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# Evaluation of the Operations and Other Issues Relating to the Show Place Arena and Prince George's Equestrian Center

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Presented to the:  
Maryland Stadium Authority  
and  
Maryland-National Capital  
Park and Planning  
Commission

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October 2014

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**Capital Projects  
Development  
Group**

**Gary McGuigan  
Senior Vice President**

**Eric Johnson  
Vice President**

The Warehouse at Camden Yards  
351 W. Camden Street, Suite 500  
Baltimore, MD 21201  
410-223-4150  
1-877-MDSTADIUM  
Fax: 410-333-1888

cpdinfo@mdstad.com  
www.mdstad.com

Voice: 800-201-7165  
TTY: 800-735-2258

October 10, 2014

Mr. Ronnie Gathers, Director  
Maryland-National Capital Parks and Planning Commission  
Department of Parks of Recreation  
6600 Kenilworth Avenue  
Riverdale, Maryland 20737

**RE: Prince George's County Show Place Arena and Equestrian Center  
Operations and Market and Economic Studies**

Dear Mr. Gathers,

The Maryland Stadium Authority (MSA) is pleased to present the operations and market and economic studies for the Show Place Arena and Equestrian Center. The studies were undertaken pursuant to your request on November 10, 2011 and with the approval of the budget committees of the Maryland General Assembly.

The following independent consultants were engaged on the project:

- **Conventions, Sports and Leisure (CS&L)** completed the operations study.
- **AECOM** completed the market and economic study.

Please contact this office with any questions or concerns.

Very truly yours,

Michael J. Frenz  
Executive Director



October 2014

Mr. Eric P. Johnson  
Project Director  
Maryland Stadium Authority  
333 West Camden Street, Suite 500  
Baltimore, MD 21201

Dear Mr. Johnson:

Conventions, Sports and Leisure International (CSL), in conjunction with Venue Solutions Group (VSG), has completed a report related to an evaluation of the operating and managerial structures, governance, staffing and overall performance and effectiveness of the Show Place Arena and the Prince George's Equestrian Center (SPA/PGEC). The attached report presents our research, analysis and findings and is intended to assist the Maryland Stadium Authority (MSA) and the Maryland-National Capital Park and Planning Commission (M-NCPPC) in its planning related to the SPA/PGEC.

The analysis presented in this report is based on estimates, assumptions and other information developed from industry research, data provided by the MSA, M-NCPPC and SPA/PGEC, discussions with industry participants and analysis of comparable facilities and destination marketing organizations. The sources of information, the methods employed, and the basis of significant estimates and assumptions are stated in this report. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur. Therefore, actual results achieved will vary from those described and the variations may be material. Furthermore, all information provided to us by others was not audited or verified and was assumed to be correct. All primary market research conducted for this study was completed in late 2012.

This summary report has been prepared for the internal use of the MSA and M-NCPPC, and should not be relied upon by any other party. The report has been structured to assist MSA and M-NCPPC representatives in evaluating issues pertaining to the operations of the SPA/PGEC and should not be used for any other purpose.

We sincerely appreciate the assistance and cooperation we have been provided in the compilation of this report and would be pleased to be of further assistance in the interpretation and application of our findings.

Very truly yours,

CSL International

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## 1. Background and Approach

Conventions, Sports and Leisure International (CSL), in conjunction with Venue Solutions Group (VSG), has completed a report related to an evaluation of the operating and managerial structures, governance, staffing and overall performance and effectiveness of the Show Place Arena and the Prince George's Equestrian Center (SPA/PGEC). The analysis addresses a number of key operational and performance areas, including assessment of market potential and capture, organizational structure and staffing, financial operations/policies/procedures, sales and marketing issues, operations/physical plant items, stakeholder relations, bookings, food and beverage operations, and event management/exhibitor services. In addition to detailed research and analysis specific to the SPA/PGEC, a comprehensive benchmarking and best practices analysis was completed.

Collectively, CSL and VSG personnel have over 200 years of experience exclusively in the event facility industry, participating in many hundreds of planning and evaluation projects. Nearly all of our work has involved some level of industry research, benchmarking and best practices analysis, providing us with extensive expertise in the event facility industry.

On April 19, 2012, the Maryland-National Capital Park and Planning Commission (M-NCPPC) Audit Committee submitted a report regarding the internal investigation of SPA/PGEC operations. As a result of this audit, there has been some recent turn-over of top leadership at the SPA/PGEC. In June 2012, CSL and VSG project leaders conducted a multi-day site visit to Upper Marlboro and the SPA/PGEC. Over several days, the team met with a variety of SPA/PGEC, MSA and M-NCPPC leaders and staff, along with participating in meetings with other stakeholders in Prince George's County.

Along with a greater desire to increase oversight into the overall operations of the SPA/PGEC, in this recent difficult economic environment, M-NCPPC is interested in evaluating the operational efficiency of the SPA/PGEC and in identifying and assessing opportunities for performance improvements, which could include the potential for reduction in annual operating subsidies that are M-NCPPC's ongoing responsibility.

Presently, M-NCPPC and Maryland Stadium Authority have commissioned a market study, the result of which is expected to assist in determining specific sources of demand for the SPA/PGEC complex. These identified sources of demand and the prospective manner by which SPA/PGEC management chooses to market to these groups will have a direct impact on the form of management and oversight for the Complex (i.e., events geared toward minimizing the annual operating deficit or those that would provide a greater economic impact on the community as a whole). All primary market research conducted for this study was completed in late 2012.



## 2. Summary of Existing SPA/PGEC

The site of the Show Place Arena and Prince George's Equestrian Center complex (formerly the "Prince George's Equestrian Center") was once occupied by the Marlboro Race Track, an active thoroughbred horse racing facility. The Track experienced a substantial decline in patronage during the 1970s leading to its purchase by Prince George's County in 1980. The County wanted the facility to serve as a community gathering center; not an economic development generator. To this end, the County made a number of improvements to the facility including the addition of a thoroughbred training facility and areas to accommodate horse shows.

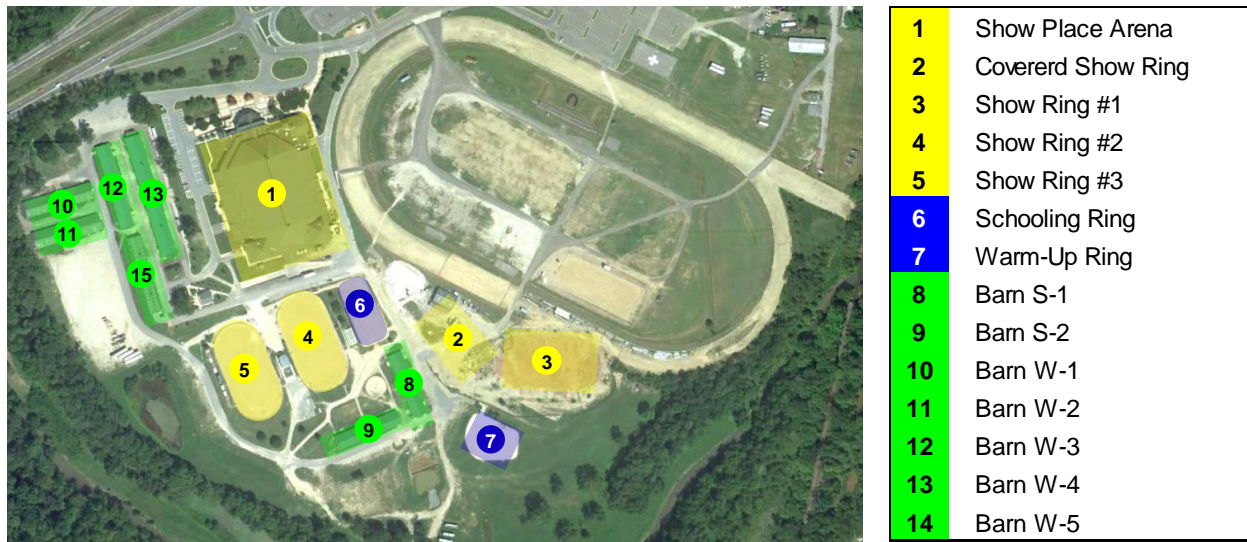
In 1984, the county entered into a 20-year lease with the Maryland-National Capital Park and Planning Commission (M-NCPPC) to operate the Equestrian Center as a recreational and community resource in the County. M-NCPPC's desire was to expand the facility as a premiere indoor and outdoor venue for equestrian and multiple uses by the community and public.

Following execution of the lease agreement, M-NCPPC developed a master plan to guide the redevelopment of the Equestrian Center. One of the major proposals in the plan was the development of an indoor multi-purpose/equestrian arena with supporting facilities (i.e.; stalls for show horses, parking, RV camping spaces, etc.). The Show Place Arena was completed in 1993, with other ancillary support



facilities added in subsequent years. Today, the Complex includes an indoor arena that can seat up to 5,000 people, three outdoor show rings; one covered ring, 240 permanent stalls (with the capacity to expand up to 1,500), 25 RV hook-ups and public parking for several thousand patrons.

The SPA is typically booked for indoor equestrian events, public/consumer shows, concerts, sports tournaments, circuses, tradeshow, religious events and graduation ceremonies. The PGEC is a seasonal outdoor venue that hosts equestrian events nine months out of the year. The following exhibit presents a summary diagram of the general layout of primary spaces within the SPA/PGEC.



<b>Show Place Arena and Prince George's Equestrian Center</b> Upper Marlboro, MD		<b>Event Facility:</b> Show Place Arena and Prince George's Equestrian Center <b>City, State:</b> Upper Marlboro, MD <b>Size:</b> 75 acres <b>Ownership Structure:</b> M-NCPPC	
<b>Exhibit Space</b>	0	<b>Number of Event Halls</b>	0
<b>Meeting Space</b>	6,150	<b>Number of Enclosed Arenas</b>	1
Tack Room	2,560	<b>Number of Covered Arenas</b>	1
Paddock Room	2,270	<b>Number of Outdoor Arenas</b>	3
Winners Circle Lounge	1,320	<b>Number of Barns</b>	7
<b>Seating</b>	3,000	<b>Number of Event Buildings</b>	12
Show Place Arena	3,000	<b>Largest Contiguous Exhibit Space:</b>	n/a
		<b>Total Indoor Event Space:</b>	35,400
		<b>Permanent Horse Stalls:</b>	240
		<b>Portable Horse Stalls:</b>	1,250
		<b>RV Hook-ups:</b>	25
		<b>Grandstand Seating:</b>	n/a

The SPA/PGEC is a unique complex designed to accommodate equestrian and other dirt-oriented events first, supplementing other event activity as it is available to support continued operations and minimize the annual operating subsidy. As such, the SPA/PGEC is commonly viewed throughout Prince George's County (and the surrounding region) as an economic engine, first working to attract event attendees/participants/exhibitors that otherwise would not be visiting the Upper Marlboro and Prince George's County area. As a close second, the Complex is also an event center designed to provide quality-of-life benefits to the residents of the community.

