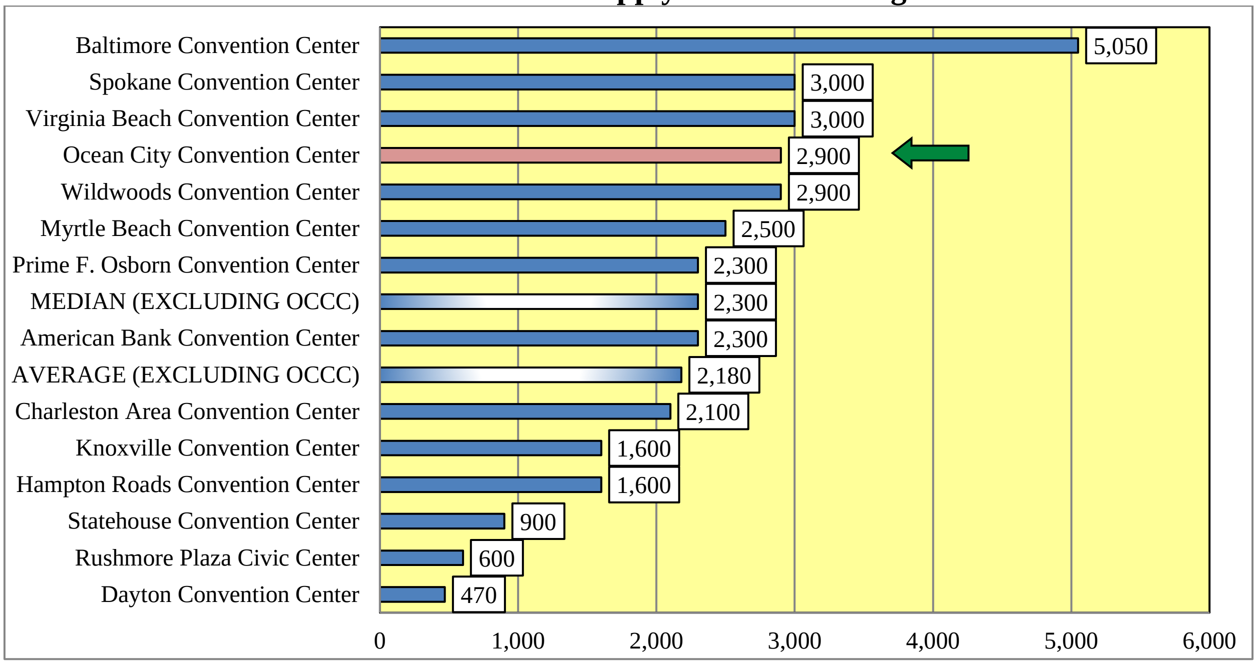
[1]Passenger enplanements are defined as domestic, territorial and international passengers who board an aircraft in scheduled and non-scheduled service of aircraft.

Source: Federal Aviation Administration.

The availability and affordability of hotel rooms are typically important destination selection criteria for meeting planners. Eight of the 14 profiled facilities have a headquarter hotel including competitive centers in Baltimore, Hampton, and Myrtle Beach. These headquarter hotel properties average approximately 550 rooms which is a competitive advantage for groups that want to accommodate all or most of their overnight attendees on-site.

The OCCC has 33% more hotel rooms within walking distance than the average of the profiled set. This supply excludes condominiums, houses and other available rental properties. According to the Ocean City Hotel/Motel Association, more than 440 new hotel rooms are anticipated to be added within walking distance of the OCCC in the next several years including a new Residence Inn.

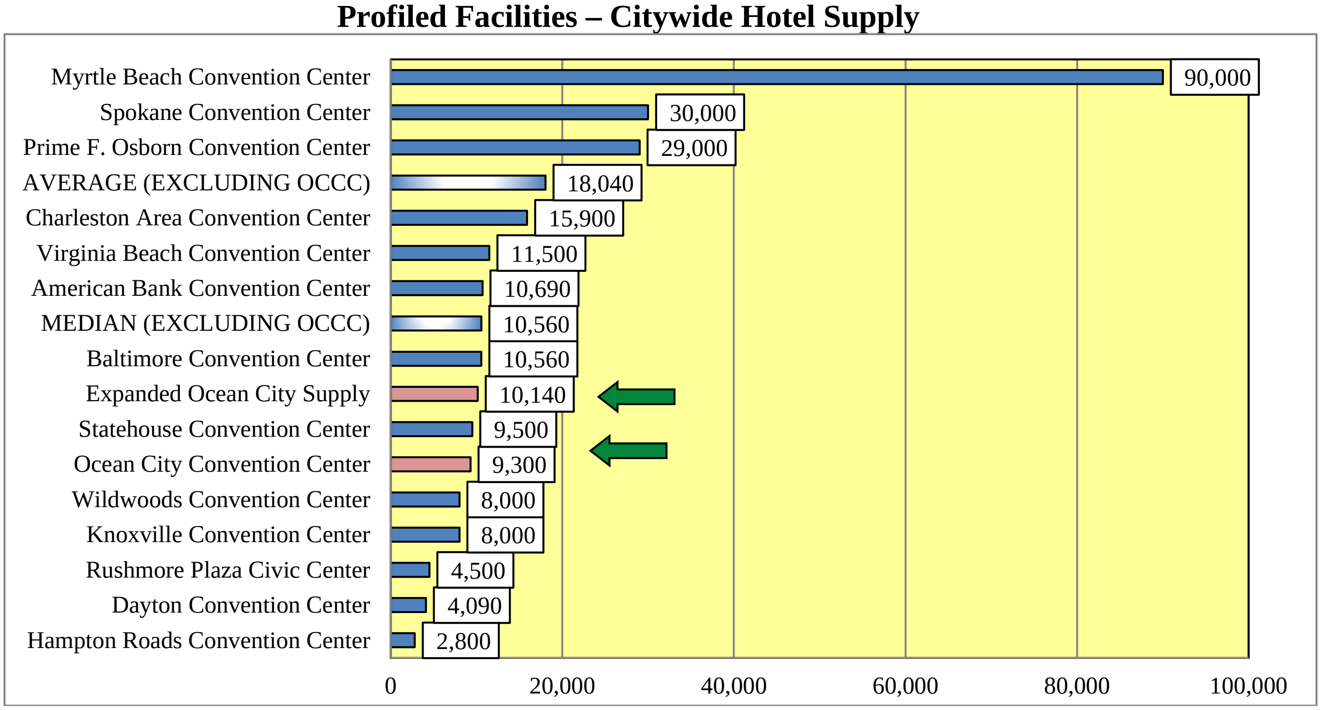
## Profiled Facilities – Hotel Supply Within Walking Distance




Sources: Management at individual facilities; destination marketing organizations; secondary research.

Excluding Myrtle Beach, Ocean City offers a comparable number of citywide hotel rooms to the median of the profiled set which will be further augmented by the planned new hotel development.

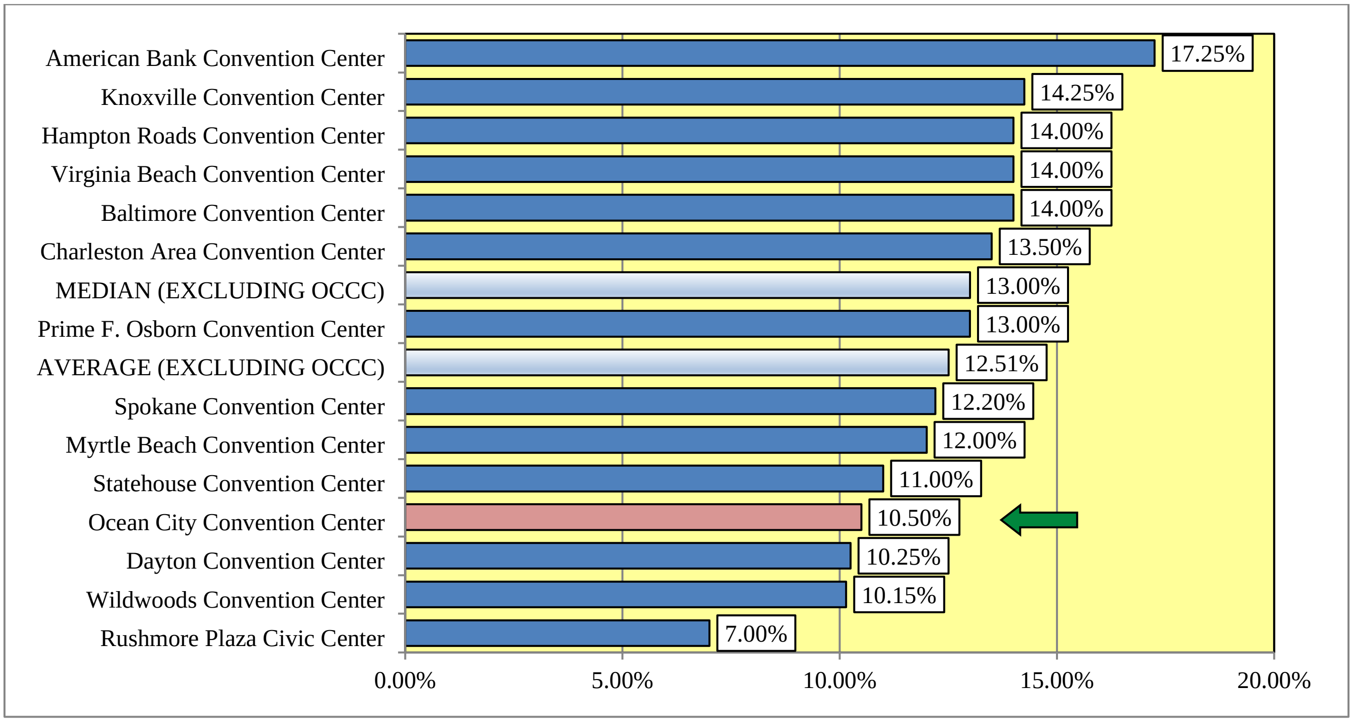
## Profiled Facilities – Citywide Hotel Supply




Note: Expanded OCCC supply includes an estimated 840 new rooms anticipated to open in the next several years.
Sources: Management at individual facilities; destination marketing organizations; secondary research.

Meeting planners rank affordability of the destination high when choosing facilities to host their events. As shown in the following graph, the OCCC has a relatively low total tax on hotel rooms (10.50%) among the profiled facilities which is a competitive advantage for group business. Taxes applied to hotel rooms include State/local sales tax and lodging taxes.

**Profiled Facilities – Total Tax on Hotel Rooms**




Sources: Management at individual facilities; destination marketing organizations; secondary research.

## Utilization

Utilization at convention centers is impacted by factors such as the physical product, market characteristics, accessibility, mission statement, booking policy, rental and labor rate structure, regionally competitive facilities, marketing efforts and general economic conditions. The following table illustrates total events and total attendance at profiled facilities. Individual convention centers are not identified in the comparative utilization graph because some information was provided confidentially.

As shown, the OCCC hosted significantly fewer events than the profiled facilities. Many of the profiled convention centers hold a significant number of meetings, banquets/receptions and community events. The OCCC does not currently host a significant number of meetings and community events relative to profiled facilities. In addition, the OCCC does not report stand-alone banquets which are tracked separately by Centerplate.

In general, convention centers with more exhibit space hold more conventions/tradeshows. An expanded OCCC would enhance its ability to host more conventions/tradeshows. The OCCC realized a higher percentage of its total attendance/attendee days from convention/tradeshow activity (41%) relative to the average for the profiled facilities (29%).

**Profiled Facilities - Utilization**

| Facility | All Events: Total Events | | All Events: Total Attendance | | Conventions/Tradeshows: Total Events | Conventions/Tradeshows: Average Attendance | Conventions/Tradeshows: Total Attendance |
|---|---|---|---|---|---|---|---|
| Facility 1 | 260 | | 780,500 | ** | 54 | 5,935 | 320,500 |
| Facility 2 | 350 | | 558,800 | ** | 29 | 2,114 | 61,300 |
| **OCCC** | **75** | | **441,000** | ** | **31** | **5,794** | **179,600** |
| Facility 3 | 283 | | 341,200 | | 31 | 1,887 | 58,500 |
| Facility 4 | 682 | * | 302,100 | | 76 | 683 | 51,900 |
| Facility 5 | 178 | | 295,100 | ** | 53 | 3,026 | 160,400 |
| Facility 6 | 440 | * | 286,400 | | n/s | n/s | n/s |
| Facility 7 | 220 | | 200,300 | | 24 | 3,050 | 73,200 |
| Facility 8 | 210 | | 183,300 | | n/s | n/s | n/s |
| Facility 9 | 181 | | 158,800 | | 7 | 1,029 | 7,200 |
| Facility 10 | 131 | * | 75,868 | | 35 | 350 | 12,250 |
| **Average (Excluding OCCC)** | **294** | | **318,200** | | **39** | | **93,200** |

Notes: Sorted in descending order by total attendance.
Facility number corresponds to that in financial operations tables that follow.
*denotes where a facility reports event days rather than events.
** denotes where a facility reports attendee days rather than attendance.
n/s denotes not supplied.

Sources: Individual facilities; secondary research.

## Financial Performance

Comparing financial performance at competitive/comparable facilities can offer a good frame of reference from which to benchmark historical and projected financial operations of the existing OCCC and any potential expansion. The majority of stand-alone convention centers typically realize an operating deficit.

It is important to recognize that facilities vary in their methods of financial reporting and, as such, not all categories or line items are uniformly reported. Consequently, for purposes of this analysis, adjustments have been made to the financial information as reported by the facilities in order to make the data as consistent as possible for comparative purposes. For instance, operating revenues do not include any public funding or tax revenue such as hotel/motel collections for any of the profiled facilities. Similarly, facility operating expenses exclude depreciation expense, debt service, large asset purchases, any expenses related to capital improvements and any effect of taxes.

The following table compares operating revenues and operating expenses for the OCCC in FY 2015 to the competitive/comparable facilities for which data was available. As shown, the OCCC realized less operating revenues, more operating expenses and a higher operating deficit than the average of profiled facilities, many of which offer more total function space. One factor impacting the lower operating revenues at the OCCC relative to the profiled facilities is the lack of parking revenues. The OCCC also has the lowest expense coverage ratio.

| Profiled Facilities - Financial Operating Data | | | | |
|---|---|---|---|---|
| **Facility** | **Operating Revenues** | **Operating Expenses** | **Operating Income/(Loss)** | **Expense Coverage Ratio** |
| Facility 1 | $2,413,000 | $4,594,000 | ($2,181,000) | 53% |
| Facility 2 | $3,931,000 | $6,083,000 | ($2,152,000) | 65% |
| **OCCC** | **$1,802,000** | **$4,636,000** | **($2,834,000)** | **39%** |
| Facility 3 | $2,396,000 | $5,216,000 | ($2,820,000) | 46% |
| Facility 4 | $1,904,000 | $3,214,000 | ($1,310,000) | 59% |
| Facility 5 | $1,645,000 | $2,771,000 | ($1,126,000) | 59% |
| Facility 6 | $2,426,000 | $3,803,000 | ($1,377,000) | 64% |
| Facility 7 | $3,040,000 | $4,403,000 | ($1,363,000) | 69% |
| Facility 8 | $1,277,000 | $2,126,000 | ($849,000) | 60% |
| Facility 9 | $1,113,000 | $2,302,000 | ($1,189,000) | 48% |
| Facility 10 | n/s | n/s | n/s | n/s |
| **Average (Excluding OCCC)** | **$2,238,000** | **$3,835,000** | **($1,597,000)** | **58%** |

Notes: Expense coverage ratio = operating revenues/operating expenses.
OCCC reports attendee days, not attendance.
Facility number corresponds to that in utilization tables.
n/s denotes not supplied.

Sources: Individual facilities; secondary research.

As a point of reference, five profiled facilities that charge parking generate between $20,000 and $330,000 from this revenue stream or 1% to 14% of their respective operating revenues. The major expenses at most convention centers include salaries/wages, benefits, and utilities. As such, best practices in the industry include continual efforts to control these line items. Staff related benefits represent 49% of OCCC related salaries/wages. According to management, this is due, in part, to the fact that pension benefits for former OCCC staff are allocated to the facility's operating expenses. As a point of reference, benefits expenses at profiled facilities represent an average of 38% of salaries/wages.

Other best practices to maximize financial operations include continual efforts to more accurately pass along event related costs to users. For example, installing utility meter systems that track individual event usage. In addition, other facilities are instituting energy efficiency measures to maintain utility costs to mitigate the effects of increasing rates.

## Competitive Market Assessment

Based on the research conducted for this study, the following summarizes market related strengths, weaknesses, opportunities and threats associated with the OCCC.

**SWOT Analysis**

**Strengths**

- Established leisure/hospitality market accustomed to servicing visitors
- Significant hotel/rental accommodation supply
- Hotels within walking distance of the OCCC
- Overall value of Ocean City
- Unique beach/visitor amenities and family-friendly reputation
- Overall functionality of facility layout
- Staff longevity
- Solid base of repeat business
- Free on-site parking
- Relatively low total tax on hotel rooms

**Weaknesses**

- Limited date availability
- Existing amount of contiguous exhibit space, particularly relative to its direct competitors
- Lack of a proximate major airport
- Fewer total events than profiled facilities

**Opportunities**

- Retain existing business
- Expand target market niches
- Exhibition and meeting industry projecting improvement
- Significant number of State/regional associations headquartered in region
- Growing competitive sports industry
- Interest from potential user groups both similar in size and larger than current users
- Increase usage during non-peak, shoulder seasons
- Create additional economic benefits including spending at area businesses and job creation

**Threats**

- Supply and quality of competitive convention centers and meeting hotels in State/region
- Hotel availability and costs during peak summer season
- Dated hotel properties in terms of overall condition, aesthetics and guest amenities
- General economic conditions

Market research suggests that the expansion would allow the OCCC to better accommodate existing users as well as attract incremental new business in niches that are well-suited to Ocean City's strengths. These niches include State/regional conventions/tradeshows and sports competitions that more commonly attract overnight attendees that drive to/from the destination, are held in family-friendly destinations, and seek affordable options. In addition, the proposed exhibit hall expansion could better accommodate long-term users that serve the local community such as the Seaside Boat Show and the Stephen Decatur High School graduation. The existing OCCC offers the smallest amount of exhibit space relative to its competitive set. The proposed addition of a maximum of 30,000 square feet of contiguous existing space would place the OCCC in a better competitive position to host larger and/or more simultaneous events. If the OCCC's exhibit space is not expanded, the community could lose market share to other State/regional competitors.