The M-NCPPC is a bi-county agency responsible for the management, maintenance and funding of SPA/PGEC operations. The M-NCPPC is also responsible for acquiring, developing, maintaining and administering a regional system of parks within Montgomery and Prince George's Counties, and providing land use planning for the physical development of Prince George's and Montgomery counties. Additionally, the M-NCPPC is responsible for the public recreation program in Prince George's County.

The success and operating performance of event facilities are often highly influenced by issues that go beyond the physical facilities themselves. In addition to effective management, destination appeal is normally a common denominator among successful facilities. Event facilities located in the strongest destinations tend to be the most successful, while facilities located in destinations with weak appeal and/or deficient visitor amenities more often struggle or underperform industry averages.

Recognizing that an event facility or complex is only one of the pieces of a larger puzzle that non-local event producers tend to consider when selecting sites, more and more communities have been focusing on ways to strengthen the appeal of the proximate area surrounding the event complex itself. One specific consideration relates to the hotel package within the destination. Currently, the town of Upper Marlboro offers three limited-service hotel properties (i.e., they offer limited food service options, little to no meeting and event space and are more affordably priced than other full-service properties) with a total of 152 hotel rooms. Within approximately ten miles of the SPA/PGEC, Prince George's county offers approximately 2,600 total hotel rooms, most of which are also limited-service. As such, many of the people attending events at the SPA/PGEC requiring an overnight stay are willing to drive in from as far away as eastern Virginia or the Gaylord National Resort, citing increased hotel quality and the notion that the added drive time is not that much more than from other Prince George's hotels. Unfortunately, no hotel tax is generated by the county at either of these locations, minimizing the overall economic impact generated by these events. Currently, the Prince George's County, Maryland Conference and Visitors Bureau (PGCVB) assists the SPA/PGEC as much as possible with lead generation and general marketing of the destination.

While typically not as important for equine-oriented complexes such as the SPA/PGEC, the presence of other desirable visitor amenities near the event complex site can also increase the attractiveness of the destination for non-local events. These amenities include offerings of restaurants, retail, nightlife, entertainment and attractions. Healthy, vibrant and exciting environs surrounding or nearby the event complex are normally viewed very attractively by event planners/producers and can provide important advantages in marketing a destination and its event facilities.

SPA/PGEC's Upper Marlboro location, as compared to being in the downtown of a large city, such as Washington, D.C. or Baltimore, can be viewed as less attractive for non-horse events (i.e., concerts, other entertainment events, sports, tradeshow, meetings, etc.), which tend to prefer downtown venues with dense population bases and walking-proximate visitor amenities like restaurants, nightlife and hotels.

Lastly, it is important to recognize that the Show Place Arena was designed to be multipurpose; however, its overall design, layout and functionality emphasize the ability to accommodate equine and other animal events and shows. The Show Place Arena's flexibility allows it to accommodate a wide array of event types, but it is this flexibility that also slightly diminishes its competitive positioning as a leading state-of-the-industry venue for certain types of touring events. As such, relative to other state-of-the-industry



entertainment/spectator arenas, the Show Place Arena has some important limitations in its ability to attract and accommodate certain touring entertainment events, such as concerts and family shows. These include seating capacity, ceiling height, rigging capability, acoustics, loading, ring/floor size and dimensions, concession points of sale, and other such items.

### 3. Comparable Facility Benchmarking

A useful approach in evaluating the historical operational performance of a particular event facility is to compare various operational metrics with those corresponding to a set of comparable event facilities located in other destinations. CSL identified a set of 15 comparable facilities and collected detailed event, utilization, financial and other operating data from each.

#### Comparable Facilities

Exhibit 1 summarizes the comparable facilities reviewed within this analysis and also provides information concerning ownership, size and specific complex characteristics to help characterize the nature of the venue. The facilities reviewed primarily focus on attracting equestrian, livestock or other fair related events, while accommodating as many other events as possible operating year-round. Other specific factors included, but were not limited to, the total and type of event space offered, the location of the markets in which they are established and the nature of the events they typically attract. While venues such as the Kentucky Horse Park (Lexington, Kentucky), which is considered too large to provide relevant comparison or the DC Armory, which is considered to lack the capacity to accommodate equestrian/livestock events, any relevant operational best practices to be learned from these, and other facilities of these types, were considered in this analysis.

**Exhibit 1**  
**Overview of Comparable Markets and Event Facilities**

Facility	City, State	Ownership Structure	Size (in acres)	Total Stalls	Permanent Stalls	Portable Stalls	RV Hookups	Grandstand Seating	Largest Arena Seating
Linn County Fair & Expo Center	Albany, OR	County	35	296	0	296	n/a	2,400	2,400
Horse Park of New Jersey	Allentown, NJ	State	178	380	276	104	55	500	500
Claremore Expo	Claremore, OK	City	55	300	100	200	44	n/a	2,400
Georgia International Horsepark	Conyers, GA	City	1,400	690	560	130	200	2,500	8,000
Champlain Valley Exposition	Essex Junction, VT	501(c)3	132	126	96	30	1,000	2,955	n/a
Western North Carolina Agricultural Ctr.	Fletcher, NC	State	87	874	603	271	132	n/a	3,000
Frying Pan Park	Herndon, VA	County	130	180	150	30	0	n/a	800
Morven Park Intl. Equestrian Center	Leesburg, VA	501(c) 3	1,000	148	140	8	10	n/a	200
Virginia Horse Center	Lexington, VA	501(c) 3	600	1,044	744	300	90	2,500	4,000
Idaho Horse Park	Nampa, ID	City	180	702	582	120	44	n/a	12,657
James B. Hunt Horse Park	Raleigh, NC	State	30	585	485	100	350	n/a	1,432
Deschutes County Fair and Expo Ctr.	Redmond, OR	County	132	400	75	325	400	2,500	4,000
Clark County Fair Exhibition Center	Ridgefield, WA	County	170	214	194	20	n/a	7,500	650
Kansas Expocentre	Topeka, KS	County	80	261	241	20	76	n/a	7,450
<b>PGEC and Show Place Arena</b>	<b>Upper Marlboro</b>	<b>M-NCPPC</b>	<b>103</b>	<b>1,490</b>	<b>240</b>	<b>1,250</b>	<b>25</b>	<b>n/a</b>	<b>3,000</b>
<b>Average</b>			<b>301</b>	<b>443</b>	<b>303</b>	<b>140</b>	<b>200</b>	<b>3,000</b>	<b>3,700</b>
<b>Median</b>			<b>132</b>	<b>340</b>	<b>218</b>	<b>112</b>	<b>83</b>	<b>2,500</b>	<b>2,400</b>

As shown, the comparable set includes a mix of privately- and publicly-owned event facilities. With the exception of two properties, all of these venues are managed by a segment of their ownership group; the Idaho Horse Park and the Kansas Expocentre are managed by SMG at the request of the public entity. Other models of governance include the ownership group hiring a general manager to oversee complex operations and report directly to ownership, or a board of directors/trustees appointed by the ownership group or organized through a vote of the board tasked with hiring a general manager and providing guidance into various high-level aspects of complex operations (i.e., planning, finance, fundraising,

marketing/development, etc.). These governance models will be discussed in greater detail later in this report.

Exhibit 2 presents a summary of the sellable event space offered within each of the comparable facilities. Sellable space refers to traditional “rentable” event space in event facilities and is normally delineated in terms of enclosed arenas (those with four walls and a roof), covered arenas (a roof with limited/no walls), outdoor arenas (no roof, no walls) and event halls (indoor event space with concrete or carpeted floors suitable for hosting meetings, banquets, trade shows, public/consumer shows, and other such events).

**Exhibit 2**  
**Summary of Total Sellable Convention Center Event Space –**  
**Comparable Facilities**

Facility	Event Buildings	Enclosed Arenas	Covered Arenas	Outdoor Arenas	Event Halls	Largest Contiguous Exhibit Space	Total Indoor Event Space
Linn County Fair & Expo Center	6	3	0	0	3	48,600	160,200
Horse Park of New Jersey	7	1	0	5	1	10,500	64,200
Claremore Expo	3	1	0	1	1	31,000	91,000
Georgia International Horsepark	21	1	1	18	1	30,000	61,510
Champlain Valley Exposition	5	0	0	1	4	36,400	73,800
Western North Carolina Agricultural Center	9	2	1	3	3	45,000	112,300
Frying Pan Park	4	1	0	3	0	n/a	26,600
Morven Park International Equestrian Center	7	2	0	5	0	n/a	19,300
Kentucky Horse Park	11	2	0	7	2	20,000	103,500
Virginia Horse Center	14	3	1	10	0	n/a	137,700
Idaho Horse Park	5	1	1	2	1	97,500	224,060
James B. Hunt Horse Park	6	1	1	4	0	n/a	37,200
Deschutes County Fair and Expo Center	12	1	0	2	4	35,000	81,400
Clark County Fair Exhibition Center	15	1	0	5	4	97,200	183,600
Kansas Expocentre	6	2	1	0	3	44,500	99,300
<b>PGEC and Show Place Arena</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>0</b>	<b>n/a</b>	<b>35,000</b>
<b>Average</b>	<b>9</b>	<b>1</b>	<b>0</b>	<b>4</b>	<b>2</b>	<b>45,100</b>	<b>98,400</b>
<b>Median</b>	<b>7</b>	<b>1</b>	<b>0</b>	<b>3</b>	<b>1</b>	<b>36,400</b>	<b>91,000</b>

As shown in the exhibits, the comparable facilities were largely identified based on their: (1) size similarities to the SPA/PGEC, (2) the type and amount of sellable event space offered within each complex, (3) their presence in a regional competitive area, and (4) location within similar sized markets. Within this set, the SPA/PGEC ranks at the lower end of the list in terms of key facility components and total indoor event space.

## Financial Operating Performance

In order to begin to evaluate the comparative performance of the SPA/PGEC, detailed historical SPA/PGEC financial operating data was obtained and reviewed. Exhibit 3 below presents a summary, by major line item, of the most recent full years SPA/PGEC financial operating results.

**Exhibit 3**  
**SPA/PGEC Financial Operating Results**  
**For the Fiscal Years Ending June 30, 2010 through 2012**

	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Operating Revenues:</b>			
Facility Rental	\$909,572	\$999,975	\$1,013,722
Food Service (net)	281,858	187,349	160,871
Other Revenue	70,056	68,221	7,892
Total Operating Revenues	\$1,261,486	\$1,255,545	\$1,182,485
<b>Operating Expenses:</b>			
Salaries, Wages and Benefits	\$2,108,517	\$2,044,343	\$1,471,818
Contract Labor	328,251	238,617	183,673
Utilities	618,386	652,692	606,827
Repair and Maintenance	348,444	391,376	416,505
General and Administrative	380,297	375,485	145,234
Supplies	56,617	70,608	103,583
Other Expense	179,442	86,510	49,753
Total Operating Expenses	\$4,019,955	\$3,859,630	\$2,977,392
Net Operating Deficit	(\$2,758,469)	(\$2,604,086)	(\$1,794,907)

Source: SPA/PGEC, CSL summary of financial detail, 2012.