The next section of the report outlines the estimated incremental new impact to financial operations associated with the proposed expansion of the OCCC.

Crossroads
CONSULTING SERVICES

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# FINANCIAL ANALYSIS

With respect to financial performance, it is important to understand that many similar convention centers realize an operating deficit or operate near break-even. However, one of the primary reasons for developing these types of facilities is the economic activity that they can generate in terms of spending, employment, and earnings as well as tax revenues to local and state governments. These facilities typically attract events that draw patrons from outside the immediate market area who spend money on overnight accommodations, restaurants and other related services. In many instances, these net new benefits can outweigh the operating deficit. Consequently, when evaluating the merits of these types of projects, it is important to consider all aspects of the costs and benefits including operating requirements, debt service and economic/fiscal benefits. An order-of-magnitude estimate of the economic/fiscal benefits associated with an expanded OCCC is provided later in this report.

Crossroads Consulting assisted the TOC in developing a hypothetical, order-of-magnitude estimate of operating revenues and operating expenses before depreciation and debt service for the proposed expansion of the OCCC for a stabilized year of operations. This analysis is also based on certain assumptions pertaining to operations of the facility, usage levels and other related financial assumptions agreed to by the TOC. The accompanying analysis was prepared for internal use by the TOC for its consideration of plans for the proposed expansion and should not be used or relied upon for any other purpose including financing of the project.

The analysis performed was limited in nature and, as such, Crossroads Consulting does not express an opinion or any other form of assurance on the information presented in this report. As with all estimates of this type, we cannot guarantee the results nor is any warranty intended that they can be achieved. The estimates of operating revenues and operating expenses are based on the anticipated size, quality and efficiency of the expanded OCCC. Since these estimates and assumptions are based on circumstances that have not yet transpired, they are subject to variation. Further, there will usually be differences between estimated and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The financial operations of an expanded OCCC will be impacted by several factors including, but not limited to, its larger size in terms of gross square footage as well as its anticipated increase in event activity. For these and other reasons, it is difficult to make direct comparisons between historical facility operations and those estimated for an expanded OCCC. Discussions were conducted with facility management to consider the impact that expansion would have on individual line items. These discussions and historical analysis were the basis for various assumptions regarding the operations of an expanded OCCC.

## General Assumptions

Based on input from the client group, the following assumptions were used to develop estimates of event activity, financial operations and economic/fiscal impacts for the proposed expanded OCCC.

- A maximum of 30,000 square feet of contiguous exhibit space is developed.
- Given the limited historical operating data associated with the Performing Arts Center and the fact that the proposed expansion will likely have limited or no impact on stand-alone concerts/entertainment events, these event types are excluded from the financial analysis.
- The facility is managed by professional, experienced staff.
- An aggressive marketing approach is taken by the CVB and management at OCCC, particularly in attracting conventions/tradeshows and competitive sporting events.
- A high level of quality customer service continues to be provided.
- The OCCC operating subsidy continues to be funded in the same manner – one-half by the TOC and one-half by the State.
- No other similar, competitive facilities are built or expanded in the region.
- Tax rates continue at their current rates.
- Amounts are presented in current dollars and reflect a stabilized year of operations.

It should be noted these assumptions are preliminary in nature and will continue to be refined as decisions related to the building program and other operating characteristics continue to evolve.

## Estimated Impact to Usage/Event Activity

The financial and economic/fiscal impact analyses are based on several factors including an estimate of usage/event activity that was developed based on historical utilization at the OCCC, research previously summarized in the market analysis including input from the client group, market characteristics, industry trends, input from potential demand generators, information on competitive/comparable facilities as well as other research.

Many of the events will likely occur over multiple days and include event days (when an event occurs at the facility) as well as move-in/move-out days. Likewise, attendees often attend each event day. As mentioned previously, an attendee day is defined as total attendance multiplied by the event length.

Event activity at expanded facilities typically experiences a "ramp up" period to a stabilized level of activity which occurs for several reasons. For instance, some groups that book their event years in advance may not want to risk that a facility's construction is delayed and not completed in time for their event. In addition, some groups may choose to let management "fine tune" its operations before meeting in the expanded facility. However, it is important to recognize that the overall utilization at any facility is typically dependent on a number of factors and is rarely consistent. As such, the estimated range of utilization shown in the following table compares an expanded OCCC to the historical five-year average for a stabilized year of operations.

**Comparison of Usage/Event Activity**

| **Events** | **Historical Five-Year Average** | **Expanded OCCC (Stabilized Year)** | | | **Incremental New (Stabilized Year)** | | |
|---|---|---|---|---|---|---|---|
| Convention/Tradeshow | 31 | 38 | - | 40 | 7 | - | 9 |
| Consumer Show | 26 | 28 | - | 29 | 2 | - | 3 |
| Meetings | 17 | 24 | - | 28 | 7 | - | 11 |
| Competitions | 8 | 14 | - | 16 | 6 | - | 8 |
| **Total** | **82** | **104** | **-** | **113** | **22** | **-** | **31** |
| **Total Event Days** | **Historical Five-Year Average** | **Expanded OCCC (Stabilized Year)** | | | **Incremental New (Stabilized Year)** | | |
| Convention/Tradeshow | 94 | 114 | - | 120 | 20 | - | 26 |
| Consumer Show | 69 | 76 | - | 78 | 7 | - | 9 |
| Meetings | 28 | 39 | - | 46 | 11 | - | 18 |
| Competitions | 25 | 43 | - | 50 | 18 | - | 25 |
| **Total** | **216** | **272** | **-** | **294** | **56** | **-** | **78** |
| **Average Attendee Days Per Event** | **Historical Five-Year Average** | **Expanded OCCC (Stabilized Year)** | | | **Incremental New (Stabilized Year)** | | |
| Convention/Tradeshow | 5,600 | 6,000 | - | 6,000 | 400 | - | 400 |
| Consumer Show | 5,000 | 5,800 | - | 5,800 | 800 | - | 800 |
| Meetings | 900 | 750 | - | 750 | (150) | - | (150) |
| Competitions | 11,100 | 11,100 | - | 11,100 | 0 | - | 0 |
| **Total Attendee Days** | **Historical Five-Year Average** | **Expanded OCCC (Stabilized Year)** | | | **Incremental New (Stabilized Year)** | | |
| Convention/Tradeshow | 172,500 | 228,000 | - | 240,000 | 55,500 | - | 67,500 |
| Consumer Show | 130,000 | 162,400 | - | 168,200 | 32,400 | - | 38,200 |
| Meetings | 15,200 | 18,000 | - | 21,000 | 2,800 | - | 5,800 |
| Competitions | 88,900 | 155,400 | - | 177,600 | 66,500 | - | 88,700 |
| **Total** | **406,600** | **563,800** | **-** | **606,800** | **157,200** | **-** | **200,200** |

Notes: Excludes off-site and internal use events.
Historical and estimated usage/event activity excludes concert/entertainment events.
Source: Facility management.

## Estimated Impact to Financial Operations

The table that follows compares the estimates of net operating revenues over net operating expenses *before* debt service and depreciation for a stabilized year of operations to the historical five-year average for the existing OCCC. The incremental impact to net operations is estimated to reduce the annual operating deficit by approximately $44,000 to $76,000.

| Comparison of OCCC Operating Revenues and Operating Expenses | | | | | | | |
|---|---|---|---|---|---|---|---|
| Category | Historical Five-Year Average | Expanded OCCC (Stabilized Year) | | | Incremental New (Stabilized Year) | | |
| Operating Revenues | $1,721,000 | $2,455,000 | - | $2,581,000 | $734,000 | - | $860,000 |
| Operating Expenses | 4,373,000 | 5,063,000 | - | 5,157,000 | 690,000 | - | 784,000 |
| Operating Revenues Over Operating Expenses Before Debt Service and Depreciation | ($2,652,000) | ($2,608,000) | - | ($2,576,000) | $44,000 | - | $76,000 |
| Town Subsidy | ($1,326,000) | ($1,304,000) | - | ($1,288,000) | $22,000 | - | $38,000 |
| State Subsidy | ($1,326,000) | ($1,304,000) | - | ($1,288,000) | $22,000 | - | $38,000 |

### Net Operating Revenues

The following table shows the estimated net operating revenues for an expanded OCCC in a stabilized year of operations compared to the historical five-year average. The incremental impact to net operating revenues is estimated to range from $734,000 to $860,000 annually.

| Comparison of OCCC Net Operating Revenues | | | | | | | |
|---|---|---|---|---|---|---|---|
| Revenue Category | Historical Five-Year Average | Expanded OCCC (Stabilized Year) | | | Incremental New (Stabilized Year) | | |
| Facility Rental | $851,000 | $1,225,000 | - | $1,295,000 | $374,000 | - | $444,000 |
| Food & Beverage | 326,000 | 522,000 | - | 558,000 | 196,000 | - | 232,000 |
| Service Charges | 311,000 | 451,000 | - | 467,000 | 140,000 | - | 156,000 |
| Special Events | 84,000 | 91,000 | - | 95,000 | 7,000 | - | 11,000 |
| Other | 84,000 | 85,000 | - | 85,000 | 1,000 | - | 1,000 |
| Sales/Membership Dues | 65,000 | 81,000 | - | 81,000 | 16,000 | - | 16,000 |
| **Total** | **$1,721,000** | **$2,455,000** | **-** | **$2,581,000** | **$734,000** | **-** | **$860,000** |
| **Incremental Impact to Operating Revenues** | | | | | **43%** | **-** | **50%** |

Note: Operating revenues exclude a guaranteed annual County grant which accounted for $45,000 in FY 2011 through FY 2014 and $50,000 in FY 2015.

The following pages provide a description of each operating revenue line item.

*Facility Rental* includes revenue from the rental of function space at the facility. Typically, convention centers charge different rate structures for various types of events such as conventions, tradeshows, consumer shows, and other events depending on the type of space utilized (i.e., exhibit halls and meeting rooms). Although OCCC has published rental rates for various areas of the facility, effective rates realized are typically lower than published rates due to several factors including: some rates may be negotiated to attract quality, high-impact events; meeting rooms or other space may be complimentary in conjunction with rented space or food functions; move-in/move-out days are often priced at one-half the normal rate; and/or some facilities offer reduced rental rates to special groups such as local, non-profit, and charitable organizations.

*Food & Beverage* includes sales from catering, concessions, alcoholic beverages, and vending. Currently, the OCCC contracts with Centerplate for food and beverage services. Based on the recently negotiated contract, Centerplate pays the TOC a percentage of gross food/beverage revenues based on a graduated scale. Historically, the OCCC has retained approximately 25% of gross food/beverage revenues. As such, a similar percentage is assumed for an expanded OCCC for purposes of this analysis. The new agreement also requires that Centerplate pay the TOC $600,000 as capital investment, $500,000 in upfront cash for any use and the balance for mutually agreed upon food service capital projects.

*Service Charges* include income received for electrical, plumbing, phone and audio/visual services provided to exhibitors and event organizers.

*Special Events* include rental revenue associated with performing arts events and the annual Holiday Shoppers Fair. For purposes of this analysis, the impact to this line item is limited to increased exhibit space rental associated with the Holiday Shoppers Fair.

*Other* includes parking fees paid by buses utilizing the south parking lot, ATM fees, and Tourism Commission lease revenue.

*Sales/Membership Dues* are primarily associated with CVB membership dues and, as such, are not assumed to be impacted by the proposed expansion. The amount estimated for the proposed expansion is comparable to the amount reported in FY 2015.

As the potential expansion plans continues to evolve, other potential revenue sources that the TOC may want to consider include, but are not limited to, the following:

- *Parking* – typically includes a charge per car for all events or certain public events with significant drive-in attendees. Higher charges can sometimes be charged for spaces closest to the facility entrance or a valet service.
- *Naming rights* – through a combination of naming rights, preferential advertising treatment and event sponsorship inducements, one or more private parties may be solicited for up-front or recurring annual commitments. However, the revenue generated from naming rights is generally based on several factors, including but not limited to, the amount and type of event activity, the local corporate base, and management's philosophy on the amount and type of naming rights sold (e.g., selling the facility as a whole, selling individual function spaces, etc.). Naming rights deals are not as common among convention centers and, as such, financial information is difficult to obtain. Conducting focus groups is one method to ascertain the potential revenue that could be generated from naming rights.
- *Pouring rights* – where a beverage manufacturer pays the facility for exclusive selling rights for a specified term.
- *Long-term sponsorships* – include the sale of advertising for particular "zones" within or outside the facility such as a private area to gather prior to and after events or an entry boulevard named for a sponsor.
- *Retail rental space* – where a portion of the facility could be leased for a compatible use such as a coffee shop or printing/shipping business.

Net Operating Expenses

The following table shows the estimated net operating expenses for an expanded OCCC in a stabilized year of operations compared to the historical five-year average. The incremental impact to net operating expenses is estimated to range from $690,000 to $784,000 annually.

| Comparison of OCCC Net Operating Expenses | | | | | | | |
|---|---|---|---|---|---|---|---|
| Expense Category | Historical Five-Year Average | Expanded OCCC (Stabilized Year) | | | Incremental New (Stabilized Year) | | |
| Salaries and Wages | $1,889,000 | $1,994,000 | - | $2,009,000 | $105,000 | - | $120,000 |
| Employee Benefits | 948,000 | 997,000 | - | 1,005,000 | 49,000 | - | 57,000 |
| Energy | 543,000 | 814,000 | - | 846,000 | 271,000 | - | 303,000 |
| Insurance & Intragovernmental | 299,000 | 373,000 | - | 382,000 | 74,000 | - | 83,000 |
| Repairs & Maintenance | 280,000 | 404,000 | - | 421,000 | 124,000 | - | 141,000 |
| Other Purchased Services | 179,000 | 221,000 | - | 231,000 | 42,000 | - | 52,000 |
| General Supplies | 170,000 | 190,000 | - | 193,000 | 20,000 | - | 23,000 |
| Vehicle Operations | 24,000 | 25,000 | - | 25,000 | 1,000 | - | 1,000 |
| Communications | 22,000 | 26,000 | - | 26,000 | 4,000 | - | 4,000 |
| Professional Services | 11,000 | 11,000 | - | 11,000 | 0 | - | 0 |
| Other | 8,000 | 8,000 | - | 8,000 | 0 | - | 0 |
| **Total** | **$4,373,000** | **$5,063,000** | **-** | **$5,157,000** | **$690,000** | **-** | **$784,000** |
| | | | | | | | |
| **Incremental Impact to Operating Expenses** | | | | | **16%** | **-** | **18%** |

Note: Operating expenses exclude capital purchases.

The following pages provide a description of each operating expense line item.

*Salaries and Wages* typically represent a significant expense and vary based on permanent full-time staffing plans and other factors. One factor relates to the management philosophy of maintaining event-related personnel as full-time or part-time staff. Another factor relates to the management and physical relationship the facility might have to other facilities. For example, the staffing plan for a stand-alone facility is different than for an entire complex that can share administrative costs among several venues. In addition, the extent that contracted services are used also impacts staffing at a facility.

OCCC currently has 42 full-time equivalents (FTEs). Based on this staffing plan, the size of the proposed expansion, and its estimated impact to utilization, it is assumed that an expanded facility would require two additional FTEs for a total staffing plan of 44. These positions should include one event coordinator and one sales person.

*Benefits* include costs associated with personnel including health and retirement benefits as well as worker’s compensation. As mentioned previously, employee benefits have averaged 50% of the salaries/wages expenses over the last five years which is higher than many of the profiled competitive/comparable facilities. According to management, this is due, in part, to the fact that pension and retiree health insurance actuarial fund contributions for current and former employees are allocated to the facility’s operating expenses which is probably not included in the data from other profiled facilities.

*Energy* generally represents one of the highest expense items for convention centers and can vary depending upon the level of utilization, age of the building, shared spaces with other facilities and climate. For purposes of this analysis, it is assumed that management passes through to the user, to the extent possible, utility costs related to a particular event. In many facilities, these costs are handled as an expense that is fully or partially reimbursed by the event at a later date or, for civic uses, a utilities charge is assessed. Over the last two years the OCCC has experienced significant increases in utilities related expenses which, according to management, is primarily attributable to weather. The energy cost shown in this analysis represents the total non-reimbursable costs. It should be noted that actual utility expenses will depend on facility design and decisions concerning physical design/layout, energy systems and management.

*Insurance and Intragovernmental* includes an allocation to OCCC for the TOC's blanket insurance policy covering all of its assets as well as a prorated share of the TOC's services for items such as information technology and general overhead.

*Repairs and Maintenance* includes various expenses incurred related to building and equipment maintenance and generally varies based on utilization. Expense allocations for repairs and maintenance are also highly dependent upon the owner/management philosophy relative to upkeep of the facility.

*Other Purchased Services* include items such as landscaping, carpet/window cleaning, laundry and other contracted services.

*General Supplies* include costs associated with rentals, leases, office and janitorial supplies, hardware, software and other similar items necessary for the day-to-day operations of the facility.

*Vehicle Operations* include costs associated with two TOC-owned vehicles used for OCCC operations.

*Communications* include expenses associated with telephone service and two-way radios.

*Professional Services* include legal fees and medical payments.

*Other* includes miscellaneous expenses not accounted for in the above line items.

*Debt Service and Depreciation* costs are not included in this analysis.

*Reserve for Replacement Fund* is not included in this analysis. Historically, there has not been a dedicated reserve for replacement fund. Rather, facility management has requested capital improvement funds through an annual appropriation process. The TOC and the State have jointly funded capital improvements. However, it is recommended that the TOC plan for an annual payment specifically designated as a reserve for replacement fund in order to safeguard its investment. This fund is intended to cover any extraordinary annual future capital repairs or improvements to the facility.

The next section of the report outlines the estimated incremental new impact to economic/fiscal benefits associated with the proposed expansion of the OCCC.

Crossroads
CONSULTING SERVICES

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# ECONOMIC AND FISCAL IMPACT ANALYSIS

One of the primary objectives of this study is to estimate the incremental new economic and fiscal impacts associated with expansion of the OCCC to area economies. The TOC, County and the State benefit from the facility's operations in several ways, including such tangible and intangible benefits as:

- Enhancing the area's image as a business, meeting and tourist destination;
- Receiving increased State and regional exposure through destination marketing and visitation;
- Providing a first-class meeting venue for area residents and out-of-town visitors;
- Serving as a catalyst for further development initiatives in the area; and
- Generating economic activity and fiscal revenues.

Each of these benefits is important in assessing the overall impacts of an expanded OCCC. While the value of many of these benefits is difficult to measure, the economic and fiscal impacts generated can be quantified. This analysis quantifies the direct, indirect and induced benefits associated with operations of an expanded OCCC including the associated tax revenues. Although some of the estimated event activity is occurring at the existing OCCC, an expanded facility will likely maintain and grow existing business as well as attract incremental new events that cannot currently be accommodated.

## General Methodology Overview

An assessment of the economic benefits that occur in Worcester County and the State of Maryland as a result of on-going operations of an expanded OCCC can be approached in several ways. The approach used in this analysis considers expenses generated from OCCC operations from items such as personnel services, contractual services, materials and supplies, equipment, and capital expenditures as well as attendees, sponsoring organizations/event producers and exhibitors as an initial measure of economic activity in the marketplace. Once the amount for direct spending is quantified, a calculated multiplier is applied to generate the indirect and induced effects. The sum of direct, indirect and induced effects equals total economic impact which is expressed in terms of spending (output), employment (jobs), and personal earnings.

This analysis also estimates the fiscal impacts generated from on-going OCCC operations. The governmental entities considered in this fiscal analysis are Worcester County and the State of Maryland. Revenues generated from the admissions and amusement tax, corporate income tax, food and beverage tax, hotel/motel tax, motor vehicle rental tax, personal income tax as well as sales and use tax were estimated.

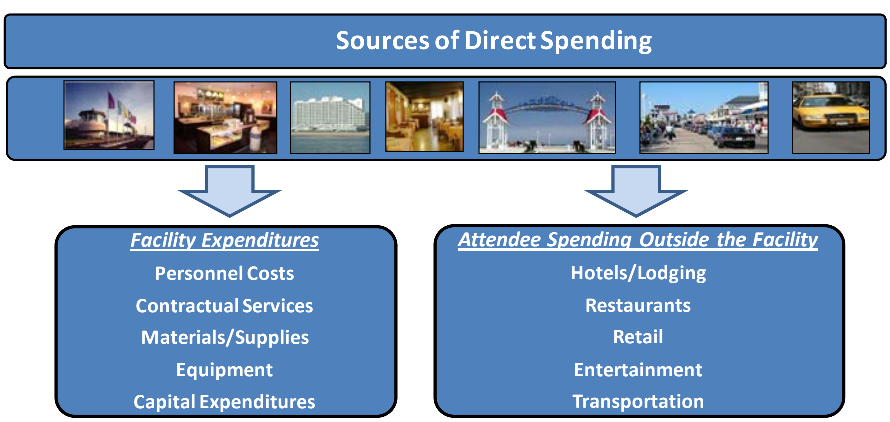
The number of events and attendance, event mix, origin of attendees, facility financial operations, industry trends, economic conditions, direct spending categories used, per person spending amounts, distribution of spending, multipliers, and specific taxes quantified are all variables that influence the economic and fiscal impact estimates. All amounts are presented in current dollars and rounded to the nearest thousand.


## Methodology – Economic Impact Analysis

Regional input-output models are typically used by economists as a tool to understand the flow of goods and services among regions and measure the complex interactions among them given an initial spending estimate.

Direct Spending

Estimating direct spending is the first step in calculating economic impact. Direct spending represents the initial change in spending that occurs as a direct result of an expanded OCCC. This spending occurs both inside and outside of the convention center. Direct spending related to OCCC operations is generated from attendees, sponsoring organizations/event producers, exhibitors as well as from facility expenditures (including capital outlay). Spending related to these categories was adjusted to reflect leakage (spending which occurs outside of the local economy) and displacement (spending which would have occurred elsewhere in the Town/County/State without the presence of an expanded OCCC).



Indirect/Induced Impacts

The economic activity generated by operations of an expanded OCCC affects more than just the facility itself. In preparation for new spending in the economy, several other economic sectors are impacted and jobs are created. Indirect effects reflect the re-spending of the initial or direct expenditures or the business-to-business transactions required to satisfy the direct effect. Induced effects reflect changes in local spending on goods and services that result from income changes in the directly and indirectly affected industry sectors. The model generates estimates of these impacts through a series of relationships using local-level average wages, prices and transportation data, taking into account commute patterns and the relative interdependence of the economy on outside regions for goods and services.

Multiplier Effect

In an effort to quantify the inputs needed to produce the total output, economists have developed multiplier models. The estimation of multipliers relies on input-output models, a technique for quantifying interactions between firms, industries and social institutions within a local economy. This analysis uses IMPLAN software and databases which are developed under exclusive rights by the Minnesota IMPLAN Group, Inc. IMPLAN, which stands for *Impact Analysis for Planning*, is a computer software package that consists of procedures for estimating local input-output models and associated databases. The IMPLAN software package allows the estimation of the multiplier effects of changes in final demand for one industry on all other industries within a defined economic area. Its proprietary methodology includes a matrix of production and distribution data among all counties in the U.S. As such, the advantages of this model are that it is sensitive to both location and type of spending and has the ability to provide indirect/induced spending, employment and earnings information by specific industry category while taking into account the leakages associated with the purchase of certain goods and services outside the economy under consideration.

Once the direct spending amounts are assigned to a logical category, the IMPLAN model estimates the economic multiplier effects for each type of direct new spending attracted to or retained in the local area and the State resulting from operations of an expanded OCCC.

For purposes of this analysis, the following industry multipliers were used:

**Summary of Multipliers**

| | Worcester County | | | State of Maryland | | |
|---|---|---|---|---|---|---|
| **Category** | **Spending** | **Employment*** | **Earnings** | **Spending** | **Employment*** | **Earnings** |
| Hotels | 1.4004 | 14.2 | 0.4346 | 1.6437 | 14.0 | 0.6142 |
| Eating & Drinking Places | 1.4362 | 20.4 | 0.5618 | 1.6773 | 21.1 | 0.6560 |
| Retail Trade | 1.4817 | 15.0 | 0.6836 | 1.7844 | 19.9 | 0.7190 |
| Entertainment | 1.4666 | 14.6 | 0.4409 | 1.8033 | 21.3 | 0.6663 |
| Transportation | 1.4905 | 14.1 | 0.7882 | 1.8448 | 16.1 | 0.7700 |
| Business Services | 1.4086 | 13.1 | 0.4685 | 1.7355 | 12.0 | 0.7296 |
| Utilities | 1.4625 | 3.5 | 0.2332 | 1.6740 | 3.3 | 0.2930 |
| New Construction | 1.3693 | 9.7 | 0.4067 | 1.6934 | 10.2 | 0.6697 |

Note: *Indicates the number of jobs per $1 million in spending.
Source: IMPLAN

These multipliers reflect IMPLAN's latest available economic data reflecting 2013 transactions and the complex interactions among regions.

Total Economic Impact

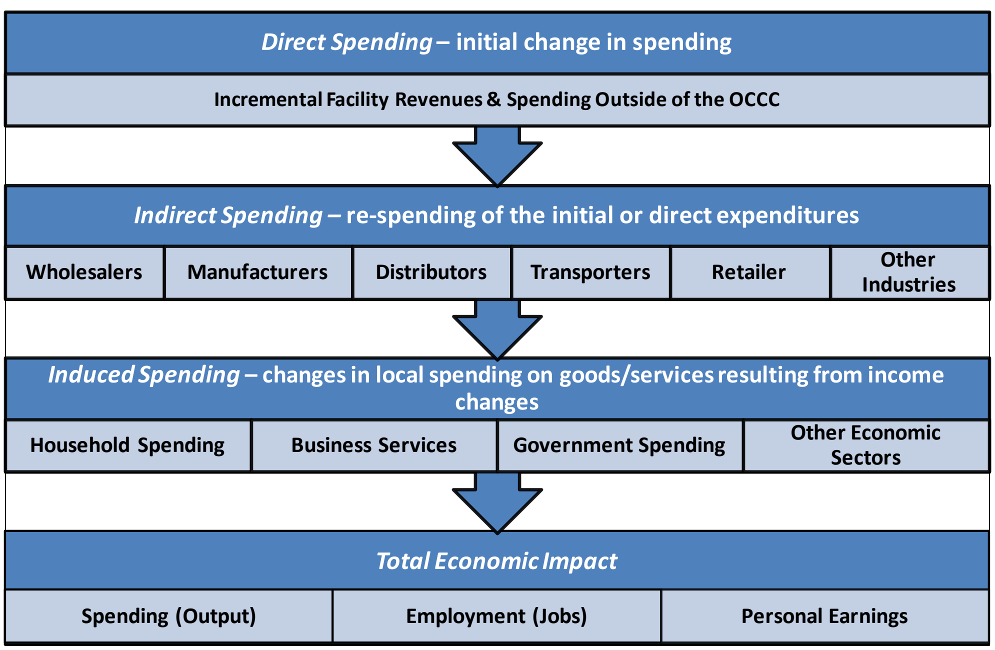
The calculated multiplier effect is then added to the direct impact to quantify the total economic impact in terms of spending, employment and earnings which are defined below:

- *Spending (output)* represents the total direct and indirect/induced spending effects generated by expanded OCCC operations. This calculation measures the total dollar change in spending (output) that occurs in the local economy for each dollar of output delivered to final demand.

- *Employment (jobs)* represents the number of full and part-time jobs supported by expanded OCCC operations. The employment multiplier measures the total change in the number of jobs supported in the local economy for each additional $1.0 million of output delivered to final demand.

- *Personal earnings* represent the wages and salaries earned by employees of businesses associated with or impacted by expanded OCCC operations. In other words, the multiplier measures the total dollar change in earnings of households employed by the affected industries for each additional dollar of output delivered to final demand.

The following graphic illustrates the multiplier effects for calculating total economic impact.



## Methodology - Fiscal Impact Analysis

The estimated spending generated by on-going operations of an expanded OCCC creates tax revenues for the County and the State. Experience in other markets suggests that while a significant portion of the direct spending likely occurs near the facility, additional spending occurs in other areas within the State, particularly spending on items such as business services and everyday living expense of residents. Major tax sources impacted by facility operations were identified and taxable amounts to apply to each respective tax rate were estimated. Although other taxes, such as property taxes, may also be positively impacted by on-going operations of an expanded OCCC, this analysis estimates revenues generated from the following taxes based on the direct and indirect/induced spending amounts previously defined:

**Worcester County**

- Admissions & Amusement Tax
- Food & Beverage Tax
- Hotel/Motel Tax
- Local Personal Income Tax

**State of Maryland**

- Corporate Income Tax
- Motor Vehicle Rental Tax
- Personal Income Tax
- Sales & Use Tax

## Summary of Estimated Annual Incremental New Economic Benefits

The following table summarizes the estimated incremental new economic benefits from ongoing activities of an expanded OCCC as measured by spending, jobs and earnings. As shown, the total annual incremental new spending (i.e., direct/indirect/induced) is estimated to range between $47.8 million and $66.5 million at the State level, of which between $44.1 million and $59.0 million is estimated to occur at the County level.

| Comparison of Annual Economic Impacts Generated From OCCC Operations | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Worcester County Impact | | | | | | |
| Category | Historical Five-Year Average | Expanded OCCC (Stabilized Year) | | | Incremental New (Stabilized Year) | | |
| **Spending** | | | | | | | |
| Direct Spending | $106,155,000 | $134,504,000 | - | $144,935,000 | $28,349,000 | - | $38,780,000 |
| Indirect/Induced Spending | 41,535,000 | 57,314,000 | - | 61,764,000 | 15,779,000 | - | 20,229,000 |
| Total Spending | $147,690,000 | $191,818,000 | - | $206,699,000 | $44,128,000 | - | $59,009,000 |
| **Total Jobs** | 1,650 | 2,100 | - | 2,200 | 450 | - | 550 |
| **Total Earnings** | $49,116,000 | $69,250,000 | - | $74,652,000 | $20,134,000 | - | $25,536,000 |
| | State of Maryland Impact | | | | | | |
| Category | Historical Five-Year Average | Expanded OCCC (Stabilized Year) | | | Incremental New (Stabilized Year) | | |
| **Spending** | | | | | | | |
| Direct Spending | $112,887,000 | $142,956,000 | - | $153,985,000 | $30,069,000 | - | $41,098,000 |
| Indirect/Induced Spending | 82,556,000 | 100,257,000 | - | 107,948,000 | 17,701,000 | - | 25,392,000 |
| Total Spending | $195,443,000 | $243,213,000 | - | $261,933,000 | $47,770,000 | - | $66,490,000 |
| **Total Jobs** | 1,830 | 2,300 | - | 2,500 | 470 | - | 670 |
| **Total Earnings** | $73,778,000 | $95,081,000 | - | $102,361,000 | $21,303,000 | - | $28,583,000 |

Incremental New Direct Spending

As mentioned previously, the first step in calculating economic impact is estimating the direct spending. The benefits generated at the County and State levels result from the impact of direct spending both by attendees and activities that support events held at an expanded OCCC. The primary types of spending quantified in this analysis include:

- Delegate spending outside the facility including that generated from out-of-town delegates, visitors accompanying delegates and local attendees;
- Sponsoring organization/event producer spending outside the facility;
- Exhibitor spending outside the facility; and
- Budgetary spending for an expanded OCCC.

The spending amounts for each of these categories were based on data provided by several secondary sources including OCCC management as well as other industry resources such as Destination Marketing Association International (DMAI).

*Delegate/Visitor Spending Outside the Facility*

Estimated utilization at an expanded OCCC was used to calculate attendee spending. Daily spending factors were assigned to three types of attendees: (1) high-impact attendees who stay overnight (2) high-impact visitors who accompany overnight attendees and (3) low-impact attendees who likely originate from the area. Ocean City's destination characteristics including the beach, family-friendly environment, variety of attractions, overall affordability and proximity to a large population base make it attractive for drawing additional travel party members other than just OCCC attendees. In addition, these same demographic characteristics encourage attendees and their travel parties to extend their stay beyond the length of the event held at the OCCC. Based on previously conducted surveys with event promoters by facility management, attendees at conventions/tradeshows and competitions were assumed to bring additional travel party members and extend their stay in Ocean City, both of which are accounted for in this analysis.

*Sponsoring Organization/Event Producer & Exhibitor Spending Outside the Facility*

Sponsoring organizations/event producers have substantial investments in the events that they host. These organizations purchase goods and services from either the OCCC or outside sources. In addition, exhibitors often spend money outside of the facility to entertain existing and potential clients. Items such as exhibit space and equipment rental are typically provided by the facility, which are reflected as revenues for the provider. Since this spending is reflected in the budgetary spending by the OCCC, these amounts are excluded from sponsoring organization/event producer and exhibitor spending to avoid double-counting. For purposes of this analysis and based on data from secondary sources such as DMAI, an average spending amount was applied to attendees at conventions/tradeshows to reflect sponsoring organization/event producer spending and to attendees at conventions/tradeshows/consumer shows to reflect exhibitor spending.

*Budgetary Spending for an Expanded OCCC*

Budgetary spending refers to the expenses generated by an expanded OCCC. Regardless of the source or magnitude of the revenues the building generates, this analysis focuses on the operating expenses occurring in the local and State economies. Estimated operating expenses at an expanded OCCC for items such as salaries, wages and labor, other personnel costs, contractual services, materials and supplies, equipment, etc. were compared to the historical five-year average in order to calculate the incremental new budgetary spending.

Estimates were also made regarding the percentage of these expenditures that occurred in the local and State economies. For example, the local electric company typically provides utility services and the town or county provides water/sewer services, etc. In contrast, the percentage of living expenses for employees, which is spent in the area, may be relatively moderate. For instance, after taking into account taxes and savings, amounts which may leak outside of Maryland include home mortgage payments, car loan payments, insurance, travel spending, spending on higher education, mail-order purchases and other significant amounts.

*Summary of Incremental New Direct Spending Inputs*

Based on this information, the incremental new direct spending related to attendees, sponsoring organizations/event producers, exhibitors and budgetary spending at an expanded OCCC is estimated to range between $30.1 million to $41.1 million annually at the State level, of which $28.3 million to $38.8 million is estimated to occur in the County. These incremental direct spending estimates were applied to the multipliers previously shown in order to calculate estimates for total spending, total jobs and total earnings.