For comparison purposes, some adjustments were made to the SPA/PGEC's financial operating data, including the consolidation of line items detail into major categories (to allow for comparison with benchmarking data from other comparable facilities) and the removal of "non-operating" items, such as depreciation, County transfers, interest revenue and other such items. Examples of revenue items consolidated within the 'Other Revenue' line include: class lesson fees, parking revenue, advertising revenue and stall rentals. Examples of expense items consolidated within the 'Other Expense' line include: other items for resale, an atypical insurance expense, and prizes/awards expense.

Additionally, revenue in 2011 and 2012 is slightly overstated (approximately \$35,000 in 2011 and \$75,000 in 2012) due to revenue generated in previous years not accounted for properly. It is believed that all of these oversights have now been accounted for, and moving forward revenues can be accurately stated on a yearly basis.

Having established this benchmark, we obtained similar detailed financial operating data from other comparable convention center facilities. Similar adjustments were made to each through our analysis to present the data in a consistent format. Due to the sensitive nature of this information and at the request



of the management of a number of these facilities, the names of the actual facilities are not directly attributed to the data presented in this report.

Overall, the SPA/PGEC operates at a higher financial operating deficit than the average complex reviewed for this study. Specifically, higher operating expenses are partially influenced by the cost to turn-over the SPA between dirt and non-dirt events, as well as other inefficiencies that are discussed within this document. Also, it is believed that operating revenues have been historically constrained due to lower than average non-equestrian event levels, issues with food and beverage operations, sales/marketing efforts, event services, and limitations in the offering of key revenue-generating facility components (i.e., dedicated exhibit space).

### Event Levels, Mix and Occupancy

A review was also conducted with respect to event mix, levels and occupancy at the SPA/PGEC, relative to comparable facilities and industry standards. Historical event and booking data for the SPA/PGEC was obtained and analyzed in detail. Overall, data suggests that the SPA/PGEC is somewhat underperforming relative to comparable facility averages. In general, while equestrian event activity at the SPA/PGEC is consistent with the average comparable complex reviewed, overall event levels at the SPA/PGEC are slightly lower than the average comparable complex reviewed as a part of this effort. This is believed to be attributed to a number of items, including the lack of dedicated exhibit space, marketing efforts and destination perception issues. It is believed that event capture and attendance levels could be marginally improved with the implementation of the targeted recommendations provided herein.

It is important to note that a number of the comparable venues analyzed offer exhibit space for the sole purpose of hosting flat floor events such as tradeshow, public/consumer shows, graduations and other such events, thus elevating their overall event totals and year-round activity relative to the SPA/PGEC. Currently, the only flat space offered at the SPA/PGEC is the arena floor. While this type of space is often adequate for a variety of events (many of which are already being hosted at the complex), a number of factors (including the presence of seating, limited ingress/egress due to physical layout, ambience, etc.) may prove a limiting factor when trying to attract certain events. A comprehensive study to measure the market supportable program of event space should be conducted to determine whether any additional event capture could occur with expanded/improved facility space/components.

The SPA/PGEC hosts a wide variety of both local and non-local events including equestrian events, meetings, banquets, trade shows, concerts, graduations, fundraisers and other events. We begin with an overall summary of the total number of events hosted at the SPA/PGEC for the three-year period spanning fiscal years 2010 through 2012. Data has been segmented into the following event types: Equestrian, Graduation (including both graduations and associated reception events), Banquets, Meetings, Other Sports (i.e., Cheerleading/Dance competitions, basketball games, etc.), Trade, SMERF (social, military, educational, religious or fraternal events), Concert/Promoted Show, Fundraisers, Rodeos, the Prince George's County Fair and other events.

**Exhibit 4**  
**Total Number of Events by Event Type**  
**(FY 2010 – FY 2012)**

Event Type	2010	2011	2012
Equestrian	34	31	31
Graduation	33	37	42
Banquet	22	19	25
Meeting	18	15	24
Other Sports	13	16	10
Trade	10	12	12
SMERF	6	12	9
Concert/Promoted Show	9	5	5
Other	4	3	4
Fundraiser	2	3	1
Rodeo	1	2	1
Fair	1	1	1
<b>Total</b>	<b>153</b>	<b>156</b>	<b>165</b>

Over the past three fiscal years, the number of events held at the SPA/PGEC has increased slightly, from 153 events in 2010 to 165 in 2012. The number of graduation and receptions related to graduations increased from 33 to 42, and meetings increased from 18 to 24, which largely accounts for the increase from 2010 to 2012. The remaining types of events remained relatively consistent over the reviewed time period. Between 31 and 34 equestrian events, the intended focus of the complex, were held at the SPA/PGEC during this time period.

In an effort to characterize the overall event mix and utilization of the SPA/PGEC, Exhibit 5 presents the total number of utilization days (including move-in, event and move-out days) by event type for the same fiscal year 2010 through fiscal year 2012 time period.

**Exhibit 5**  
**Total Number of Utilization Days by Event Type**  
**(FY 2010 – FY 2012)**

Event Type	2010	2011	2012
Equestrian	107	118	112
Graduation	34	37	43
Banquet	22	19	26
Meeting	18	15	25
Other Sports	23	35	21
Trade	30	33	37
SMERF	8	22	17
Concert/Promoted Show	10	7	5
Other	5	5	6
Fundraiser	4	10	4
Rodeo	2	2	2
Fair	9	8	14
<b>Total</b>	<b>272</b>	<b>311</b>	<b>312</b>

As shown, the total number of utilization days increased by approximately 15 percent during the time period reviewed. This increase is largely attributable to SMERF events utilizing more than twice as many days at the SPA/PGEC, and an overall increase in utilization days for meetings (39 percent increase), graduations (26 percent) and trade events (23 percent).

In order to identify the types of activities that are generating the most significant facility use, Exhibit 6 presents a summary of occupancy by event type for events utilizing the Show Place Arena or the outdoor equestrian rings between fiscal years 2010 and 2012. It is important to emphasize that the following chart DOES NOT include events that are simply utilizing space within the banquet room, suites or other support space within the SPA/PGEC.

**Exhibit 6**  
**SPA/PGEC Occupancy**  
**Events Utilizing Arena and/or Equestrian Space**  
**(FY 2010 – FY 2012)**

Event Type	2010	2011	2012
Equestrian	29.3%	32.3%	30.6%
Graduation	3.3%	3.6%	4.4%
Banquet	0.3%	0.0%	0.0%
Meeting	0.0%	0.0%	0.0%
Other Sports	6.3%	9.3%	5.7%
Trade	7.4%	6.8%	4.9%
SMERF	1.6%	5.2%	3.8%
Concert/Promoted Show	2.7%	1.9%	1.4%
Other	1.4%	1.4%	1.4%
Fundraiser	1.1%	2.5%	1.1%
Rodeo	0.5%	0.5%	0.5%
Fair	2.5%	2.2%	3.8%
<b>Total</b>	<b>56.4%</b>	<b>65.8%</b>	<b>57.7%</b>

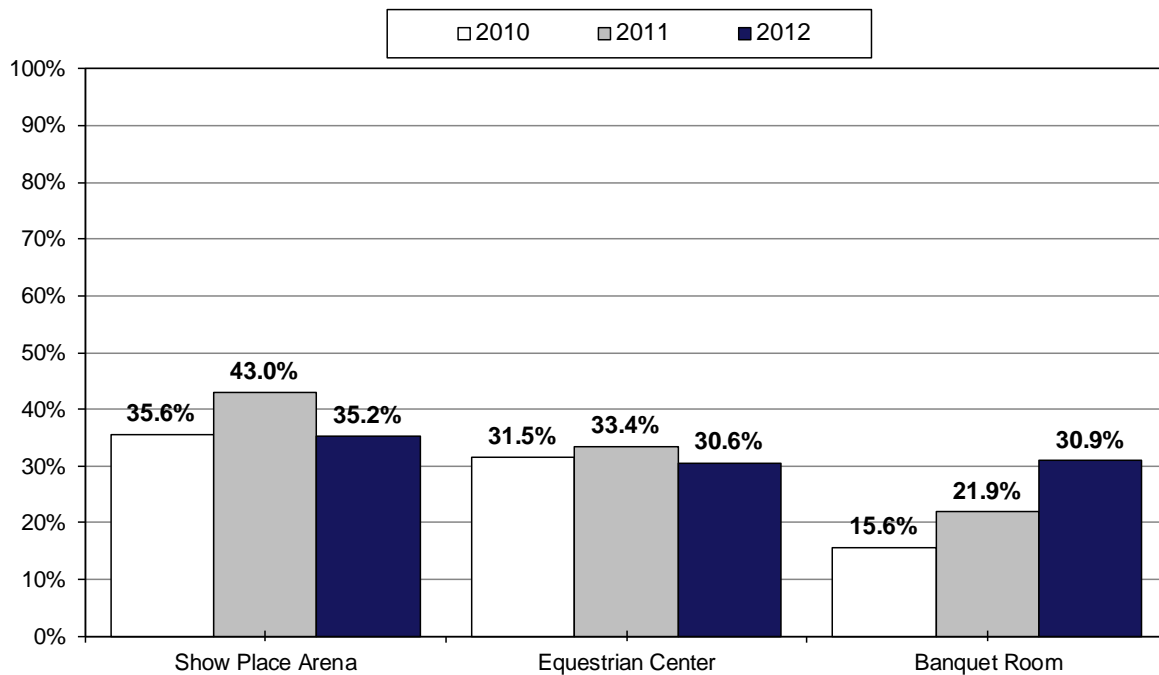
Occupancy levels (measured by dividing the total amount of sold event space by the total amount of sellable space within the facility multiplied by the number of days in the year) can indicate the degree to which facility usage has reached a maximum capacity. The occupancy of a facility is determined to be within a target occupancy range when the actual occupied space reaches a level of between 50 and 70 percent of total sellable capacity. Above 70 percent occupancy, a facility has exceeded practical maximum capacity and may be turning away significant business. These assumptions account for the reality that a portion of the facility's total capacity is un-sellable due to holidays, maintenance days and inherent booking inefficiencies that result when events cannot be scheduled immediately back-to-back.

As presented, events utilizing arena and/or equestrian space occupied this space between 56 and 66 percent of the year in fiscal years 2010 and 2012; well within the targeted occupancy range. However, it is important to note an overall decrease in arena/equestrian space occupancy from 2011 to 2012. This suggests that the increase in utilization days highlighted above is largely due to an increase in events utilizing banquet, suite or other SPA/PGEC support space. This is further examined in the exhibit on the following page.



In an effort to analyze use levels of specific venues within the SPA/PGEC complex, we have summarized the annual occupancy levels within the Show Place Arena, outdoor equestrian center and banquet rooms from fiscal year 2010 through fiscal year 2012, as presented in Exhibit 7.