These direct spending amounts estimated to be generated from operations of an expanded OCCC were applied to the multipliers previously shown in order to calculate estimates for total spending, total jobs and total earnings.

<u>Incremental New Indirect and Induced Impacts</u>

The IMPLAN model is used to generate the indirect and induced impacts spawned from the estimated economic activities within the County and the State. The indirect impacts represent inter-industry trade from business to business. Likewise, the induced impacts represent the economic activity spurred by the household trade that occurs when employees make consumer purchases with their incomes. According to the IMPLAN model, incremental new indirect and induced spending spurred by ongoing operations of an expanded OCCC is estimated to generate between $17.7 million and $25.4 million annually at the State level, of which between $15.8 million and $20.2 million is estimated to occur in the County.

<u>Incremental New Total Spending</u>

Outputs from the IMPLAN model indicate that total (i.e., direct, indirect and induced) incremental new spending from activity at an expanded OCCC is estimated to range from $47.8 million and $66.5 million at the State level, of which between $44.1 million and $59.0 million is estimated to occur in the County.

<u>Incremental New Total Jobs</u>

Based on the IMPLAN model, which calculates the number of jobs per $1.0 million in direct spending, the economic activity associated with the ongoing operations of an expanded OCCC is estimated to generate a total of between 470 and 670 incremental new jobs at the State level, of which 450 to 550 incremental new jobs are estimated to be at the County level. These jobs are created in many sectors of the economy, which both directly and indirectly support the increased level of business activity in the area on an annual basis.

<u>Incremental New Total Earnings</u>

Outputs from the IMPLAN model indicate that incremental new annual earnings generated from an expanded OCCC are estimated to range from $21.3 million to $28.6 million at the State level of which between $20.1 million and $25.5 million is estimated to occur in the County.

## Summary of Estimated Annual Incremental New Fiscal Impacts (Tax Revenues)

As shown in the table below, the incremental annual tax revenues related to ongoing operations of an expanded OCCC are estimated to range from $736,000 to $1.0 million at the County level and $2.6 million to $3.5 million at the State level. Approximately 78% of estimated incremental new tax revenues occur at the State level primarily driven by sales and use tax.

| Comparison of Annual Fiscal Impacts Generated From OCCC Operations | | | | | | | |
|---|---|---|---|---|---|---|---|
| Municipality/Tax | Historical Five-Year Average | Expanded OCCC (Stabilized Year) | | | Incremental New (Stabilized Year) | | |
| **Worcester County** | | | | | | | |
| Hotel/Motel Tax[1] | $2,012,000 | $2,557,000 | - | $2,775,000 | $545,000 | - | $763,000 |
| Local Personal Income Tax | 226,000 | 325,000 | - | 351,000 | 99,000 | - | 125,000 |
| Admissions & Amusement Tax[1] | 145,000 | 207,000 | - | 223,000 | 62,000 | - | 78,000 |
| Food & Beverage Tax[1] | 94,000 | 124,000 | - | 134,000 | 30,000 | - | 40,000 |
| Subtotal | $2,477,000 | $3,213,000 | - | $3,483,000 | $736,000 | - | $1,006,000 |
| **State of Maryland** | | | | | | | |
| Sales & Use Tax | $5,905,000 | $7,431,000 | - | $8,016,000 | $1,526,000 | - | $2,111,000 |
| Personal Income Tax | 2,643,000 | 3,537,000 | - | 3,808,000 | 894,000 | - | 1,165,000 |
| Corporate Income Tax | 544,000 | 681,000 | - | 733,000 | 137,000 | - | 189,000 |
| Motor Vehicle Rental Tax | 52,000 | 61,000 | - | 66,000 | 9,000 | - | 14,000 |
| Subtotal | $9,144,000 | $11,710,000 | - | $12,623,000 | $2,566,000 | - | $3,479,000 |
| **GRAND TOTAL** | **$11,621,000** | **$14,923,000** | **-** | **$16,106,000** | **$3,302,000** | **-** | **$4,485,000** |

Notes: [1]Tax revenues shown are Worcester County taxes that are distributed to the TOC.
The amount shown above for Food & Beverage tax only includes the tax revenues estimated to be directly generated from operations of the OCCC including budgetary spending on food & beverage at the facility and spending by OCCC attendees outside of the facility.

The incremental new tax revenues estimated to be generated from operations of an expanded OCCC compare favorably to the estimated County and State contributions towards the operating subsidy. However, a more detailed cost/benefit analysis should be completed that includes estimated debt service, a reserve for replacement fund and other related project costs.

The following outlines significant assumptions utilized in this analysis.

Worcester County Taxes

*Hotel/Motel Tax* – Worcester County imposes a tax on accommodations at a rate of 4.5%. Proceeds from this tax are allotted to the TOC's general fund of which a portion is dedicated to the TOC's tourism advertising efforts. For purposes of this analysis, the tax rate was applied to 100% of the estimated direct hotel spending in the County.

*Local Personal Income Tax* – Worcester County imposes a personal income tax which is assessed against personal income earned in the County. For purposes of this analysis and based on information provided by the Comptroller of Maryland, an effective tax rate of 0.94% was calculated based on the federal adjusted gross income and the total personal income tax paid to the County for CY 2013 (the most recent year for which data was available). This effective tax rate was applied to County-level earnings estimated to be generated by expanded OCCC operations. Because local income tax is based on where you live, not where you work, this analysis assumed that approximately 50% of personal income taxes generated from expanded OCCC operations occur in the County.

*Admissions & Amusements Tax* – The admissions and amusements tax is a local tax collected by the State Comptroller's Office for local municipalities. The TOC applies this tax to the admission or amusement cost for activities such as amusements, movies, athletic events, concerts, golf and the sale of refreshments at a nightclub or other similar entertainment venue. The tax on admissions differs among local municipalities in Maryland and is 3.0% in the TOC. For purposes of this analysis, the tax rate was applied to the estimated direct spending on entertainment in the County as well as an estimate of admissions revenue generated from consumer shows and competitions based on input from OCCC management.

*Food & Beverage Tax* – A 0.5% local sales tax on food and beverages is imposed in the TOC for the purpose of paying the principal and interest on bonds issued to finance the construction, reconstruction, repair, renovation and equipment of the OCCC. The tax is applicable to the majority of food and beverage sales except those for consumption off premises or vending machine sales. For purposes of this analysis, the tax rate was applied to a portion of County-level direct spending at eating/drinking establishments and estimated gross food and beverage revenues generated at an expanded OCCC.

State of Maryland Taxes

This analysis estimates the amount of sales and use tax, personal income tax, corporate income tax and motor vehicle rental tax generated from expanded OCCC operations. While other taxes may be positively impacted by expanded OCCC operations, they are not quantified in this analysis.

In general terms, all State tax proceeds are collected in the State's General Fund and then allocated to a variety of program areas, such as education, transportation, public safety, and others. As such, individual revenue sources, such as the sales and use tax, are not designated to fund specific programs. As a result of this process, municipalities and counties may benefit from a variety of State and locally administered programs. For purposes of this analysis, only collections have been quantified, without regard as to how these funds are ultimately spent through the individual State departments/funds.

The following describes the primary State-level taxes quantified in this analysis based on information obtained from the State Comptroller's Office.

*Sales & Use Tax* – The State of Maryland collects 6% sales and use tax from sales and leases of tangible personal property and services throughout the State and a 9% tax on alcoholic beverage. For purposes of this analysis, the 6% tax rate is applied to estimated taxable direct and indirect/induced spending at the State level generated from expanded OCCC operations which represents a conservative estimate relative to the sale of alcoholic beverages.

*Personal Income Tax* – The State of Maryland imposes a personal income tax assessed against personal income earned in the State. The State income tax is a graduated rate ranging from 2.0% to 5.75% of taxable income. Non-residents are subject to a special nonresident tax rate of 1.75% in addition to the State income tax rate. For purposes of this analysis and based on information provided by the Comptroller of Maryland, an effective tax rate of 3.72% was calculated based on the federal adjusted gross income and the total personal income tax paid to the State in 2013 (the most recent year for which data was available). This effective tax rate was applied to total State-level earnings estimated to be generated by expanded OCCC operations.

*Corporate Income Tax* – A corporate income tax of 8.25% of corporate federal taxable income adjusted by State modifications is also levied by the State of Maryland on corporations. For purposes of this analysis and based on information provided by the Comptroller of Maryland, an effective tax rate of 0.28% was calculated based on the Gross State Product and the total corporate income tax paid to the State in 2013. This effective tax rate was applied to total State-level spending estimated to be generated by expanded OCCC operations.

*Motor Vehicle Rental Tax* – The State imposes an 11.5% tax on short-term passenger car and recreational vehicle rentals. This tax rate was applied to a portion of direct transportation spending in the State.

## Overall Summary

Based on the market and economic assessment, the proposed expansion of the OCCC's exhibit space appears warranted. This additional space would better accommodate existing users and provide events that are currently constrained by the amount and configuration of prime exhibit space an opportunity to grow their event. Expansion would also place the OCCC in a stronger competitive position to increase its market share in the convention/tradeshow and competitive sports industries. As such, the OCCC could attract incremental new events and attendees that would positively impact the area's economy. If the OCCC's exhibit space is not expanded, the community could lose market share to other State/regional competitors.

A market/economic assessment is an initial step in any planning process. Expanding the OCCC will require additional strategic planning efforts. Consequently, the TOC and the MSA proceeded with subsequent phases of the study effort. Becker Morgan Group, Inc. (Becker Morgan) was hired to perform site, parking and architectural planning studies related to the recommended OCCC expansion program. In addition, MSA and JMT jointly provided cost estimating services based on the designs prepared by Becker Morgan. As a point of reference, the total base project cost is estimated to be approximately $34 million. Appendix A includes the conceptual design documents prepared by Becker Morgan as well as the project cost estimate summary. Collectively, the information provided by the project team is intended to serve as a resource for the TOC and the State in their future planning decisions for this project.

Crossroads
CONSULTING SERVICES

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# LIMITING CONDITIONS AND ASSUMPTIONS

This analysis is subject to our contractual terms as well as the following limiting conditions and assumptions:

- This analysis has been prepared for the Town of Ocean City (Client) for its internal decision-making purposes associated with the proposed expansion of the OCCC and should not be used for any other purposes without the prior written consent of Crossroads Consulting Services LLC.
- The findings and assumptions contained in the report reflect analysis of primary and secondary sources. We have utilized sources that are deemed to be accurate but cannot guarantee their accuracy. No information provided to us by others was audited or verified and was assumed to be correct.
- Although the analysis includes findings and recommendations, all decisions in connection with the implementation of such findings and recommendations shall be the Client's responsibility.
- Estimates and analysis regarding the proposed expansion of the OCCC are based on trends and assumptions and, therefore, there will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.
- This analysis does not constitute an audit, a projection of financial performance, or an opinion of value or appraisal in accordance with generally accepted audit standards. As such, we do not express an opinion or any other form of assurance. Any estimates or ranges of value were prepared to illustrate current and potential future market conditions.
- Although this analysis utilizes 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.
- We have no obligation, unless subsequently engaged, to update this report or revise this analysis as presented due to events or circumstances occurring after the date of this report.
- The quality of ownership and management of an expanded OCCC has a direct impact on its economic performance. This analysis assumes responsible and competent ownership and management. Any departure from this assumption may have a significant impact on the findings in this report.
- Current and anticipated market conditions are influenced by a large number of external factors. We have not knowingly withheld any pertinent facts, but we do not guarantee that we have knowledge of all factors which might influence the operating potential of the proposed expansion of the OCCC. Due to quick changes in the external factors, the actual results may vary significantly from estimates presented in this report.
- The analysis performed was limited in nature and, as such, Crossroads Consulting Services LLC does not express an opinion or any other form of assurance on the information presented in this report. As with all estimates of this type, we cannot guarantee the results nor is any warranty intended that they can be achieved.
- The analysis is intended to be read and used in whole and not in part. Separation of any section or page from the main body of the report is expressly forbidden and invalidates the analysis.
- In accordance with the terms of our engagement letter, the accompanying report is restricted to internal use by the Client and may not be relied upon by any third party for any purpose including any matter pertaining to financing.
- Possession of the report does not carry with it the right of publication. It should be used for its intended purpose only and by the parties to whom it is addressed.

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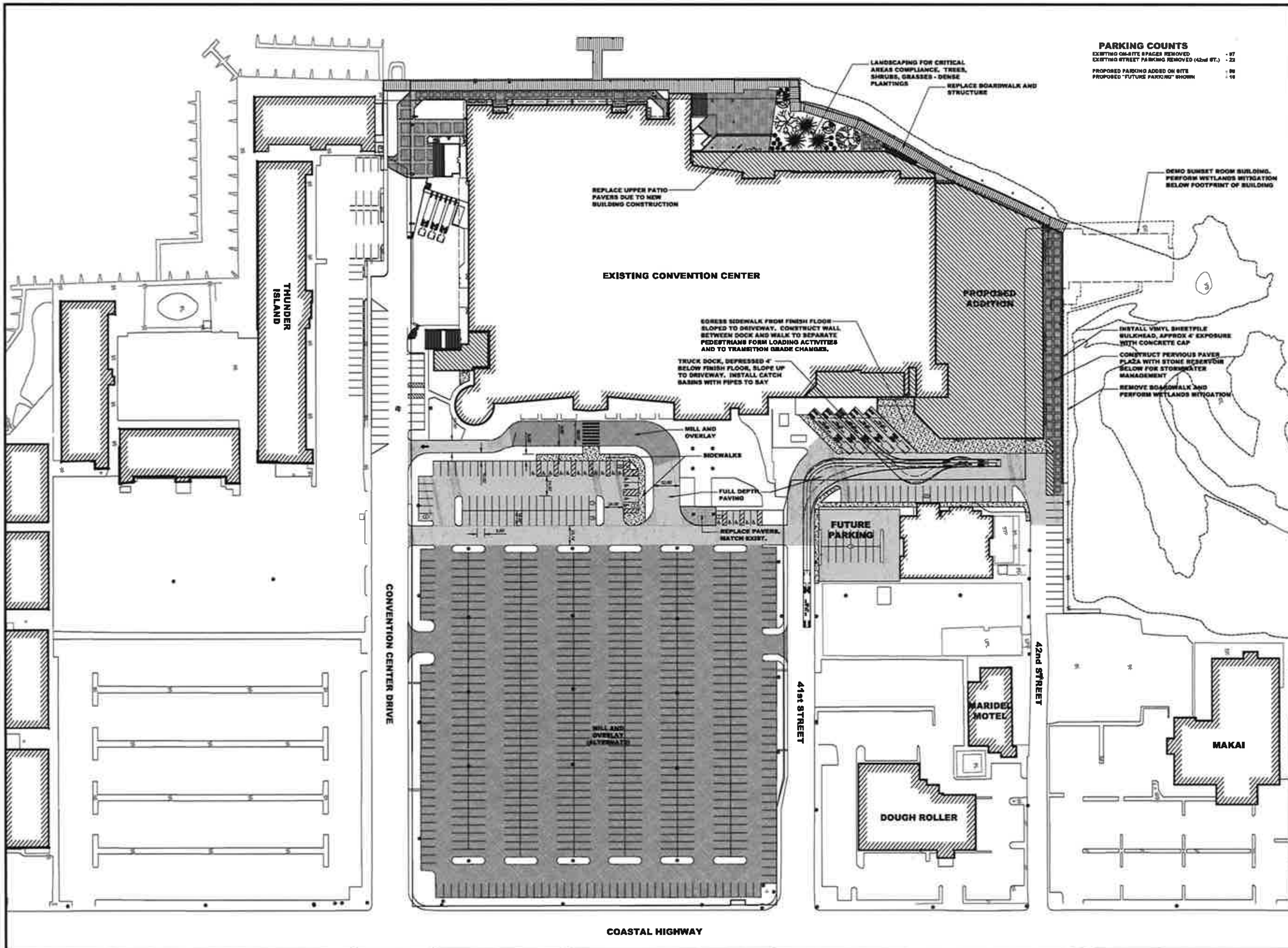


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PROJECT TITLE

# OCEAN CITY CONVENTION CENTER

4001 COASTAL HIGHWAY
OCEAN CITY
WORCESTER COUNTY, MD

SHEET TITLE

## PHASE 3 SITE IMPROVEMENTS

ISSUE BLOCK

| MARK | DATE | DESCRIPTION |
|---|---|---|
| | | |

| | |
|---|---|
| PROJECT NO.: | 2009100.20 |
| DATE: | 9/13/16 |
| SCALE: | 1" = 50' |
| DRAWN BY: JAH | PROJ. MGR.: JAH |

SHEET

**CONCEPT 1**

BECKER MORGAN GROUP

ARCHITECTURE ENGINEERING

PLANNING OUR CLIENTS' SUCCESS

# Ocean City Convention Center Phase 3

Conceptual Design – Civil Engineering Narrative
2009100.21
11.22.2016

## Introduction

The Ocean City Convention Center Phase 3 Additions and Renovations project will add exhibit hall space to the building and other additions to support the new functions which will impact the existing site layout. Changes to the site will be required as a result. Parking, drive aisles, sidewalks, and roads will need to be relocated. The scale of the project disturbance will require storm water management to be installed. Compliance with Maryland's Critical Area's Law will need to be achieved through landscaping. Erosion and sediment control practices will need to be employed during construction. The Sunset room located at the end of 42nd Street will be demolished and new wetlands will be created. The following paragraphs provide details about the scope of site work required for the project.

## Site Parking

The main exhibit hall addition on the north side of the building will remove a significant amount of parking. It is the Town's desire to replace that parking elsewhere on site so there is no net loss of parking for the convention center. Parking along 42nd street will also be lost. Two areas of the site were identified for re-arranging the site parking to provide a more efficient parking layout.

The first location is the front drop-off loop. Town officials have stated that the loop is underutilized. Examination reveals that it takes up a significant amount of land area in front of the main doors. We believed that it was important to keep the loop, but since there is not a large amount of traffic utilizing it, the loop could be decreased in size. The eastern side of the loop traveling northbound was eliminated. Access to the western side of the loop adjacent to the front doors was created from the existing main north-south circulation aisle in the parking lot. The width of the loop was maintained so that buses could still pull up and there would be room to bypass stopped vehicles. The loop now exits directly to Convention Center Drive. The exit lane will require the relocation of the ATM. Traffic can enter back into the main parking lot from Convention Center Drive. A new parking area was created in the space vacated by the portion of the loop removed. Handicap parking spaces were relocated to be closer to the front entrance. The previous layout was inefficient as each handicap parking space had its own access aisle, rather than sharing an access aisle as is industry standard. This parking area can be paved with a light duty asphalt paving section, most likely 6"-8" of GABC under 3" of paving. The parking areas will be surrounded by raised curb islands. The reconfigured sections of the loop would be paved with a heavy duty asphalt paving section. Assume 9" of GABC under 4" of asphalt paving.

Future parking is shown on the water tower parcel. At some future date this site may be available to provide additional Convention Center parking. This parking would be standard light duty asphalt paving.

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## Loading Dock Renovations

The loading dock will move outward to accommodate interior renovations. This will require the demolition of the two separate two-way roadways in front of the existing loading dock. A new two-way road will be constructed. New parking bays for the docks will be constructed. New 90 degree parking will be provided on the east side of the road adjacent to the senior center to add more paring for the convention center and senior center. The truck parking spaces will likely be 8" concrete paving over 9"-10" of GABC reinforced with WWF. The new roadway will be heavy duty asphalt paving. The parking spaces will be light duty asphalt paving. The egress from the new exhibit space will be adjacent to the loading docks. A wide concrete sidewalk will be required to provide egress to the street. Stairs and ramps will not be required, but a retaining wall between the sidewalk and the truck ramp will be required as the sidewalk will be 4 feet higher than the dock at the building.

## 42$^{nd}$ Street Plaza

The right of way for 42$^{nd}$ street north of the proposed expansion will be used for a plaza. This will permit several functions. First, the existing street is several feet lower than the finished floor elevation of the building. The grade will be raised to allow for ingress and egress. The raised plaza will also be used for emergency vehicle access. The additional height will allow for stormwater management under the plaza. It is planned to construct this section similar to the plaza on the west side of the convention center that was constructed during phase 1. Since 42$^{nd}$ street does not currently have sheet piling, new sheet piling will be driven along the edge of the sidewalk in uplands to allow the height needed. The pavement will be removed and AASHTO #3 stone will be added as a stormwater runoff storage layer. This will provide water quality treatment and infiltration meeting State of Maryland stormwater regulations. The surface will consist of permeable (pervious) pavers set on a leveling course of #57 stone and #8 chip stone which will allow stormwater runoff to infiltrate. Lighting and benches matching the rest of the plaza areas on site will be provided.

## Boardwalk/West Side

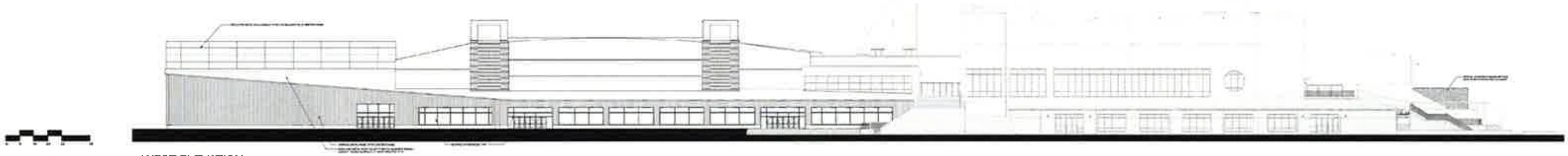
In order to bring construction equipment and materials around to the west side (rear) of the site, the existing boardwalk will have to be removed. The boardwalk is currently constructed over top of the rip-rap revetment and supported by mortar and stone. It is doubtful it will support the weight of construction equipment so it will need to be removed and replaced. Uplands between the boardwalk and the building addition on the west side will be planted with trees and other plantings to meet State of Maryland Critical Areas laws. The upper portion of the paver plaza on the west side of the building will be reconstructed. It will most likely be removed to facilitate the building addition and will need to be replaced.

## Sunset Room Demolition

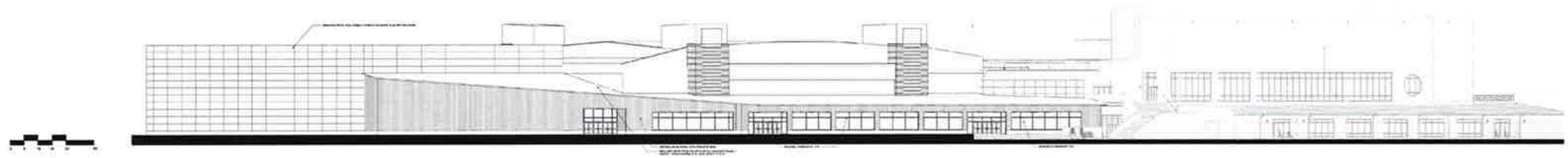
The Sunset room is a building built over the water and wetlands on pilings. The room is in disrepair and rather than repair it, the decision has been made to demolish it and restore the shoreline. The building along with associated sidewalks, stairs, pavement, utilities, etc. will be removed. Wetlands restoration will be performed restoring the land to a natural condition. Restoration will include re-grading, planting, and other activities to mitigate for the disturbance.

## Utility Services

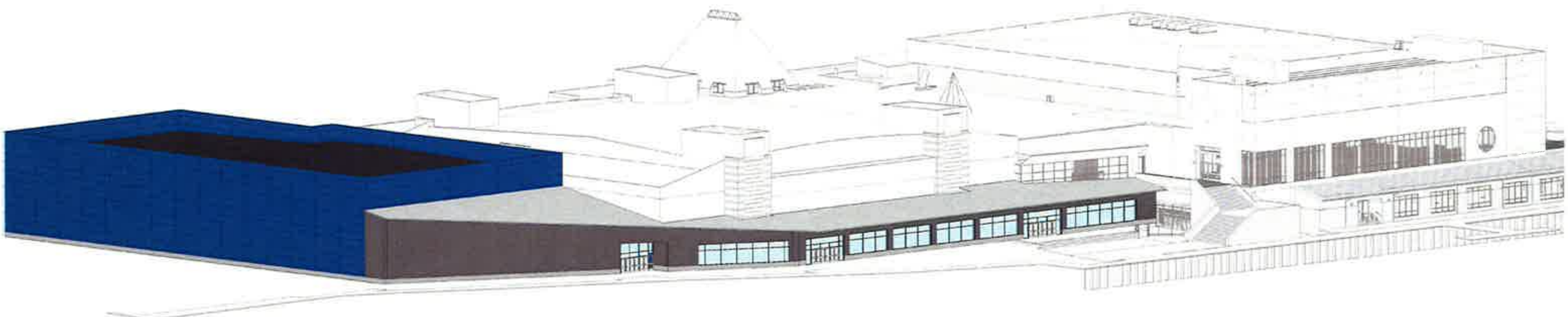
New water and sewer services will be required for the building addition. It is assumed at this time that sufficient depth for gravity sewer exists in the sewer lines in Coastal Highway. A new sewer main will be extended up 42$^{nd}$ street to serve the new addition. Likewise, a new water main will also be extended up the street. New natural gas lines are being brought to the Town of Ocean City (currently only propane is available) and are assumed to be ready for service for this project. Gas mains will need to be extended to the building. Storm drains will be designed as necessary to collect stormwater runoff and discharge to the bay. Some existing lines will require re-work at the loading dock and in the parking areas. Roof leaders will be taken underground whenever possible, or discharged on grade where it is necessary to infiltrate runoff for storm water quality treatment.



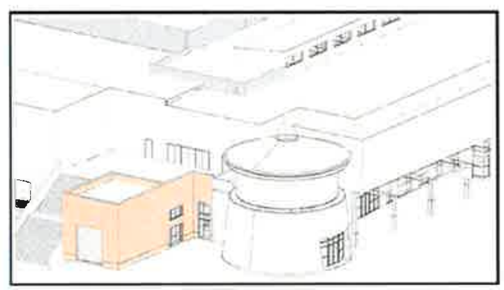
WEST ELEVATION



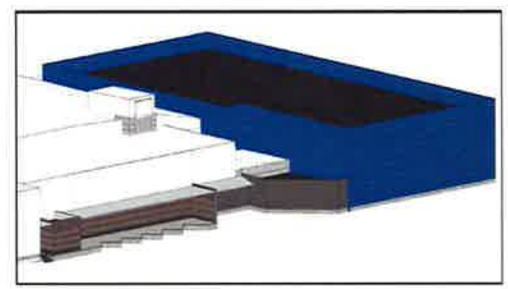
NORTHWEST ELEVATION



NORTH AND WEST EXHIBIT & GALLERY EXPANSIONS



SPECIAL EVENTS EXPANSION



LOADING DOCK EXPANSION

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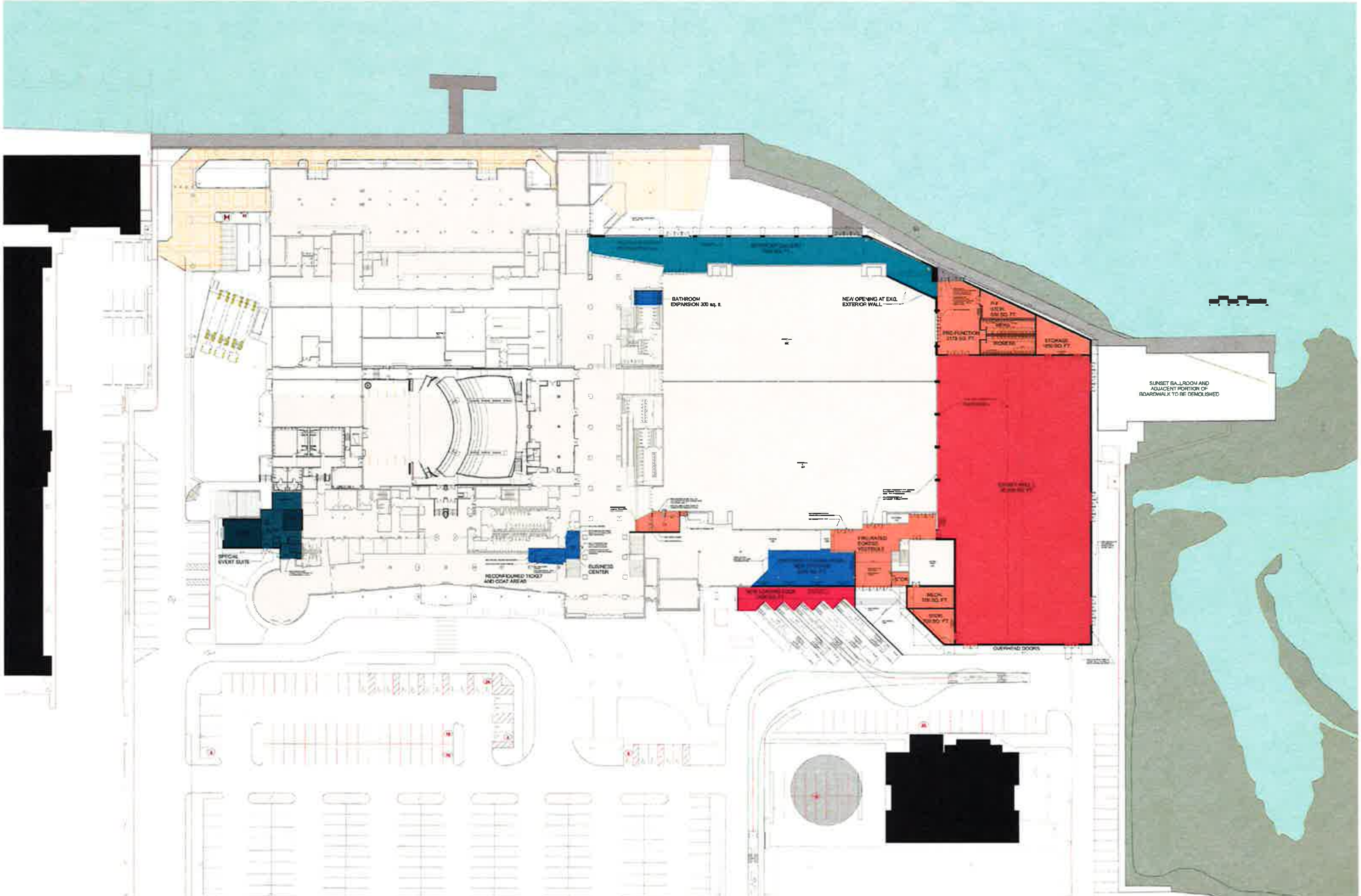
**OCEAN CITY CONVENTION CENTER** - PHASE 3 CONCEPTUAL _ ELEVATIONS AND AXONOMETRIC VIEWS

09.12.16

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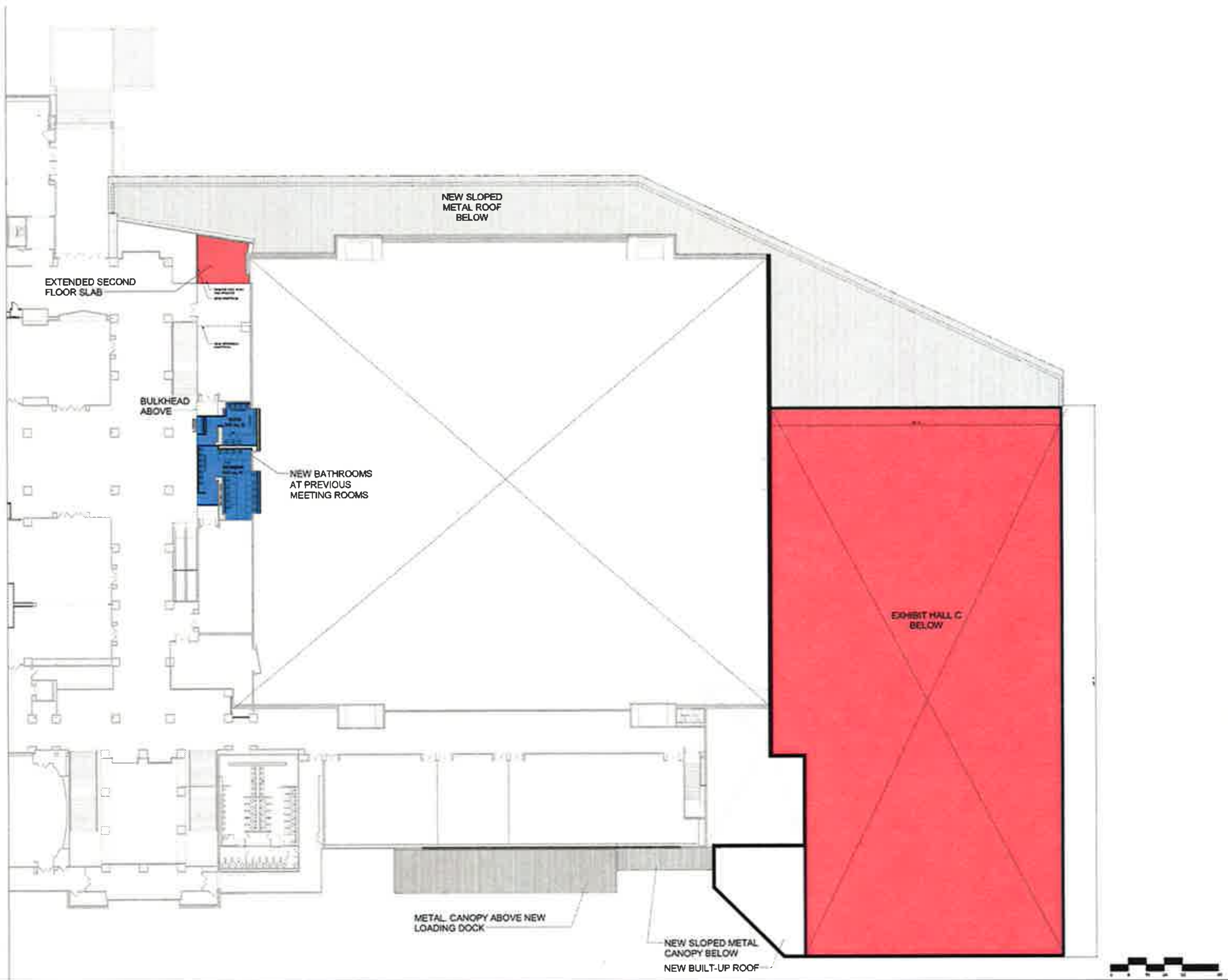
**OCEAN CITY CONVENTION CENTER** - PHASE 3 CONCEPTUAL _ OVERALL FIRST FLOOR PLAN