**Exhibit 7**  
**Occupancy by Event Space**  
**(FY 2010 – FY 2012)**



Note: fiscal year ending June 30 of year listed.  
Source: CSL International, facility management, 2012

As shown, the SPA is occupied the most, recording occupancy levels between 35.2 and 43.0 percent annually from fiscal year 2010 through fiscal year 2012. The equestrian center's use level has remained relatively constant over the time period reviewed, ranging from 30.6 percent to 33.4 percent occupied, while banquet room occupancy has increased steadily from 15.6 percent in 2010 to 30.9 percent in 2012. This supports the previous supposition that recent increases in event activity are largely due to events that generate less incremental revenue and/or fewer overall attendees.

The following exhibits will show the effect these booking patterns have on SPA/PGEC revenue.

Exhibit 8, presented below, outlines the total rental revenue generated by all events utilizing SPA/PGEC event space between fiscal year 2010 and 2012.

**Exhibit 8**  
**Total Rental Revenue by Event Type**  
**(FY 2010 – FY 2012)**

Event Type	2010	2011	2012
Equestrian	\$319,288	\$357,692	\$155,878
Graduation	106,866	122,967	138,841
Banquet	20,888	8,647	15,783
Meeting	2,375	1,677	1,200
Other Sports	113,089	125,459	159,241
Trade	122,834	121,292	111,678
SMERF	43,880	108,127	100,492
Concert/Promoted Show	141,742	67,066	68,590
Other	37,422	33,464	32,255
Fundraiser	19,124	20,145	12,742
Rodeo	26,135	15,865	18,534
Fair	32,409	37,820	34,534
<b>Total</b>	<b>\$986,052</b>	<b>\$1,020,221</b>	<b>\$849,768</b>

As shown, rental revenues increased from just over \$986,000 in 2010 to over \$1.02 million in 2011 before decreasing to just under \$850,000 in 2012. The primary contributor to this was a decrease from \$320,000 to \$156,000 in rental revenue generated through hosting equestrian events from 2010 to 2012. Concert/promoted show revenue also decreased significantly from nearly \$142,000 in 2010 to \$69,000 in 2012. Other significant sources of rental revenue, such as graduations, other sports, trade shows, and SMERF events remained relatively steady during this time period.

Exhibit 9 presents the gross food and beverage revenue generated by SPA/PGEC events between fiscal year 2010 and 2012.

**Exhibit 9**  
**Gross Food and Beverage Revenue by Event Type**  
**(FY 2010 – FY 2012)**

Event Type	2010	2011	2012
Equestrian	\$39,485	\$29,442	\$15,994
Graduation	26,301	16,629	17,297
Banquet	32,376	19,902	23,742
Meeting	1,839	713	400
Other Sports	73,546	91,084	83,805
Trade	40,499	23,955	25,887
SMERF	3,671	5,461	2,378
Concert/Promoted Show	65,316	46,140	48,838
Other	81,855	3,385	10,655
Fundraiser	9,962	12,307	6,621
Rodeo	786	7,243	10,887
Fair	743	3,025	2,464
<b>Total</b>	<b>\$376,379</b>	<b>\$259,285</b>	<b>\$248,968</b>

As shown, food and beverage revenue has also decreased from 2010 to 2012 by nearly 34 percent. In 2010, the Maryland Office of Tourism hosted an event in the Show Place Arena that generated nearly \$80,000 in food and beverage revenue, which accounts for the majority of this decline; however, even removing that one-time revenue bump results in a \$47,800 (16 percent) decline in food and beverage revenue generation. Decreased food and beverage sales for equestrian events, concerts/promoted shows, trade shows and banquets are primary contributors to this decline.

Overall, these data suggest that while the number of events and utilization days at the SPA/PGEC have increased in recent years, this has been realized through events that generally do not generate significant amounts of incremental revenue or economic impact on the region. This will be further analyzed on the following pages.

Exhibit 10 presents the per event average total revenue generated by SPA/PGEC events between fiscal year 2010 and 2012.

**Exhibit 10**  
**Average Gross Event Related Revenue per Event**  
**(FY 2010 – FY 2012)**

Event Type	2010	2011	2012
Equestrian	\$10,552	\$12,488	\$5,544
Graduation	4,035	3,773	3,718
Banquet	2,421	1,503	1,581
Meeting	234	159	67
Other Sports	14,357	13,534	24,305
Trade	16,333	12,104	11,464
SMERF	7,925	9,466	11,430
Concert/Promoted Show	23,006	22,641	23,486
Other	29,819	12,283	10,728
Fundraiser	14,543	10,817	19,363
Rodeo	26,921	11,554	29,421
Fair	33,152	40,845	36,998
<b>Total</b>	<b>\$8,905</b>	<b>\$8,202</b>	<b>\$6,659</b>

As presented, the average total gross revenue generated per event has declined from \$8,900 in 2010 to approximately \$6,660 in 2012. The Prince George's County Fair is the largest revenue generating event, producing between \$33,200 and \$40,800 per event. Other event types that typically generate a significant amount of gross revenue include concert/promoted shows (\$22,600 to \$23,500 per event) and rodeos (\$26,900 per event in 2010 and \$29,400 per event in 2012). Events such as equestrian events, fundraisers, trade shows, SMERF events and other sports events all generate between \$10,000 and \$15,000 per event, on average. Events such as graduations, banquets and meetings, while supporting a significant portion of utilization days do not generate much income on a per event basis.



We have also reviewed the total estimated attendance by event type for the same three fiscal years among all events utilizing space at the SPA/PGEC, as presented in Exhibit 11. Figures presented represent total event attendance.

**Exhibit 11**  
**Total Attendance by Event Type**  
**(FY 2010 – FY 2012)**

Event Type	2010	2011	2012
Equestrian	66,614	65,818	57,579
Graduation	75,667	86,806	92,804
Banquet	4,058	2,860	1,791
Meeting	739	717	1,495
Other Sports	28,297	34,987	21,778
Trade	21,771	24,497	20,101
SMERF	9,988	18,663	13,506
Concert/Promoted Show	20,922	16,109	15,323
Other	7,393	5,830	4,100
Fundraiser	913	880	241
Rodeo	2,193	3,257	5,255
Fair	6,920	10,269	5,000
<b>Total</b>	<b>245,475</b>	<b>270,693</b>	<b>238,973</b>

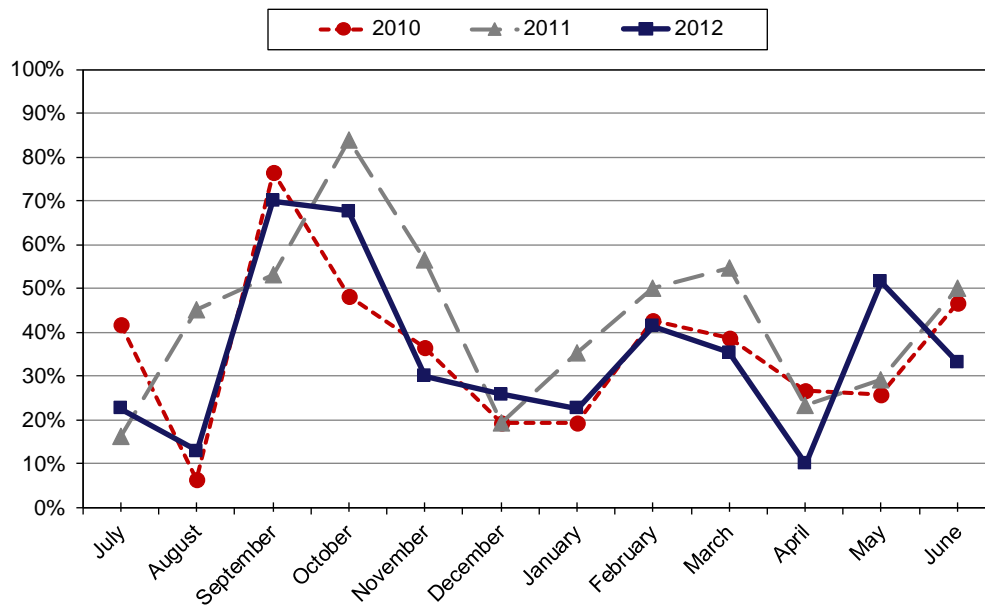
Attendance levels have remained relatively steady as approximately 245,500 people attended an event at the SPA/PGEC in 2010, 270,100 attended in 2011 and 239,000 attended in 2012. Attendance at graduations attracted the largest portion of event attendance, comprising approximately 31 to 39 percent of all event attendees between fiscal years 2010 and 2012. Equestrian shows comprised the next largest portion of event attendance, attracting between 57,600 and 86,800 annual attendees during the time period reviewed.

On a per event basis, aside from the County Fair and rodeo events, concerts/promoted shows attract the most people per event, with approximately 2,760 people per show. Graduations and Other Sports events follow closely with approximately 2,280 and 2,180 attendees per event, respectively. Meetings, banquets and fundraisers attract the fewest people per event with 50, 130 and 340 people per event, respectively. In terms of events that have the potential to generate more economic impact through attracting more non-local event attendees, equestrian events and trade shows attract approximately 1,980 and 1,950 people per event, respectively.

Overall, while the total number of events and utilization days increased in recent years, this has largely been a result of more events that do not generate significantly more rental or food and beverage revenue. Further, these incremental events do not attract significant numbers of non-local attendees, and therefore are likely not generating significantly increased levels of economic impact on the region. The following exhibits will attempt to determine whether there are any seasonality issues that may be affecting the SPA/PGEC's ability to attract incremental revenue/economic impact generating events.

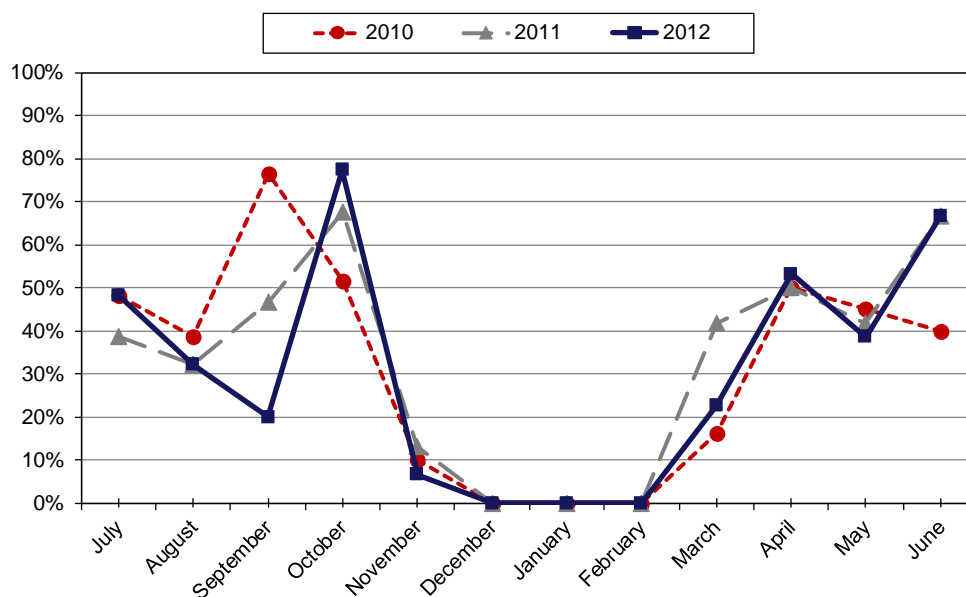
The seasonality of demand can assist in understanding demand potential for multiple overlapping events. For example, heavy demand for a particular event type during historically busy periods at a complex can indicate a “clustering” of demand, and highlight the need for a facility to be able to accommodate multiple overlapping events. Exhibits 12, 13 and 14 display occupancy on a monthly basis for the past three years for the Show Place Arena, outdoor Equestrian Center and Banquet Rooms, respectively.