09.12.16

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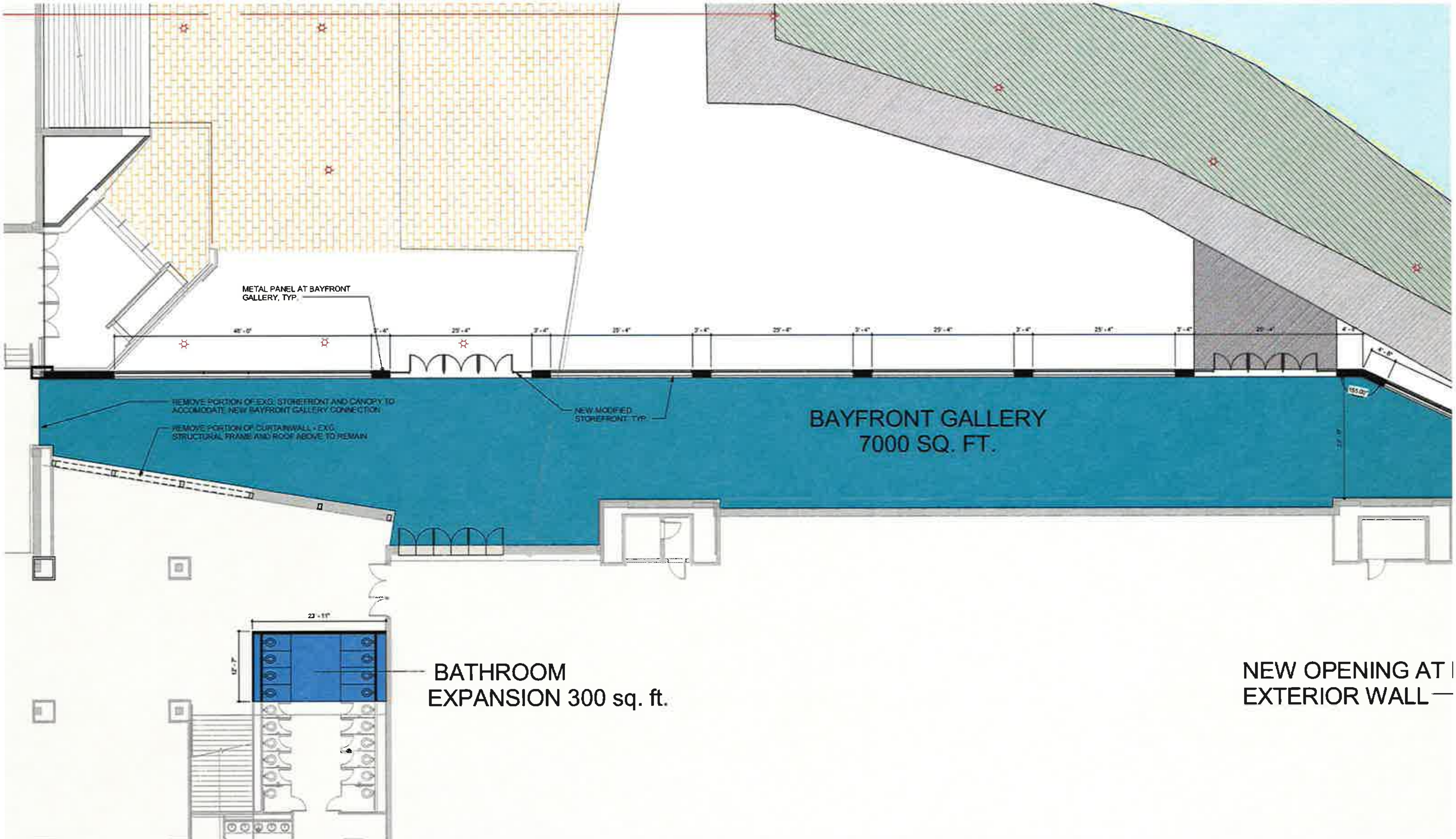
**OCEAN CITY CONVENTION CENTER** - PHASE 3 CONCEPTUAL _ OVERALL PLAN SECOND FLOOR

2009100.20

09.12.16

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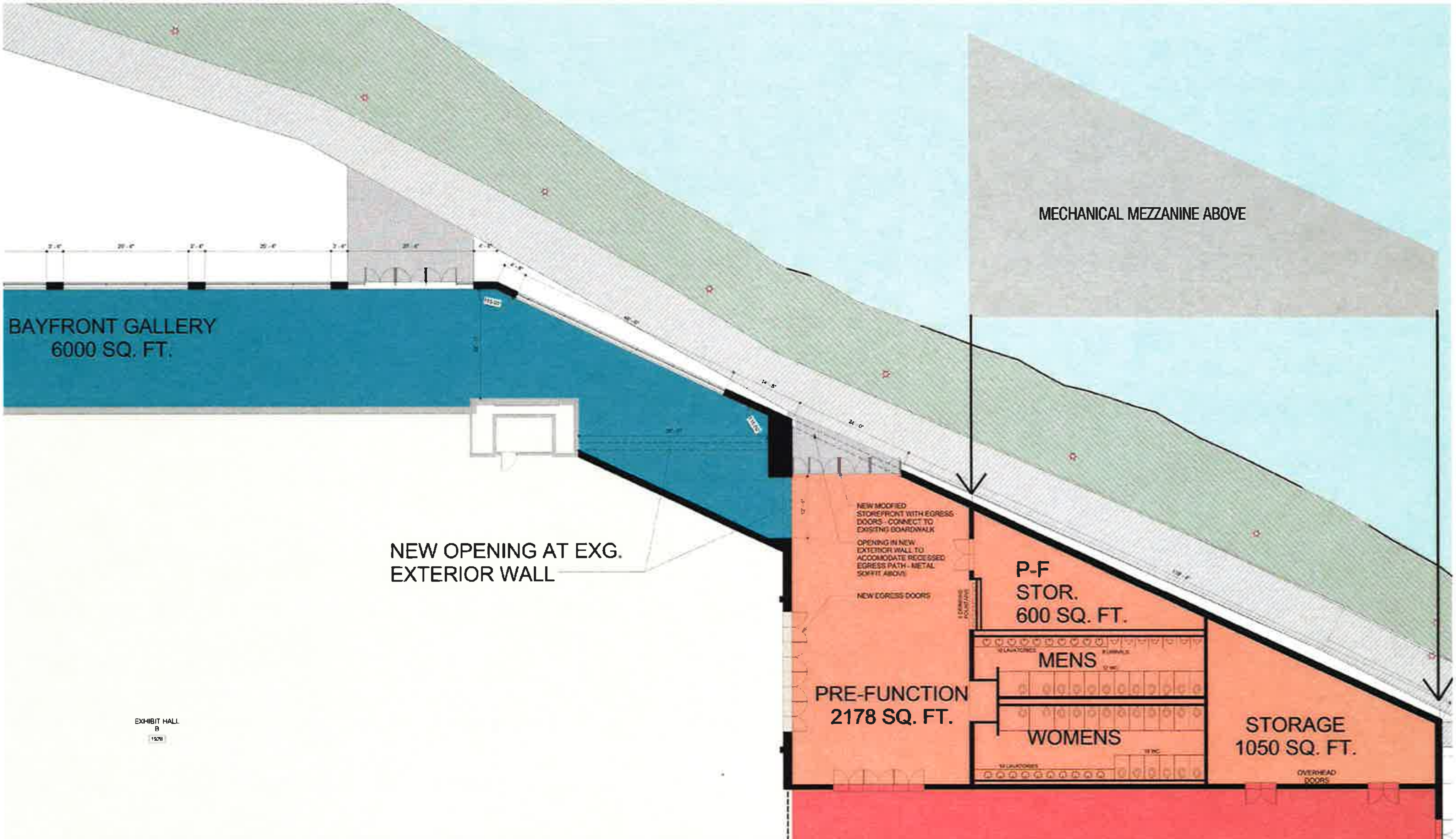
**OCEAN CITY CONVENTION CENTER** - PHASE 3 CONCEPTUAL _ ENLARGED PLAN BAYFRONT GALLERY
09.12.16

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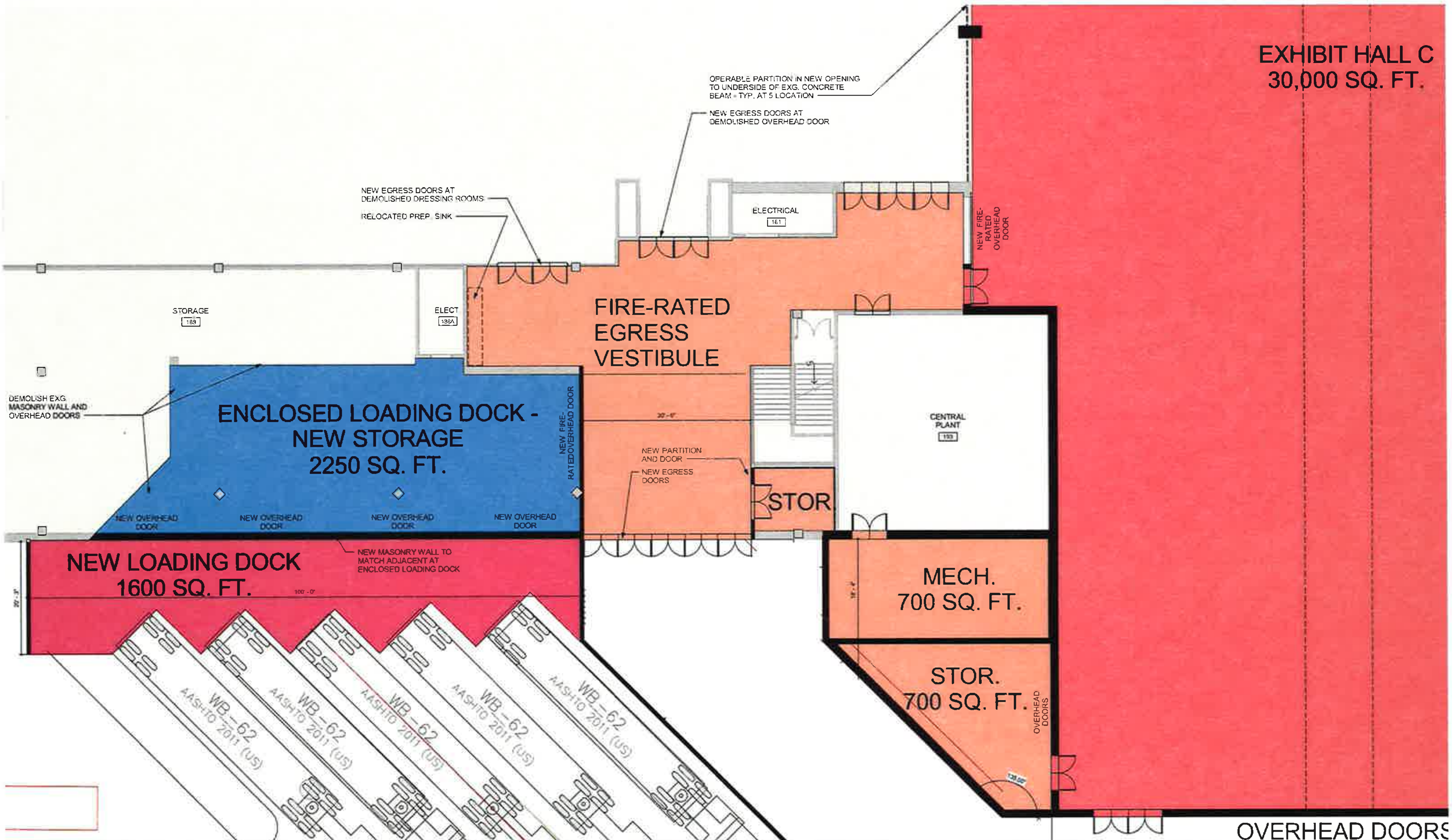
**OCEAN CITY CONVENTION CENTER** - PHASE 3 CONCEPTUAL _ ENLARGED PLAN PREFUNCTION
2009100.20
09.12.16

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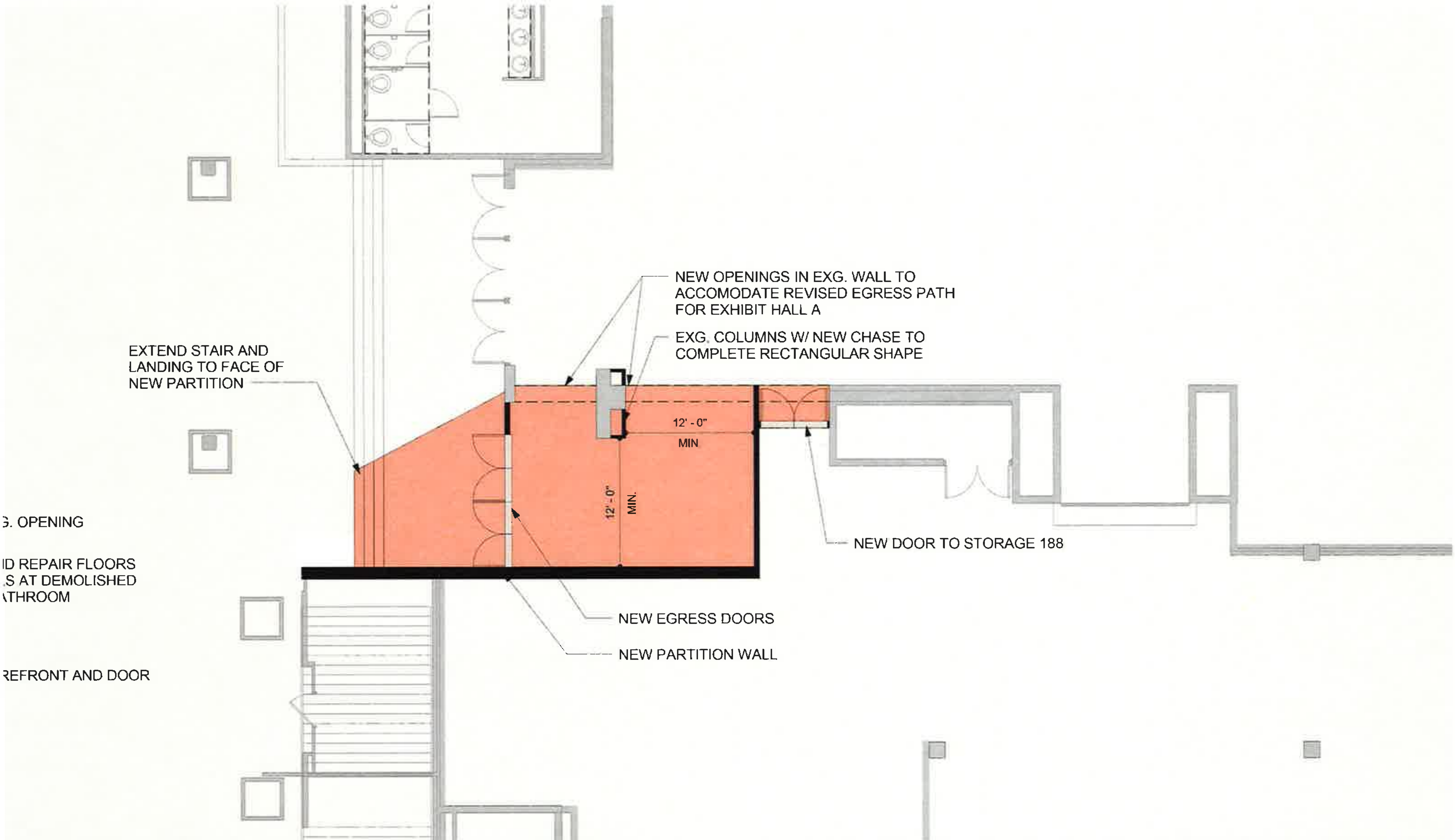
**OCEAN CITY CONVENTION CENTER** - PHASE 3 CONCEPTUAL _ ENLARGED PLAN LOADING DOCK AND EAST EGRESS VESTIBULE
09.12.16

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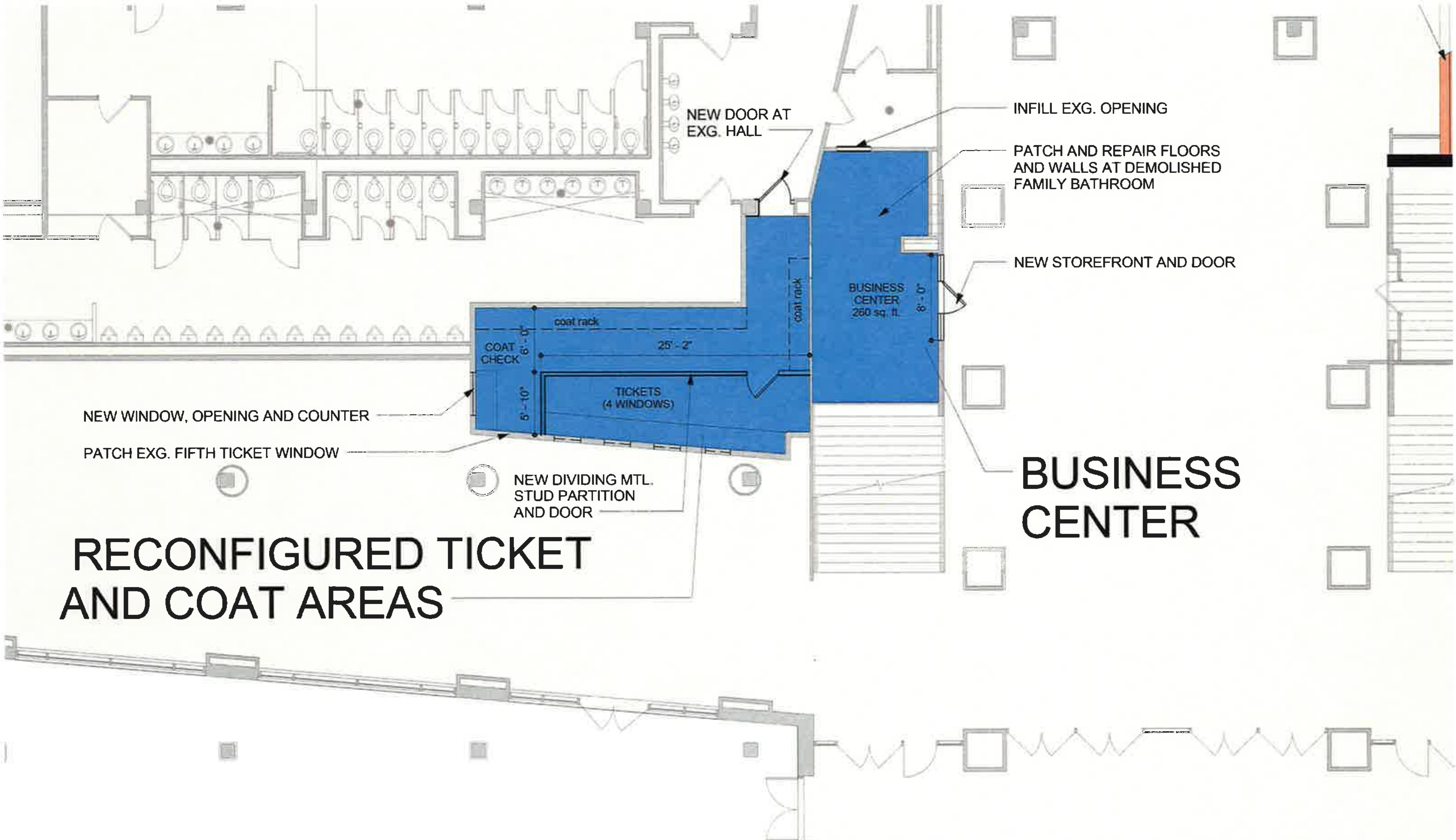
**OCEAN CITY CONVENTION CENTER** - PHASE 3 CONCEPTUAL _ ENLARGED PLAN EXHIBIT HALL A SOUTH EGRESS

2009100.20

09.12.16

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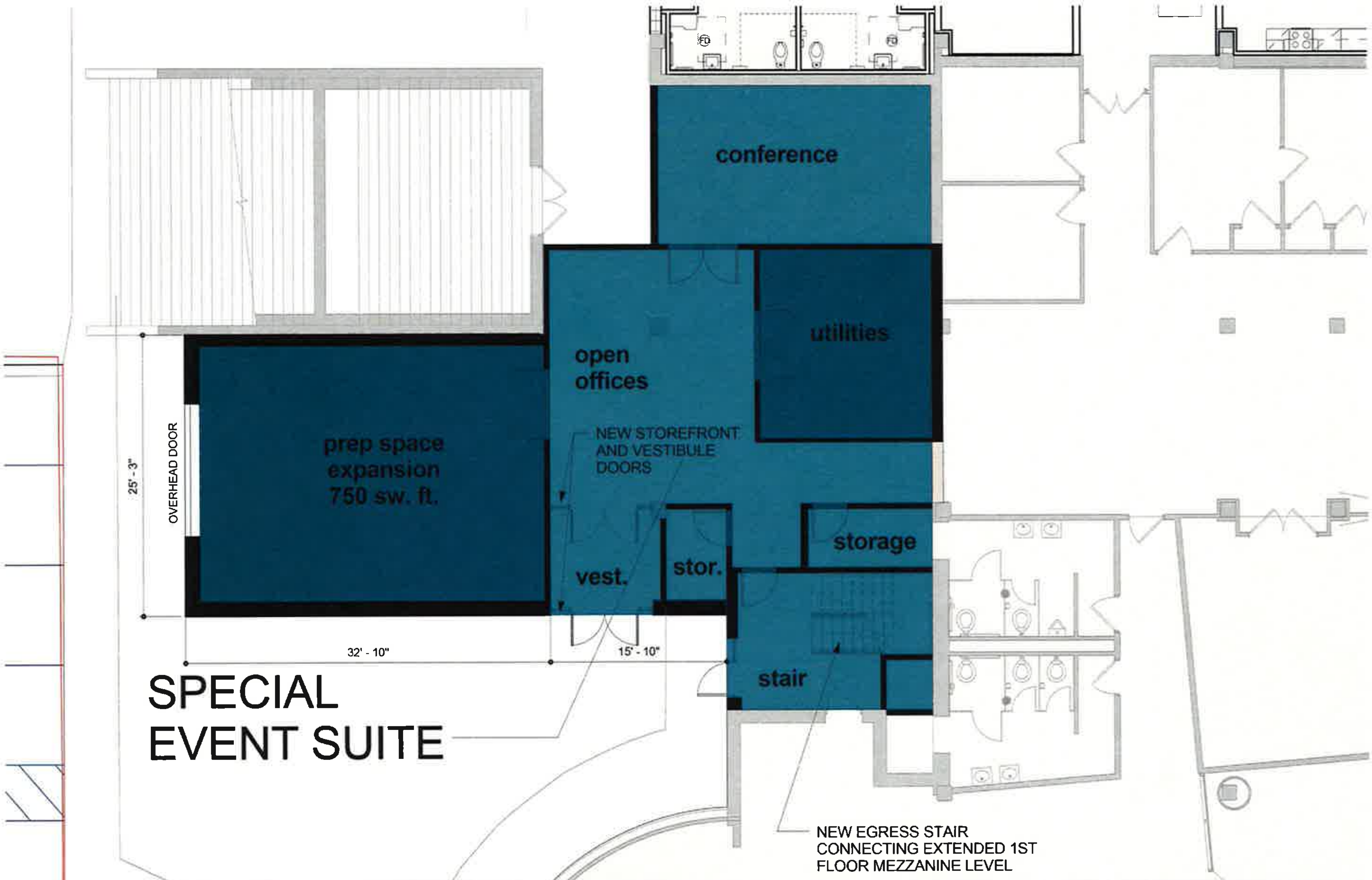
**OCEAN CITY CONVENTION CENTER** - PHASE 3 CONCEPTUAL _ ENLARGED PLAN AT BUSINESS CENTER & TICKET AND COAT AREAS

2009100.20

09.12.16

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**OCEAN CITY CONVENTION CENTER** - PHASE 3 CONCEPTUAL _ ENLARGED FIRST FLOOR SPECIAL EVENTS PLAN
2009100.20
09.12.16

SPECIAL EVENTS
ADDITION
1700 SQ. FT. EACH
FLOOR

(ADDITIONAL PREP
SPACE 725 SQ. FT.)


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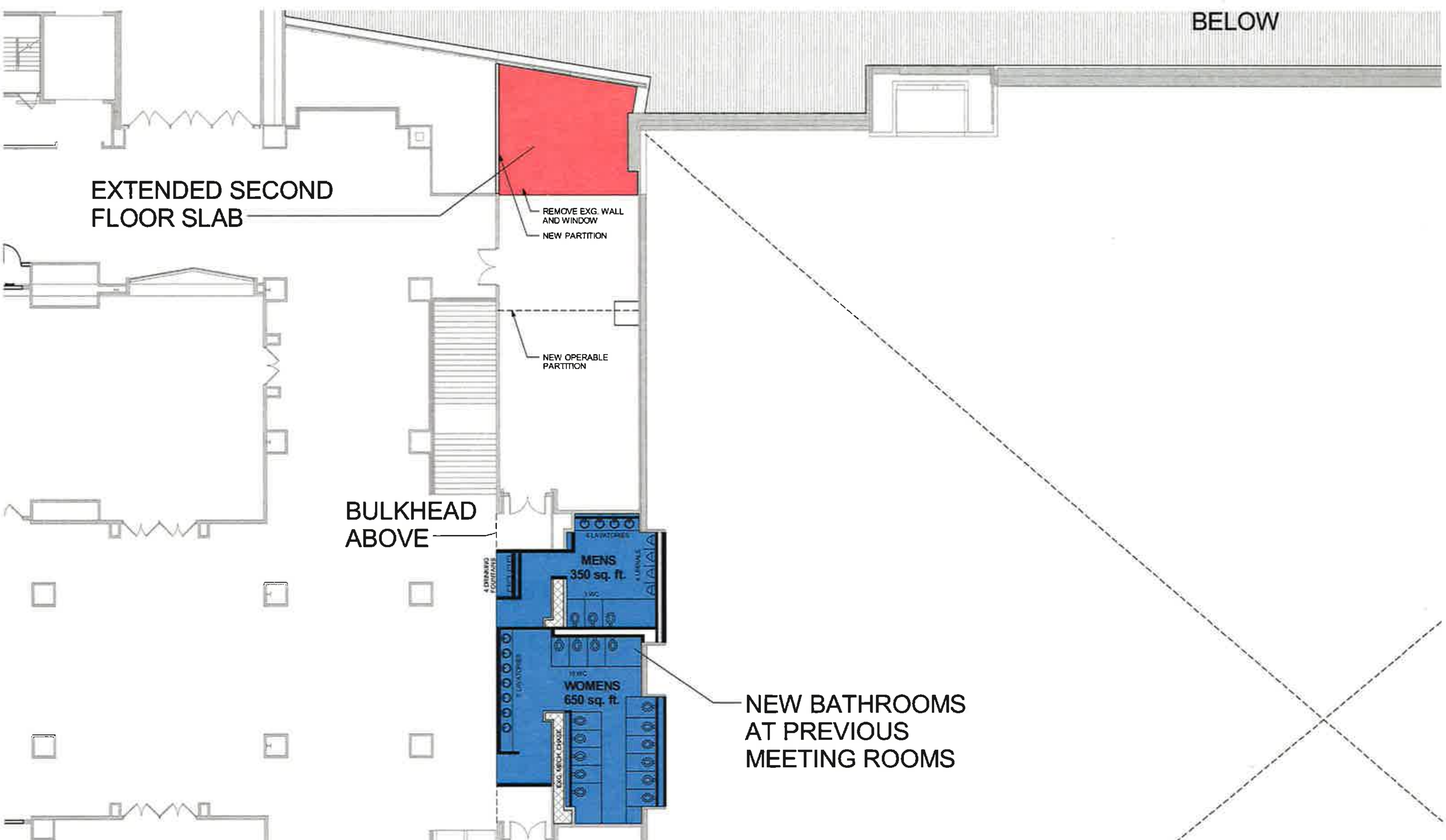
**OCEAN CITY CONVENTION CENTER** - PHASE 3 CONCEPTUAL _ ENLARGED SPECIAL EVENTS MEZZANINE PLAN
2009100.20
09.12.16

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ARCHITECTURE ENGINEERING

**OCEAN CITY CONVENTION CENTER** - PHASE 3 CONCEPTUAL _ ENLARGED PLAN SECOND FLOOR
2009100.20
09.12.16

morabito consultants

**NARRATIVE OF PROPOSED STRUCTURAL SYSTEMS**
**OCEAN CITY CONVENTION CENTER PHASE 3**
**WORCESTER COUNTY, MD**
**MC JOB No. 16289**
Prepared by
Morabito Consultants, Inc.
26 August 2016

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## Introduction

Morabito Consultants is collaborating with Becker Morgan Group in the design of a new 30,000 sq. ft. Exhibit Hall and associated support spaces to the Ocean City Convention Center in Ocean City, MD. The project includes the proposed Exhibit Hall at the north end of the site abutting 42nd Street, a new Bayfront Gallery (6,000 sq. ft.) along the west side of the site leading to the west entrance to the Exhibit Hall, associated support spaces (lobby, storage, restrooms) at the northwest corner, and a loading dock expansion at the east elevation. Interior renovations including a new Meeting Room and restrooms, reconfigured Ticket and Coat Areas, and an expanded Special Events Addition are also proposed.

Structural systems and materials for the proposed renovations are described in this Conceptual Design Structural Narrative. This narrative is based on the conceptual Architectural Drawings dated 08/24/16 as prepared by Becker Morgan Group and on meeting / discussions with the Project Team.

## Basis of Design

Design Loads (2015 International Building Code)

Floor Live

| | | |
|---|---|---|
| | Exhibit Hall | 100 psf |
| | Corridors/Lobbies | 100 psf |
| | Public Areas | 100 psf |
| | Stair | 100 psf |
| | Mechanical Room | 125 psf |
| | Stage | 150 psf |

| | |
|---|---|
| Roof Live | 20 psf |
| Wind Load | 130 mph, exposure D |

| | | |
|---|---|---|
| Snow | Ground Snow Load | $P_g$ = 20 psf |
| | Flat Roof Snow Load | $P_f$ = 22 psf |
| | Snow Load importance Factor | $I_s$ = 1.1 |
| | Thermal Factor | $C_t$ = 1.0 |
| Seismic | Site Class D (Assumed)<br>(Final Site Class to be determined by Geotechnical Engineer) | |
| Use Group | A-1, Assembly | |
| Construction Type Classifications | Type IB | |
| Deflection Limitations | (Floors/Roofs and Exterior Walls) | |
| | Live Load Deflection: | L/480 |
| | Total Deflection: | L/240 |
| | Exterior Walls: | L/240 |

**Outline Specification**

| | | |
|---|---|---|
| Concrete | 3000 psi | (footings) |
| | 3500 psi | (exterior sidewalks) |
| | 4000 psi | (framed slabs) |

All concrete exposed to the weather shall have 5% ± 1% entrained air

All concrete shall be normal weight concrete with a maximum weight of 145 pounds per cubic foot maximum density except concrete poured on metal deck shall be light weight with a maximum density of 117 pounds per cubic foot.

| | |
|---|---|
| Structural Steel | ASTM A992 (Grade 50) |
| Concrete | Reinforcing bars shall conform to ASTM A 615, Grade 60 |
| Reinforcing | Welded wire fabric shall conform to ASTM A 185, Grade 65 |

**A.** **FOUNDATION SYSTEM:** The foundation system for this 1 and 2 story structure shall consist of conventional spread footings proportioned for a safe allowable bearing pressure of 2000 psf or a deep foundation system (piles). Final foundation system to be determined by the Geotechnical Engineer. Footings shall be placed 2'- 6" minimum below finish grade around the entire building perimeter. Foundation walls shall be 12" block masonry walls (16" at all exterior walls above 17'-0" tall) and reinforced as required to resist all code required wind and seismic loading.

**B.** **FIRST FLOOR FRAMING SYSTEM:** The lower level floor of this building structure shall consist of a 5" concrete slab on grade reinforced with 6" x 6"- W2.9 / W2.9 welded wire fabric poured over a vapor barrier over 4" of porous gravel fill. Tongue in groove 24 gauge metal screeds shall be installed at all column centerlines to act as construction and control joints for this facility. In addition, 1-1/4" deep saw cut control joints shall be installed at 15'- 0" o/c maximum between all tongue in groove joints within 8 hours of pouring the structural slabs.

**C.** **SECOND FLOOR (MEZZANINE) FRAMING SYSTEM:** The second floor (mezzanine) at the Meeting Room and Special Events suite shall consist of 3.5" lightweight concrete slab (f'c= 4000 psi) reinforced with 6" x 6"- W5.5 / W5.5 welded wire fabric poured over 2" x 20 gage galvanized composite metal deck, resulting in a total slab thickness of 5.5". This composite slab shall be supported by composite steel beams which shall be spaced at ~ 9'- 0" o/c, and supported by composite steel wide flange girders and steel tube columns at the exterior and interior of the building all fabricated from ASTM A992, Grade 50 and ASTM A500, Grade B – Fy = 46 ksi steel respectively.

**D.** **LOW SLOPE ROOF FRAMING SYSTEM:** The low-slope roofs at the Bayfront Gallery of this building shall consists of 1 1/2" X 22 gauge type "B" galvanized metal roof deck which shall span 6'-0" o/c maximum between steel bar joists that are supported at the exterior and interior of the building by wide flange steel beams (ASTM A992, Grade 50) and steel tube columns (ASTM A500, Grade B – Fy = 46 ksi). These joists shall bear on wide flange beams (ASTM A992, Grade 50) and steel tube columns (ASTM A500, Grade B – Fy = 46 ksi).

**E.** **HIGH FLAT ROOF FRAMING SYSTEM:** The high flat roofs over the Exhibit Hall will be framed with 1 ½" x 22 gauge type "B" galvanized acoustical metal roof deck over long span steel bar joist at 6'- 0" o/c. These joists shall bear on wide flange beams (ASTM A992, Grade 50) and steel tube columns (ASTM A500, Grade B – Fy = 46 ksi).

**F.** **EXTERIOR WALL CONSTRUCTION:** The exterior walls of this building shall consist of 12" CMU at the loading dock expansion. At the Exhibit Hall, the exterior walls shall be insulated metal panels over 12" CMU back-up. The masonry walls shall be reinforced to resist all wind and seismic loads. At the Bayfront Gallery, the exterior walls shall be metal panel over light gauge metal studs. At the Special Events expansion, the exterior walls shall be EIFS over light gauge metal studs.

**G. LATERAL FORCE RESISTING SYSTEM:** The lateral force resisting system for this project shall consist of exterior masonry block shear walls at the perimeter of the Exhibit Hall. The masonry shear walls shall be reinforced with vertical rebar, filled with 3000 psi grout, and anchored to the building's foundation system. In addition to the masonry shear walls, moment frames will be utilized as necessary to stabilize the building.

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# CONCEPTUAL NARRATIVE OF PROPOSED BUILDING SYSTEMS
# MECHANICAL, ELECTRICAL, PLUMBING, FIRE PROTECTION, AND FIRE ALARM

**Ocean City Convention Center Phase III Expansion**
**Worcester County, MD**
**September 5, 2016**

ENGINEERING, INC.