**Exhibit 12**  
**Occupancy by Month Events Utilizing Show Place Arena Space**  
**(FY 2010 – FY 2012)**



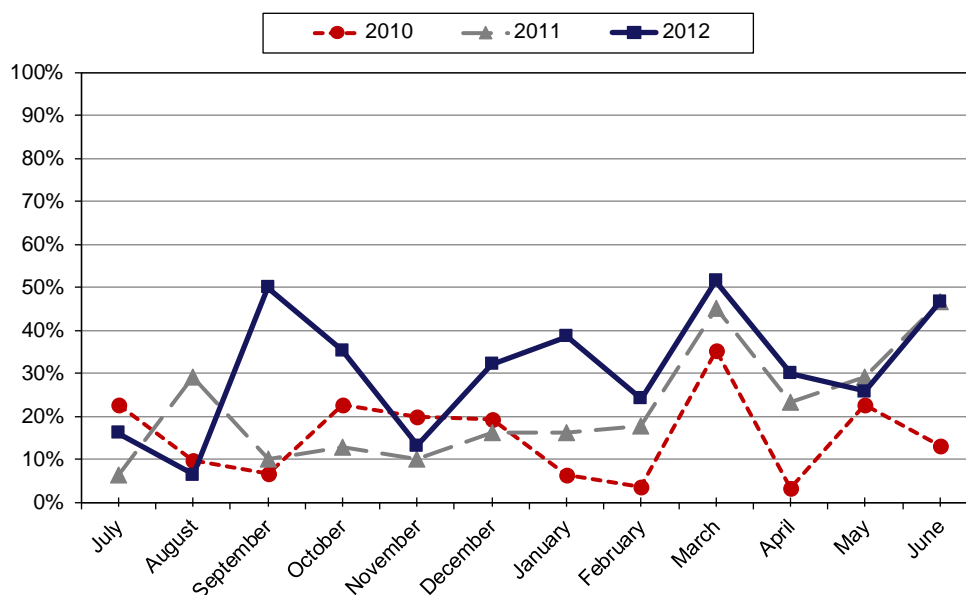
Note: fiscal year ending June 30 of year listed.  
Source: CSL International, facility management, 2012

**Exhibit 13**  
**SPA/PGEC Occupancy by Month Events Utilizing Equestrian Space**  
**(FY 2010 – FY 2012)**



Note: fiscal year ending June 30 of year listed.  
Source: CSL International, facility management, 2012

**Exhibit 14**  
**SPA/PGEC Occupancy by Month Events Utilizing Banquet Space**  
**(FY 2010 – FY 2012)**



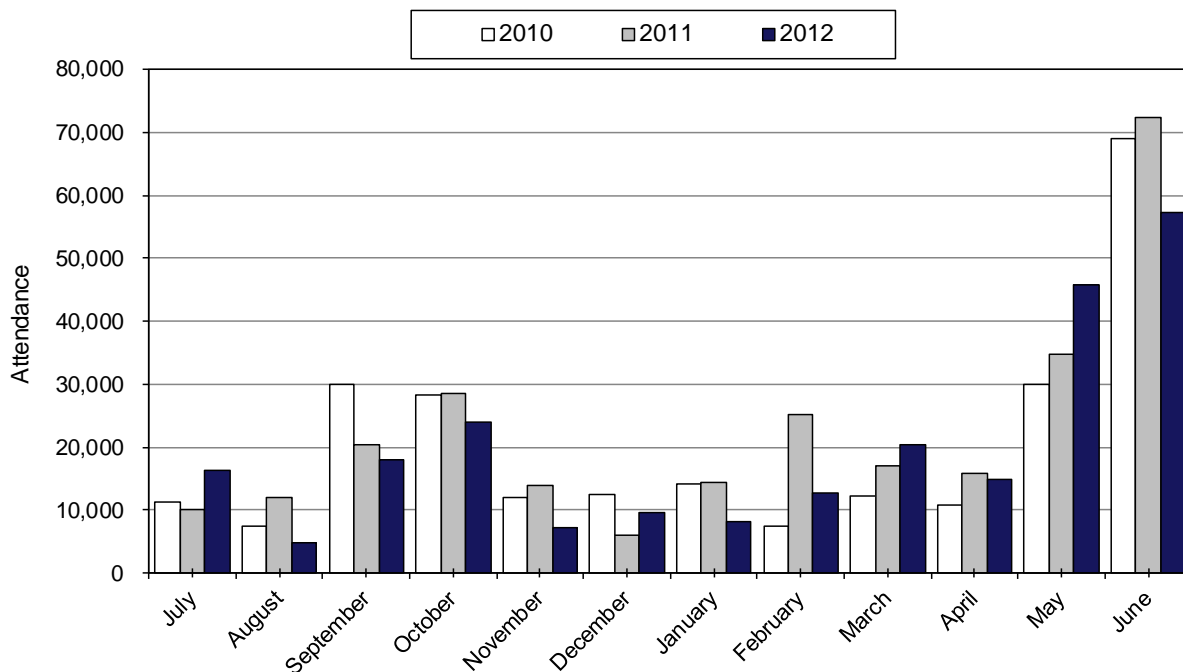
Note: fiscal year ending June 30 of year listed.  
Source: CSL International, facility management, 2012

As presented, the SPA, outdoor Equestrian Center and banquet rooms experience seasonal demand space that follows a similar pattern year after year. The SPA and outdoor Equestrian Center operate in or above the target occupancy range for September and October, and the Equestrian Center also operates in this range in April and June. Banquet space occupancy remains relatively consistent throughout the year with few peaks or valleys, while the SPA and outdoor Equestrian Center experience slower periods from November through February. The SPA also experiences a relatively slow period during the mid-summer months of July and August, which is to be expected of an indoor complex.

A typical seasonality pattern for conventions/tradeshows sees peaks in the spring and fall months, similar to the pattern exhibited by the SPA occupancy in Exhibit 12. It will be important to further analyze demand for SPA/PGEC event space to determine whether the potential exists for capturing incremental events, and whether added event space is necessary to accommodate these events.

The following two exhibits analyze seasonality trends associated with attendance levels and total gross revenue generated by the SPA/PGEC.

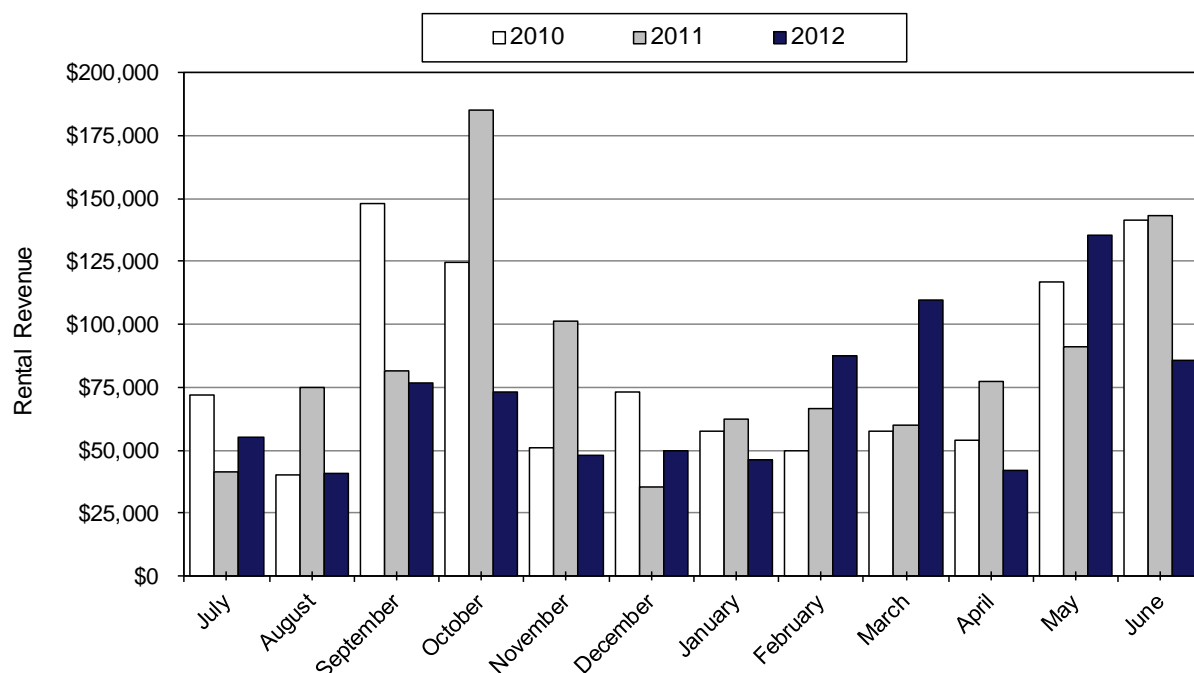
**Exhibit 15**  
**Attendance by Month**  
**(FY 2010 – FY 2012)**



Note: fiscal year ending June 30 of year listed.  
Source: CSL International, facility management, 2012



**Exhibit 16**  
**Gross Event Related Revenue by Month**  
**(FY 2010 – FY 2012)**



Note: fiscal year ending June 30 of year listed.  
Source: CSL International, facility management, 2012

As shown, attendance levels tend to spike in May and June largely due to the high number of graduation events that occur during these months. Gross rental revenues follow a pattern similar to overall occupancy, with peaks in September, October, May and June, and valleys in July, August, February, March and April.

#### Policies, Procedures and Service Provision

The specific policies and procedures in place at event facilities can have a substantial impact on the attraction and retention of events and financial operating results of the facility. Primary services offered at comparable facilities were evaluated to compare the SPA/PGEC's approach relative to other comparable facilities. Such services include food and beverage, telecommunications, audiovisual, electric and more. Within this section, these issues relating to the SPA/PGEC are evaluated, industry data regarding facility operations are reviewed and benchmarking information has been assembled from comparable facilities. This information allows for specific recommendations as to the core policies and procedures that could benefit overall SPA/PGEC operations and financial performance.