## MECHANICAL, ELECTRICAL, PLUMBING / FIRE PROTECTION SYSTEMS OVERVIEW

A. Introduction

1. This narrative is based on the conceptual architectural drawings prepared by Becker Morgan Architects, base facility knowledge, discussions with the Project Team, and a brief review of existing facility drawings. The intent of this narrative is to provide a general description of proposed mechanical, electrical, plumbing, fire protection and fire alarm systems for Phase III of the Renovation and Additions to the Ocean City Convention Center (OCCC) for review and preliminary pricing.

2. It shall be understood that the proposed MEP / FP system designs will evolve pending documentation and verification of existing conditions, input and review by the design team and project stakeholders and evolution of the architectural, structural and civil engineering packages.

B. General Description

1. The main feature of the OCCC Phase III renovation is a new 30,000 SF addition (Exhibit Hall C). Additionally a 6,000 SF bay front gallery addition, new toilet facilities, a pre-function space, loading dock expansion and support areas all at the North end of the site.

2. Additional renovation activities are proposed for scattered areas about the existing facility. A bathroom expansion, reconfigured ticket and coat check areas, a special event suite, business center addition, and egress modifications reflect the balance of work considered.

C. Design Statement

1. All new systems will have the following characteristics:

- Sustainability
- Integrated Design
- Occupant and building safety
- Flexibility for future changes
- Durability
- Ease of Maintenance
- Reliability

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**MECHANICAL**

CODES:

A. Building codes (latest editions) followed shall be:
   - International Mechanical Code (IMC)
   - International Building Code (IBC)
   - National Electrical Code (NEC)
   - International Energy Conservation Code (IECC)
   - Installation of Air Conditioning and Ventilating Systems (NFPA 90A)

Existing Systems Overview:

A. The existing Ocean City Convention Center HVAC systems are served by a central chilled water plant located at the north end of the building near Exhibit Hall-A. A central hydronic heating water plant is located off the first floor corridor west of the new performance theater. Chilled water to existing air handling units is supplied at 44°F by two 700 Ton centrifugal chillers located in the central chilled water plant, and heating water is supply at 100°F - 110°F by two existing water source heat pump chillers located in the central heating water plant. Existing air systems are a combination of constant volume air handling units and Variable Air Volume (VAV) air handling units with series VAV terminals with electric reheat. Electric unit heaters serve miscellaneous service spaces.

B. Existing controls are Johnson Controls Metasys with N2 Bus Network. All new DDC controls will be specified for compatibility with the existing Johnson Controls Metasys / N2 System.

New Systems Overview:

A. Per direction from the Architect cooling for the expansion areas, including new Exhibit Hall C, will be provided by the existing chilled water plant. WFT recommends a study be performed to analyze existing chilled water capacity.

B. The heating source for new expansion space has not been determined. The existing water source heat pump chillers are unlikely to have sufficient capacity to serve the new expansion spaces. WFT recommends a study be performed to analyze existing hydronic heating water capacity and options for new heating water capacity.

C. Due to the addition of a storage space where the two 700 Ton cooling towers are currently located, the two existing 700 Ton cooling towers will require relocation or replacement. Age and condition of the two existing cooling towers has not been determined. WFT recommends relocation or replacement in-kind to the new storage space roof directly above the current location.

D. Proposed new systems and system modifications are described below and are broken down by area served.

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- New Exhibit Hall C
  New Exhibit Hall-C will be served by two to four new Rooftop Air Handling units. Current energy codes will require Variable Air Volume (VAV), energy recovery and CO2 based demand control ventilation. Single-zone, VAV rooftop air handling units with energy recovery wheels should be considered. If chilled water capacity is an issue, air cooled rooftop units should be considered. Displacement Ventilation systems with under-slab air distribution and overhead return air are also commonly provided to meet current energy codes and reduce energy. Heating source is TBD.

- New Exhibit Hall C (Pre-Function, Restrooms and Storage)
  The new Pre-Function, Restrooms and Storage spaces located west of new Exhibit Hall C will be served by a new air handling unit. Options include air-cooled rooftop unit or chilled water indoor air handling unit. Heating source is TBD.

- New Exhibit Hall C (Storage)
  The new Exhibit Hall C Storage space located southeast of new Exhibit Hall C will require a unit heater only unless otherwise directed to provide cooling or humidity control. Heating source is TBD.

- New Bay front Gallery
  The new Bay front Gallery space located west of existing Exhibit Hall B will be served by a new air handling unit. Options include air-cooled rooftop unit or chilled water indoor air handling unit. Heating source is TBD.

- Fire Rated Egress Vestibule
  The area southeast of new Exhibit Hall C, including the new fire rated egress vestibule space will require modification of the existing VAV system served by existing AHU-D.

- New Enclosed Loading Dock / Storage
  The new Enclosed Loading Dock / Storage area will require heating and ventilation only unless otherwise directed to provide cooling or humidity control. Heating source is TBD. The Dock Security space will most likely require a small split-system heat pump.

- New 2nd floor Meeting Room
  The new 2nd floor Meeting Room located southwest of existing Exhibit Hall B will be served by a new air handling unit. Options include air-cooled rooftop unit or chilled water air handling unit. Heating source is TBD.

- New 2nd floor Bathrooms
  The new 2nd floor Bathrooms located south of Exhibit Hall B will require modification of the existing VAV system served by existing AHU-D and will require the addition of a new exhaust system.

- <u>1st floor Bathroom Expansion</u>
  The first floor Bathroom expansion located south of Exhibit Hall B will require modification of the existing exhaust system served by exhaust fan EF-6 and will require modification of the existing VAV system served by existing AHU-B.

- <u>Reconfigured Ticket Area and Business Center</u>
  The reconfigured Ticket Area and Business Center will require modification of the existing VAV systems served by existing AHU-A and AHU-B. The existing exhaust system serving the exiting toilets will also require modification.

- <u>Special Events Addition</u>
  The new Special Events Addition located on southeast corner of the building should be served by a new air handling unit. Options include air-cooled rooftop unit or chilled water air handling unit. Heating source is TBD.

- <u>1st Floor Mezzanine offices</u>
  The existing 1st Floor Mezzanine offices have limited slab to slab clearance. Modification of the existing system or a new split-system may be required to serve this area.

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**ELECTRICAL**

CODES:

A. Building codes (latest editions) followed shall be:
   - Americans with Disability Act (ADA)
   - Applicable local codes and ordinances
   - International Building Code (IBC)
   - National Electrical Code (NEC)
   - International Fire Code (IFC)
   - Occupational Safety and Health Act (OSHA)
   - Other State code(s)

Existing Distribution System Overview:

A. The Delmarva Power Company provides underground service to this facility through three metered locations, utilizing four pad-mount transformers. Two (2) 2000 KVA, 7.2 KV primary / 480/277 V, 3Ø, 4W secondary both located on the Northeast end of this site. Additionally two (2) 750 KVA , 7.2 KV primary / 208/120 V, 3Ø, 4W secondary transformers are located on the bay side just west of the phase one addition. The latter service is a more recent upgrade and employs a utility owned and operated pad mount 7.2 KV switchgear on the south end of the site (with primary metering) providing individual feeds to each of the two (2) 750 KVA transformers.

B. A total of seven (7) existing service entrances are derived from these four (4) pad mounted transformers and have been identified as services 1 - 7:
   - Utility transformer 1 (meter #97 847 172) derives services No. 2, 4 & 5, serving switchboard "SBG1", "SBM2" and ATS-FP (Fire Pump). Peak demand to be validated through the utility.
   - Utility transformer 2 (meter #35 901 868) derives services No. 1, & 3, serving switchboards "SBM1" and "SBM3". Peak demand to be validated through the utility.
   - Utility transformers 3 & 4 (primary meter #95 613 095) derives services No. 6 & 7, serving switchboard "A" - Left & Switchboard "A" - Right. Peak demand to be validated through the utility.

C. A single 750 KW / 938 KVA standby diesel generator (with sub-base fuel oil tank) located just outside the loading dock (North side of the site) provides all emergency power to this facility. This equipment is located within the proposed limits of construction and will have to be relocated during the expansion.

New Systems Overview:

Without the benefit of a thorough investigation of the existing facility, and recent demand loads from the utility, we are left with the assumption that the Phase III expansion will require additional electric service to accommodate the proposed loads. A new pad-mount utility transformer, service entrance, switchboard and distribution system (both @ 480V and 208V) shall be required to be integrated into the Phase III program. The anticipated loads, at this time, are in general terms as defined below.

A. Concept Design loads:
   - HVAC - Air Handlers
   - Pumps and Misc. Motors
   - Water Heaters
   - General House Lighting
   - Site Lighting
   - Plug Loads - General convenience, and exhibitor power
   - Smoke Evacuation (if required)
   - Egress Lighting

B. Lighting shall be limited to density level of 1.08 W/SF in accordance with ASHRAE 90.1 (38.8 KVA). High Bay LED would be the preferred technology sought to meet and more than likely deliver below the ASHRAE mandated maximum lighting power density.

C. Plug loads through the new Exhibit Hall and Bay Front Gallery are not yet defined but can conceivably be set up for 208V, 3Ø, 60A distribution supporting 15 x 30 exhibitor areas. (345.6 KVA, diversified).

D. The heating source for new expansion space has not been determined. It has been stated that the existing water source heat pump chillers are unlikely to have sufficient capacity to serve the new expansion spaces. (Load undetermined at this time)

E. Air Handlers (expansion only) - approximately 36.0 KVA.

<u>Existing System Modifications:</u>
The Concept Design drawings indicate the relocation of the following equipment / services which will require careful planning and orchestration in order to accommodate a successful moves:

A. Cooling towers - Displaced by proposed Storage Room (NE section of existing facility). Proposed location not yet defined, however a location above new storage room will maintain proximity to the existing service location.

B. Standby generator and existing underground feeder - Displaced by proposed Dock Security Room. Proposed location not yet defined.

C. Existing Electric Room - Displaced by the proposed Egress Vestibule. The magnitude of this exercise is unknown at this time - no new location defined.

**PLUMBING**

DOMESTIC WATER DISTRIBUTION

A. Description:
   a. An extension of the existing facility potable water supply shall be provided for the proposed expansion. This modified water supply shall serve all the domestic needs of the building. A separate shut-off valve, shall provide isolation of this extension.
   b. Separate water heaters shall be installed for the domestic water supply serving the new toilet rooms (Exhibit Hall C). There shall be two heaters for this area, each sized to satisfy 75% of the estimated demand.

B. Functional Requirements:
   a. The water supply system shall be sized to include the building's plumbing fixture water loads, mechanical systems make-up water loads (if any), interior hose wash-down loads, landscape irrigation system and exterior wall hydrant loads.
   b. Shut-off valves shall be provided at all fixtures and equipment for isolation purposes.
   c. Plumbing fixtures shall be of low water consumptions, low flow type.

SANITARY DRAINAGE

A. Description:
   a. Sanitary waste from the upper areas to the First floor level shall drain by gravity down via 4-inch sanitary waste stacks.
   b. Building drain shall run at Lower Level ceiling and convey sanitary waste to the municipal sewer system.
   c. Sanitary waste from the Lower Level fixtures shall run by gravity under the Lower Level slab toward loading dock area, where grade level is lower that Lower Level finished floor elevation.
   d. Sanitary vent stacks shall be terminated to atmosphere at the roof level.
   e. Alternate: In case that gravity connection to the municipal sewer system for the Lower Level fixtures will not be feasible due to elevation differences and underground existing conditions, a sewage ejector pit with two equal submersible pumps shall be provided. The drainage shall be pumped to the municipal sewer system.

B. Functional Requirements:
   a. Cleanouts shall be provided for efficient maintenance according to Plumbing Code requirements and shall be located in common/public areas whenever possible. Complete accessibility shall be provided for all cleanouts.
   b. Floor drains shall be provided in mechanical rooms and toilet rooms, with automatic trap primers to maintain trap water-seal integrity.
   c. Drainage piping 3" and larger shall be sloped at not less than 1/8 inch per foot.
   d. Drainage piping smaller than 3" shall be sloped at not less than 1/4 inch per foot.

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STORM DRAINAGE SYSTEM

A. Description:
   a. Storm drainage system shall be provided to convey storm water by gravity from roof to the municipal storm sewer system.
   b. The roof system shall be drained by rain water conductor to the municipal storm system.
   c. Leaders, roof drains, horizontal storm drainage branches and headers shall be sized based on the Plumbing Code roof area drainage tables.
   d. A separate secondary (overflow) drain system shall be provided for all areas according to the Code requirements. Secondary drain piping shall run parallel to the primary roof drainage piping and discharge above ground at the locations indicated on the floor plans.

B. Functional Requirements:
   a. All roof drain bodies, horizontal and vertical aboveground storm drainage piping shall be insulated to control condensation and noise.
   b. Cleanouts shall be provided for efficient maintenance according to Plumbing Code requirements and shall be located in common/public areas whenever possible. Complete accessibility shall be provided for all cleanouts.

**FIRE PROTECTION**

A. Description:

a. Extension of the existing overhead fire sprinkler systems to provide protection for the addition using the existing fire pump as a means for pressure boost. Adequacy of existing water supply to support the new systems shall be validated pending hydrant flow test.

b. Relocation/modification of the existing fire sprinkler system to provide protection for renovated areas.

c. New auxiliary hose valve stations will be included in the addition as required pending spatial analysis of the final architectural design.

d. This Fire Protection system addition shall comply with requirements of the most recent version of the following:

- International Building Code (for addition being built beside existing building)
- International Existing Building Code (for work taking place within the existing building)
- NFPA 13 (sprinkler system design)
- Any additional codes or standards specified by the owner/AHJ
- Any jurisdictional amendments made to the above referenced codes and standards

**FIRE ALARM**

A. Description:

a. The proposed addition shall include the furnishing, installation, and connection of fire alarm equipment to form a complete coordinated system. It shall include, but not be limited to, alarm initiating devices, alarm notification appliances, control units, annunciators, power supplies, and all wiring required to form a fully functional and integrated system.

b. This Fire alarm system addition shall comply with requirements of the most recent version of the following:

- International Building Code (for addition being built beside existing building)
- International Existing Building Code (for work taking place within the existing building)
- NFPA 72 (fire alarm system design)
- Any additional codes or standards specified by the owner/AHJ
- Any jurisdictional amendments made to the above referenced codes and standards

B. Functional Requirements:

a. The proposed fire alarm system addition shall employ a new addressable fire alarm control panel fully compatible with the existing Simplex (analog) 4100 series control panels (located in the SE section of the facility) and Simplex 4100 series Command center located in the fire command room, adjacent to the fire pump room. The existing and new fire alarm control panels will communicate via hard-wire interconnections.

b. If required the new fire alarm system will be designed and coordinated to integrate with the existing smoke control system modifications/additions/renovations as directed by others.

**SMOKE CONTROL**

A. Description:

a. The need for this system shall be determined through the code consultant's analysis and direction regarding the project scope and the functionality / effectiveness of the existing and proposed egress capacities.

# OCEAN CITY CONVENTION CENTER EXPANSION - PHASE 3
## PROJECT COST ESTIMATE SUMMARY

| ITEM OF WORK | QUANTITY | | UNIT | Cost / Unit | TOTAL COST |
|---|---|---|---|---|---|
| ***HARD COST (2017 Cost)*** | | | | | |
| Bayfront Gallery / Pre-Function Space | 1 | | LS | $ 14,860,000 | $ 14,860,000 |
| Business Center | 1 | | LS | $ 5,755,000 | $ 5,755,000 |
| Egress Vestibule | 1 | | LS | $ 913,500 | $ 913,500 |
| Exhibit Hall | 1 | | LS | $ 573,000 | $ 573,000 |
| Hall A/B Restroom Expansion | 1 | | LS | $ 432,000 | $ 432,000 |
| Loading Dock | 1 | | LS | $ 116,000 | $ 116,000 |
| Second Floor Restroom / Meeting Room Expansion | 1 | | LS | $ 106,000 | $ 106,000 |
| Subtotal | | | | | $ 22,755,500 |
| Inefficiency / Misc. OT | 1.5% | of | $ 22,755,500 | | $ 341,333 |
| Subtotal | | | | | $ 23,096,833 |
| Design Contingency | 2.00% | of | $ 23,096,833 | | $ 461,937 |
| Subtotal | | | | | $ 23,558,769 |
| Construction Contingency | 5.00% | of | $ 23,558,769 | | $ 1,177,938 |
| Subtotal | | | | | $ 24,736,708 |
| Testing & Inspection | 1.50% | of | $ 24,736,708 | | $ 371,051 |
| Subtotal | | | | | $ 25,107,758 |
| Escalate Project Cost to 2018 | 3.00% | of | $ 25,107,758 | $ 753,233 | $ 25,860,991 |
| FF&E Allowance | 1 | | Allow | $ 1,000,000 | $ 1,000,000 |
| AV / IT / Wayfinding Allowance | 1 | | Allow | $ 450,000 | $ 450,000 |
| **TOTAL ESTIMATED COST OF CONSTRUCTION** | | | | | **$ 27,310,991** |
| | | | | | |
| **SOFT COST** | | | | | |
| Construction Manager General Conditions | 7.00% | of | $ 27,310,991 | $ 1,911,769 | $ 29,222,760 |
| Construction Manager Fee | 3.00% | of | $ 29,222,760 | $ 876,683 | $ 30,099,443 |
| Bonds & Insurance | 1.50% | of | $ 30,099,443 | $ 451,492 | $ 30,550,935 |
| Design Fees | 7.00% | of | $ 27,310,991 | $ 1,911,769 | $ 32,462,704 |
| Construction Administration / Owner's Rep Fee | 1.25% | of | $ 32,462,704 | $ 405,784 | $ 32,868,488 |
| Owner's Project Contingency | 3.50% | of | $ 32,868,488 | $ 1,150,397 | $ 34,018,885 |
| **TOTAL ESTIMATED PROJECT COST** | | | | | **$ 34,018,885** |