### *Discounting and Rate Review*

While published rental rates establish a point from which to begin price negotiations, the final proposed event space rental price can vary based on the overall perceived effect a given event is expected to have on the host facility and/or market. As such, it is helpful to review discounting practices, processes and/or policies within the facilities competitive and/or comparable to the SPA/PGEC. The exhibit below summarizes the discounting practices from the set of facilities reviewed.

#### **Exhibit 17 Discounting Policies – Comparable Facilities**

<b>Facility</b>	<b>Discounting Policies</b>
Linn County Fair & Expo Center	No specific parameters; informal return-on-investment performed by facility or sales director; try to help with non-profits.
Horse Park of New Jersey	Do not discount rental rates
Claremore Expo	Promoters with multiple annual events receive discounts in varying amounts. No set procedure; discounts available based on total return to facility. Events can petition City Council for free rent based on potential economic impact.
Georgia International Horsepark	Yes-some larger shows can get discounts but the Executive Director has the final say. Non-profit rates are given a 50% discount (within reason), but they still need to be profitable for the venue.
Champlain Valley Exposition	Can partner with local radio stations and/or other sponsors to underwrite event expenses; rental rate decreases 50 percent for 2nd day and beyond at majority of available meeting and multi-purpose space facilities.
Western North Carolina Agricultural Center	Management does not have the ability to discount rental rates, but there is some latitude with discounting equipment and/or service rates.
Frying Pan Park	There is some limited ability to discount, but the Board of Supervisors must approve. Educational youth groups receive a discount of 1/2 price.
Morven Park International Equestrian Center	Yes, but only available to Pony Club who supplies a significant portion of their annual volunteer base
Virginia Horse Center	The Executive Director, Director of Finance and Director of Operations get together and decide whether to offer a discount. Facility still needs to cash flow with each event, not including any TOT collections.
Idaho Horse Park	Discounts can be given on certain items to gain in another area; Horse Park Manager does most negotiating; GM has final approval.
James B. Hunt Horse Park	No, they are a state agency. The only exception is a youth rate of half-price for 4-H and FFA and a special rate for Special Olympics.
Clark County Fair Exhibition Center	No discounting on event space; can adjust for equipment, services and/or other event spaces. CVB and/or hotels will organize discounts on sleeping rooms.
Kansas Expocentre	Can discount-The general manager has the ultimate authority to price according to needs in order to minimize subsidy.
<b>SPA/PGEC</b>	<b>Discounts can be given only at the approval of Parks and Rec Director - does not frequently occur.</b>

As presented, discounting practices and policies vary among the facilities reviewed. Many of the facilities either do not have the ability to offer discounts for a variety of reasons (i.e., as a municipally owned and operated venue their public policy is not to offer discounts, they are a private non-profit organization and must generate enough revenue to operate, etc.) or only offer discounts on a very limited basis (i.e., youth groups, educational groups, non-profit organizations, groups that provide in-kind services, etc.). Of those that have the capacity to offer discounts, the decision to do so is often based either on the opportunity to generate community-wide economic impacts (often times the funds generated through these impacts are

utilized to provide the discount) or the potential return to the facility either through non-rental/ancillary revenue or through long-term business prospects. The SPA/PGEC rarely discounts rental/service rates, and only does so upon receiving final approval of the Director of the Parks and Recreation Department.

Overall, facility representatives stressed the importance of flexible pricing, especially while trying to attract new events to a new/expanded facility in order to minimize the risk incurred by event organizers. It was further suggested that the facility general manager be ultimately responsible for the final (discounted) price offered on an event-by-event basis in order to increase efficiency and minimize the efforts required of events trying to come to the market for the first time.

Facilities often employ varying approaches to rental rate increases over time. Some facilities adhere to a formalized percentage-based increase in regular increments of years. Others have annual reviews of pricing rates and policies and make adjustments if they are deemed necessary. Exhibit 18 presents a summary of comparable facility rental or service rate adjustment schedules.

**Exhibit 18**  
**Rental or Service Rate Adjustment Schedule – Comparable Facilities**

Facility	Rental/Service Rate Adjustments
Linn County Fair & Expo Center	Dirt facilities - tries to keep up with competition, regularly adjusts. Concrete facilities - five percent annual increase annually except for current year due to economy.
Horse Park of New Jersey	Review rates annually. Do not plan on increasing rates.
Claremore Expo	Infrequent adjustments.
Georgia International Horsepark	Rates are reviewed annually. Rates were increased 2-3 years back and then increased again in 2012.
Champlain Valley Exposition	Adjust pricing every three to four years.
Western North Carolina Agricultural Center	Rates are reviewed annually. The last raise was 6 years ago, about \$100 increase. There is a \$1500/day minimum for arena including services.
Frying Pan Park	Annual review of rates. Rates were last changed to years ago and they are looking at the idea of an increase.
Morven Park International Equestrian Center	The rates have not been increased in 5 years..
Virginia Horse Center	Rates were last changed going into 2012 calendar year. It's believed they will retain current rates for a while.
Idaho Horse Park	Rates have remained the same for the past 8 years
James B. Hunt Horse Park	Rates are reviewed every 3 years. The last increase was 3 years ago
Deschutes County Fair and Expo Center	Increase five percent annually; increase built into long term contracts.
Clark County Fair Exhibition Center	Infrequent adjustments; considerable competition in area.
Kansas Expocentre	Rates are reviewed annually. The last raise was 2 years ago.
<b>SPA/PGEC</b>	<b>No regular review of rental rates</b>

Based on conversations with management of the comparable facilities, the process of adjusting rental or service rates is handled in a number of different ways by each facility. Most facilities, including the Horse Park of New Jersey, Deschutes County Fair and Expo Center, Frying Pan Park and Kansas Expocentre, review and/or adjust their prices on an annual basis and even include rate increases into long-term contracts. Management cited the need to keep up with the market on an on-going basis to ensure adequate cost recovery. Further, it was suggested that falling too far behind market rate prices and/or not occasionally adjusting rates made any necessary rate adjustments more difficult to bear by recurring events. Management indicated that communication is the key to rate adjustments, ensuring that event organizers have adequate opportunity to adjust their pricing structure accordingly.

The SPA/PGEC does not presently conduct regular reviews of rental or service rates and there has been no adjustment in rental rates for some time. As an industry best practice, SPA/PGEC management should regularly review rental and service rates at least once every three years, if not annually.

### *Event Booking*

The following exhibit presents a summary of key event booking policies of the comparable facilities reviewed under this analysis.

**Exhibit 19**  
**Booking Policies – Comparable Facilities**

Facility	Booking Priority	Notes
Linn County Fair & Expo Center	Recurring Annual Events and Highest and Best Use Policy	Recurring events get right of first refusal for same dates. Will move events if not worth as much financially to facility. Possibility of being moved written in to all contracts.
Horse Park of New Jersey	Org's w/ date requirements set by national sanctioning body	Recurring events get 30 days from completion of their event to commit to the next year; will work to rearrange dates only if show must be flexible due to restrictions set by national sanctioning body
Claremore Expo	None	
Georgia International Horsepark	Recurring Annual Events	Feel it is most important to maintain relationships. Also give some priority to revenue generating events.
Champlain Valley Exposition	Recurring Annual Events	Limited availability April through November to book new events.
Western North Carolina Agricultural Center	Recurring Annual Events	Will try to find openings and will give priority to another if there is a higher revenue generating event available.
Frying Pan Park	Recurring Annual Events	They will try to move if another event needs to come in that could generate significant economic impact or increase in profit margin to the facility.
Morven Park International Equestrian Center	Recurring Annual Events	Weights the new event's benefits with cost of moving an existing event.
Virginia Horse Center	Recurring Annual Events	3 governing bodies of shows do calendar, have to work with them first
Idaho Horse Park	Recurring Annual Events	Smaller events will generally work with complex to move dates for larger regional and/or national shows.
James B. Hunt Horse Park	Recurring Annual Events and North Carolina Residents	Very limited availability to add new events; only have 3-4 weekends not regularly programmed.
Deschutes County Fair and Expo Center	Recurring Annual Events	Try to avoid booking similar events within 90 days.
Clark County Fair Exhibition Center	Large, recurring public events	Specifically outlined booking policies, procedures and conditions.
Kansas Expocentre	Recurring Annual Events	Priority given to events generating significant economic impact and events with restrictions set by national sanctioning body.
<b>SPA/PGEC</b>	<b>Recurring Annual Events</b>	<b>Recurring events get right of first refusal for same dates.</b>

As illustrated in the previous exhibit, all but one (Claremore Expo) of the facilities analyzed grant booking priority, the vast majority of which give preference to recurring annual events. Typically these events have the right of first refusal for the same dates in the following year, with ultimate priority given to those events whose dates are dictated to them by a nationally governed sanctioning body with a set annual schedule of events. Similar to the industry standard, the SPA/PGEC offers booking priority to recurring annual events. While most give priority to recurring events, most complexes are willing and able to work with smaller recurring events if the potential exists to attract an event that would generate a significant economic impact or greater profit margins to the complex. Given the appropriate situations, SPA/PGEC management should consider instituting similar practices.

### *Deposit Policies*

Facilities tend to vary significantly with respect to event deposit policies. Exhibit 20 illustrates the current deposit policies employed at the comparable facilities reviewed.

**Exhibit 20**  
**Deposit Policies – Comparable Facilities**

Facility	Deposit Policy
Linn County Fair & Expo Center	1/3 deposit due 60 days out for recurring events; balance due 10 days out. New events 1/3 deposit due upon contract signing; balance due 10 days out.
Horse Park of New Jersey	Payment in full for rent due within 30 days of completion of previous years' event or contract signing.
Claremore Expo	Deposit 60 days prior to event; \$250 per event day deposit; balance due 30 days after conclusion of event
Georgia International Horsepark	\$150-500 (refundable security deposit) or 25% off rent. Depends on type of event & its' risk. Can be a lower %. Rate is established by management depending on size and scope of the event.
Champlain Valley Exposition	1/3 deposit upon contract signing; 1/3 six months prior to event; 1/3 one month prior to event
Western North Carolina Agricultural Center	Require a deposit of 1 day's rent for whatever space is being used.
Frying Pan Park	Most events are paid in full 9-10 months in advance. \$300 deposit on contract signing. 2 weeks after contract-full amount (new event)
Morven Park International Equestrian Center	Require a security deposit to be placed, the amount will vary based on type of event.
Virginia Horse Center	\$500 deposit and certificate of insurance must be presented before start of event; if event cancelled outside of 6 months, deposit returned, if within 3-6 months, partial refund, inside 3 months deposit lost.
Idaho Horse Park	Deposits generally required at contract signing; full payment required prior to event start; incidentals charged following completion of the event.
James B. Hunt Horse Park	New event: 10% est. before event (1/2 of arena cost). Repeat deposit-made at end of each show for the next year.
Deschutes County Fair and Expo Center	25 percent upon contract signing; balance due 30 days prior to event.
Clark County Fair Exhibition Center	25 percent upon contract signing; balance due 30 days prior to event; \$250-\$500 damage deposit required of 80 to 90 percent of all facility events.
Kansas Expocentre	Deposit is the base rent and the balance is due 60 days out.
<b>SPA/PGEC</b>	<b>No set deposit policy.</b>

As shown in the exhibit, there are a wide variety of techniques employed concerning the timing and amount of deposits. Based on conversations with management of comparable facilities, the structure of many presently-employed deposit policies have proven problematic, on occasion, due to short-term cancellations and the late receipt of final payments. The most effective deposit policies are structured in such a way as to provide a material disincentive for cancellations and to expedite the timing of payments. While most facilities treat all events with a similar policy, there are fundamental differences in the cash flow process (at the event/show producers level) between many horse shows and other events, such as public/consumer shows or entertainment events.

Further, management noted the ability to ask for varying levels of deposit based solely on their estimation of the level of risk associated with a given planner, organization or type of event. Some facilities reserve the right to require an additional refundable security/damage deposit and/or a certificate of insurance prior to the start of the event. Of course, these requirements are often waived for annual recurring events with which complex management has an existing relationship. Currently, the SPA/PGEC does not have any established set of deposit policies, and should consider constructing a policy geared toward mitigating risk involved with booking events.

### *Food and Beverage*

Food and beverage (concessions and catering) are often major revenue-generating services at event facilities. Facilities may choose to provide these services within their own scope of operations, have exclusive vendors specifically licensed in accordance to certain criteria to operate within the facility, have a list of preferred vendors that potential clients may choose from, or have an open-vendor policy. Exclusive and preferred vendors often pay a fee or obtain special licensure in order to operate within the facility or be placed on a list for potential clients to choose from. Exhibit 21 illustrates the policies used among the comparable facilities analyzed for purposes of this study.

**Exhibit 21**  
**Food and Beverage – Comparable Facilities**

Facility	In-house	Exclusive	Preferred	Open	Notes
Linn County Fair & Expo Center		√	√		Single concessionaire and alcohol provider. RFP issued every three years for concessionaire. Four approved caterers, but would prefer exclusive agreement. 20 to 35 percent of alcohol concession revenues and 15 percent of other concession revenue to facility. 15 percent of alcohol catering revenue and 10 percent of other catering revenue to facility.
Horse Park of New Jersey				√	Vendors pay \$50 per event day to facility.
Claremore Expo	√			√	Retain 100 percent of F&B revenues; if event uses outside vendor, facility retains \$1.00 per plate
Georgia International Horsepark		√			
Champlain Valley Exposition				√	Facility retains 25 to 35 percent in concession revenue, 25 to 30 percent in catering revenue and 30 to 35 percent in alcohol revenue
Western North Carolina Agricultural Center		√		√	Exclusive in largest event facilities; if smaller rooms/venues need catering it is open. Facility retains 12.5 percent from exclusive vendor. This is admittedly low because they use with a local caterer that is well respected and works with them to ensure they can continue to survive.
Frying Pan Park		√			Facility retains 10 to 15 percent of food sales; no alcohol sales allowed on grounds.
Morven Park International Equestrian Center		√			Very limited ability to provide catering/concessions; food service provided within the café - no percentage retained by facility.
Virginia Horse Center	√				
Idaho Horse Park	√				
James B. Hunt Horse Park			√	√	Flat fee of \$6,000 annually charged to preferred vendors; if outside vendors used, \$1.75 per plate retained by facility.
Deschutes County Fair and Expo Center		√			Single provider for concessions, catering and alcohol; facility retains 24 percent of catering revenues, 33 percent of concession revenues and 33 to 44 percent of alcohol revenues depending on total revenue per event.
Clark County Fair Exhibition Center		√		√	Exclusive concessionaire; 20 to 25 percent in food retained by facility, 30 percent in alcohol sales retained by facility. Open vendor for catering; 10 percent of gross to facility. Will often waive catering revenue to facility for non-profit and other events.
Kansas Expocentre			√		Do not use catering company tied to private management firm; this is an area they have noted they need to make future improvements.
<b>SPA/PGEC</b>	√				<b>Facility generates approximately 10 percent profit margin.</b>

As shown in the exhibit, there is a variety of ways in which food and beverage service is provided among the comparable facilities. The SPA/PGEC currently provides in-house food and beverage service, generating an approximate 10 percent profit margin. On average, facilities that capture revenue from outside vendors



collect 25 percent of gross sales revenue from concession sales, 20 percent in gross sales revenue from caterers and 35 percent in gross sales revenue from alcohol sales.

Most facilities employing a preferred vendor policy require proof of business license and certification of good standing, along with annual or bi-annual application processes to be maintained on their list of preferred vendors (that events can choose from). Some facilities also charge an annual fee (i.e., \$250 to \$500) of vendor to be on the preferred caterers list (which should also reduce the size of the list – something considered to be positive). Oftentimes, facilities also capture a gross revenue split from gross food and beverage sales by preferred vendors.

### *Telecommunications*

Another potential source of facility revenue analyzed is the provision of internet and phone connections to facility users. Exhibit 22 presents a summary of telecommunications services provided at the comparable facilities.

**Exhibit 22**  
**Telecommunications – Comparable Facilities**

Facility	In-house	Exclusive	Preferred	Open	Notes
Linn County Fair & Expo Center	√				Free Wi-Fi; Phones available in-house. \$50 per dial-in line, \$125 per dial-out line.
Horse Park of New Jersey	√				Free Wi-Fi. Not able to upgrade to greater bandwidth.
Claremore Expo	√				Free Wi-Fi
Georgia International Horsepark	√				Free Wi-Fi. Not able to upgrade to greater bandwidth. Facility is hard wired and provides connectivity for a charge.
Champlain Valley Exposition	√			√	\$5.00 per internet connection; \$70 per phone connection or \$150.00 for 3-day show for telephone
Western North Carolina Agricultural Center	√				Free Wi-Fi. Not able to upgrade to greater bandwidth.
Frying Pan Park				√	No revenue retained by facility.
Morven Park International Equestrian Center	√				Free Wi-Fi. Not able to upgrade to greater bandwidth.
Virginia Horse Center	√				Free access to Wi-Fi and CAT6 cable wired throughout.
Idaho Horse Park				√	
James B. Hunt Horse Park		√			Free Wi-Fi. Not able to upgrade to greater bandwidth.
Deschutes County Fair and Expo Center	√				Local groups not charged to use WiFi; \$8 per day or \$25 per week for WiFi access; \$140 per phone line for entire event.
Clark County Fair Exhibition Center	√				Free Wi-Fi; 1st phone line \$140 (advance) \$175 (floor order); additional lines receive a \$40 discount.
Kansas Expocentre	√				Free Wi-Fi. Not able to upgrade to greater bandwidth.
<b>SPA/PGEC</b>	√				<b>Free Wi-Fi available in Arena, plan to wire entire complex.</b>

As presented, eleven of the comparable facilities reviewed provide at least a portion of telecommunications services in-house. Ten of the facilities provide free Wi-Fi access to event space users both as a perk for facility users and because it was often cited that the potential revenue generated was minimal and not worth the added expense and effort, and the overall impression by facilities and users alike that free Wi-Fi is quickly becoming ubiquitous. The SPA/PGEC practice of offering free Wi-Fi is consistent with industry standards.

## Audiovisual

Exhibit 23 presents a summary of audiovisual equipment and service provision at the comparable facilities.

**Exhibit 23**  
**Audiovisual – Comparable Facilities**

Facility	In-house	Exclusive	Preferred	Open	Notes
Linn County Fair & Expo Center	√				Projectors built into two conference rooms. Microphones and speakers also included in room rental.
Horse Park of New Jersey	√			√	Some on-site; any outside brought in with no cut to facility.
Claremore Expo	√				Facility retains 100 percent of revenues.
Georgia International Horsepark	√		√	√	Very limited equipment available in-house; preferred vendor receives right of first refusal, open vendor for additional equipment. Facility retains 20 percent of revenue
Champlain Valley Exposition				√	Too difficult to keep-up with technology
Western North Carolina Agricultural Center	√			√	House sound is included with base rental rate; some equipment available on-site; charge is included within the space rental rates. Any outside brought in with no cut to facility.
Frying Pan Park	√			√	House sound is included with base rental rate; some equipment available on-site; charge is included within the space rental rates. Any outside brought in with no cut to facility.
Morven Park International Equestrian Center				√	No revenue retained by facility.
Virginia Horse Center	√			√	House sound is included with base rental rate; some equipment available on-site; charge is included within the space rental rates. Any outside brought in with no cut to facility.
Idaho Horse Park				√	No revenue retained by facility.
James B. Hunt Horse Park				√	No revenue retained by facility.
Deschutes County Fair and Expo Center				√	No revenue retained by facility.
Clark County Fair Exhibition Center				√	No revenue retained by facility.
Kansas Expocentre				√	No revenue retained by facility.
<b>SPA/PGEC</b>	√			√	<b>House sound is included with base rental rate, but equipment needs to be updated; facility retains 10 percent of revenue if event needs to go outside for additional equipment.</b>

As shown, just two of the facilities reviewed retain any portion of audiovisual rental revenues. Of those facilities not retaining any revenue, the reason most often cited was their inability to keep up with changes in technology. As such, facilities typically retain a minimal inventory of AV equipment (including, but not limited to, house sound system, TV/VCR/DVD combo machines, projection screens, overhead projectors, wireless microphones and other such items). Some of these amenities are included with the rental rates, other additional items are rented out at a nominal fee. Beyond these items, events are typically allowed to arrange for their own AV equipment needs through any vendor they choose. An open vendor policy is preferable because the AV needs of individual events can vary so extensively that it may be difficult to find even a list of preferred vendors that can effectively accommodate all of the different types of events and their needs.

The existing policy of providing house sound and some basic equipment is in line with industry standards, while the ten percent premium retained by the SPA/PGEC on events requiring additional equipment exceeds what most complexes reviewed generate. Revenue generated through charging this premium should continue; however, regular reviews of this policy should occur to ensure the complex is maximizing its ability to attract incremental events.

## Electrical

Exhibit 24 presents a summary of electrical equipment and service provision at the comparable facilities.

### Exhibit 24 Electrical – Comparable Facilities

Facility	In-house	Exclusive	Preferred	Open	Notes
Linn County Fair & Expo Center	√			√	\$25 per outlet retained by facility if set-up can be handled in-house. No revenue retained for set-ups that cannot be handled in-house.
Horse Park of New Jersey	√				Facility is fully wired and events largely do not need additional hook-ups to what is currently available.
Claremore Expo	√				Facility retains 100 percent of revenues; \$30.00 per drop; \$18.00 for 20 amps, \$35.00 for 30 amps and \$50.00 for 50 amps
Georgia International Horsepark				√	If event requires additional wiring to what is available, they must go through an outside vendor; no revenue retained by facility.
Champlain Valley Exposition	√	√			\$45 per 110-120 amp hook-up for 3-day show; 220-amp charged on an individual basis; additional services provided by exclusive vendor.
Western North Carolina Agricultural Center	√				Facility is fully wired and events largely do not need additional hook-ups to what is currently available.
Frying Pan Park				√	If event requires additional wiring to what is available, they must go through an outside vendor; no revenue retained by facility.
Morven Park International Equestrian Center				√	If event requires additional wiring to what is available, they must go through an outside vendor; no revenue retained by facility.
Virginia Horse Center	√				Facility is fully wired and events largely do not need additional hook-ups to what is currently available.
Idaho Horse Park	√			√	Most work is handled in-house; additional work through open vendor policy with no cut to complex.
James B. Hunt Horse Park	√				Facility is fully wired and events largely do not need additional hook-ups to what is currently available.
Deschutes County Fair and Expo Center	√			√	Most electrical services available in-house; \$25.00 for 110-amp access and \$50.00 for 220-amp access; no cut to facility if event needs additional electrical assistance.
Clark County Fair Exhibition Center				√	Facility retains 20 percent of revenues
Kansas Expocentre	√				Facility is fully wired and events largely do not need additional hook-ups to what is currently available.
<b>SPA/PGEC</b>	√				<b>Facility has one "handyman" that provides basic services, but must contract with Master Electrician for additional work. Rate charged to event is actually less than cost to facility.</b>

As outlined above, all but four of the comparable facilities reviewed provide at least some level of electrical service in-house. Rates charged for electrical connectivity range widely among the facilities reviewed and appear to be based on individual market-specific demand characteristics. Currently, the SPA/PGEC employs one "handyman" that can accommodate most event needs; however, when special circumstances arise requiring the expertise of a Master Electrician, the complex hires the skilled labor and charges the event an amount *less* than the cost of labor (incurring an expense back to the complex to provide the service).

Facilities that hire a full-time electrician generally are very multi-purpose in nature and require regular work either for event set-ups or maintenance at the complex or shared labor with other venues under the governance of the managing organization. If an event requires additional skilled labor (of any nature) beyond that which can be provided by the complex, they are typically required to either obtain that labor themselves, or rely on the complex to provide that service at a premium.

## Security

Exhibit 25 provides an illustration of security provision and policies at comparable facilities.

**Exhibit 25**  
**Security – Comparable Facilities**

Facility	In-house	Exclusive	Preferred	Open	Center Revenue Share
Linn County Fair & Expo Center				√	Responsibility of event to hire security; no revenue retained by facility.
Horse Park of New Jersey				√	Responsibility of event to hire security; no revenue retained by facility.
Claremore Expo				√	Provided by County Sheriff; no revenue to facility (often provided for free at concerts)
Georgia International Horsepark				√	Responsibility of event to hire security, unless they need a police presence, which is provided by the City of Conyers PD; no 24/7 security provide by facility.
Champlain Valley Exposition				√	No revenue retained by facility.
Western North Carolina Agricultural Center	√		√		Facility provides most security, but no 24/7 available. If event needs off-duty police for armed security, they must go through preferred vendors; facility retains 10 percent of this revenue.
Frying Pan Park	√			√	Facility provides most security and cost is included in base rental rates, but no 24/7 security available. Any additional security needs, the event can go through any vendor, no revenue retained by facility.
Morven Park International Equestrian Center			√		If event requires 24/7 security, they are responsible for bringing them in at their own expense; basic security needs provided through preferred vendor list; no revenue retained by facility.
Virginia Horse Center	√				Facility provides 24/7 security; security cost is \$15 per man hour, with a minimum of one person for up to 250 horses; two people required for events with more than 250 horses.
Idaho Horse Park	√				
James B. Hunt Horse Park	√				Facility provides 24/7 security; because the State Fair is held there, they retain their own police force; will hire additional contracted security for larger events.
Deschutes County Fair and Expo Center				√	Responsibility of event to hire security; no revenue retained by facility.
Clark County Fair Exhibition Center				√	No revenue retained by facility.
Kansas Expocentre	√				Facility provides 24/7 security
SPA/PGEC	√			√	Facility provides most security and cost is included in base rental rates, but no 24/7 security available. Any additional security needs, the event can go through any vendor, no revenue retained by facility.

Security options available generally include on-staff “t-shirt” security, outside security company security or using off-duty local police for event security. Determinants of which method of security to use most commonly include the number of attendees, type of event and whether or not alcohol is being served at the event. In the event that a facility hosts a large event where alcohol is being served it is common to have t-shirt security and an off-duty, overtime local police officer(s) with arresting power in the locality. Only two of the comparable facilities reviewed retain any revenue from the provision of security at events. These facilities often require the event to supply security and allow the event to contract through any available company or entity or provide the event with security personnel that are paid an hourly wage commensurate with the rate charged to the event requiring their services.

Further, only three facilities (the Virginia Horse Center, James B. Hunt Horse Park and Kansas Expocentre) provide 24 hour security. Of the remaining facilities, if an event requires the presence of overnight security, they are typically responsible for retaining these services.

The SPA/PGEC’s practice of providing limited security options with the opportunity to bring in outside contractors for incremental needs appears to be in-line with the comparable venues reviewed. However, consideration should be given to conducting a return-on-investment analysis of potential improvements to grounds security.

## Facility Personnel

Exhibit 26 shown below presents a table outlining the staffing levels at the comparable facilities reviewed, alongside data pertaining to the existing SPA/PGEC staffing levels.

**Exhibit 26**  
**Staffing – Comparable Facilities**

	Linn County Fair and Expo Center	Claremore Expo	Georgia International Horsepark	Champlain Valley Exposition	Western North Carolina Agricultural Center	Morven Park International Equestrian Center	Idaho Horse Park	Deschutes County Fairgrounds	Clark County Fair Exhibition Center	Kansas Expocentre	SPA/PGEC	Total	Low	Median	Average	High
Executive Director/General Manager	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	10.0	1.0	1.0	1.0	1.0
Asst. GM/Business Manager	0.0	0.0	0.0	1.0	1.0	0.0	1.0	1.0	1.0	1.0	0.0	6.0	0.0	1.0	0.6	1.0
Administrative Assistant	1.0	1.0	1.0	4.0	2.0	0.0	1.0	1.0	2.0	3.0	1.0	16.0	0.0	1.0	1.6	4.0
Director of Finance	0.0	0.0	0.0	1.0	0.0	0.0	1.0	0.0	1.0	1.0	1.0	4.0	0.0	0.0	0.4	1.0
Accounting Staff	0.0	0.0	0.0	0.0	1.0	1.0	2.0	0.0	1.0	2.0	0.0	7.0	0.0	0.5	0.7	2.0
Director of Operations	1.0	1.0	1.0	1.0	0.0	1.0	1.0	1.0	0.0	1.0	0.0	8.0	0.0	1.0	0.8	1.0
Operations Manager	0.0	0.0	1.0	0.0	0.0	0.0	1.0	0.0	1.0	1.0	1.0	4.0	0.0	0.0	0.4	1.0
Operations Staff	4.0	0.0	8.0	0.0	3.0	0.0	3.0	6.0	0.0	2.0	2.0	26.0	0.0	2.5	2.6	8.0
Director of Communications/Development	0.0	0.0	0.0	1.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	2.0	0.0	0.0	0.2	1.0
Communications/Development Staff	0.0	0.0	0.0	0.0	0.0	2.0	0.0	0.0	0.0	0.0	0.0	2.0	0.0	0.0	0.2	2.0
Box Office Manager	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	1.0	1.0	2.0	0.0	0.0	0.2	1.0
Box Office Staff	0.0	0.0	0.0	0.0	0.0	0.0	2.0	0.0	0.0	1.0	0.0	3.0	0.0	0.0	0.3	2.0
Security Manager	0.0	0.0	0.0	0.0	0.0	0.0	2.0	0.0	0.0	0.0	0.0	2.0	0.0	0.0	0.2	2.0
Security Staff	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mgr. Visitor Ctr./Events Non-Equine	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Event Coordinator	0.0	0.0	3.0	0.0	0.0	1.0	1.0	0.0	1.0	2.0	1.0	8.0	0.0	0.5	0.8	3.0
Facility Maintenance Supervisor	0.0	0.0	2.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	1.0	3.0	0.0	0.0	0.3	2.0
Maintenance Staff	0.0	3.0	2.0	7.0	4.0	6.0	4.0	0.0	0.0	9.0	5.0	35.0	0.0	3.5	3.5	9.0
Corp. Sales/Sr. Mktg. Mgr.	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.1	1.0
Marketing Manager	1.0	0.0	1.0	1.0	0.0	0.0	1.0	1.0	1.0	1.0	1.0	7.0	0.0	1.0	0.7	1.0
Marketing Staff	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equestrian Manager	0.0	0.0	0.0	0.0	0.0	1.0	1.0	0.0	0.0	0.0	1.0	2.0	0.0	0.0	0.2	1.0
Equestrian Staff	0.0	0.0	0.0	0.0	0.0	0.0	6.0	0.0	0.0	0.0	2.0	6.0	0.0	0.0	0.6	6.0
Food Service Manager	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0
Specialty Staff	0.0	0.0	0.0	3.0	0.0	5.0	0.0	1.0	1.0	0.0	0.0	10.0	0.0	0.0	1.0	5.0
<b>Total Full-Time Employees</b>	<b>8.0</b>	<b>6.0</b>	<b>20.0</b>	<b>20.0</b>	<b>13.0</b>	<b>19.0</b>	<b>30.0</b>	<b>12.0</b>	<b>10.0</b>	<b>26.0</b>	<b>19.0</b>	<b>164.0</b>	<b>6.0</b>	<b>16.0</b>	<b>16.4</b>	<b>30.0</b>
Part-Time Employees	3.0	4.0	0.0	7.0	0.0	6.0	0.0	0.0	1.0	0.0	0.0	21	0.0	0.5	2.1	7.0
Full-Time Equivalent (FTE)	1.0	3.2	0.0	3.5	0.0	4.0	0.0	0.0	0.5	0.0	0.0	12.2	0.0	0.3	1.2	4.0
<b>Total FTE Employees</b>	<b>9.0</b>	<b>9.2</b>	<b>20.0</b>	<b>23.5</b>	<b>13.0</b>	<b>23.0</b>	<b>30.0</b>	<b>12.0</b>	<b>10.5</b>	<b>26.0</b>	<b>19.0</b>	<b>176.2</b>	<b>9.0</b>	<b>16.5</b>	<b>17.6</b>	<b>30.0</b>

Note: Low, median, average and high calculations do not include SPA/PGEC

It should be noted that there is no single industry model for event facility staffing, and the staffing and structure for many event facilities can evolve from original planning during the initial years of facility operations.

On average, the facilities reviewed employ 16.0 full-time employees plus additional part-time, volunteer and labor pool staff. A typical structure includes:

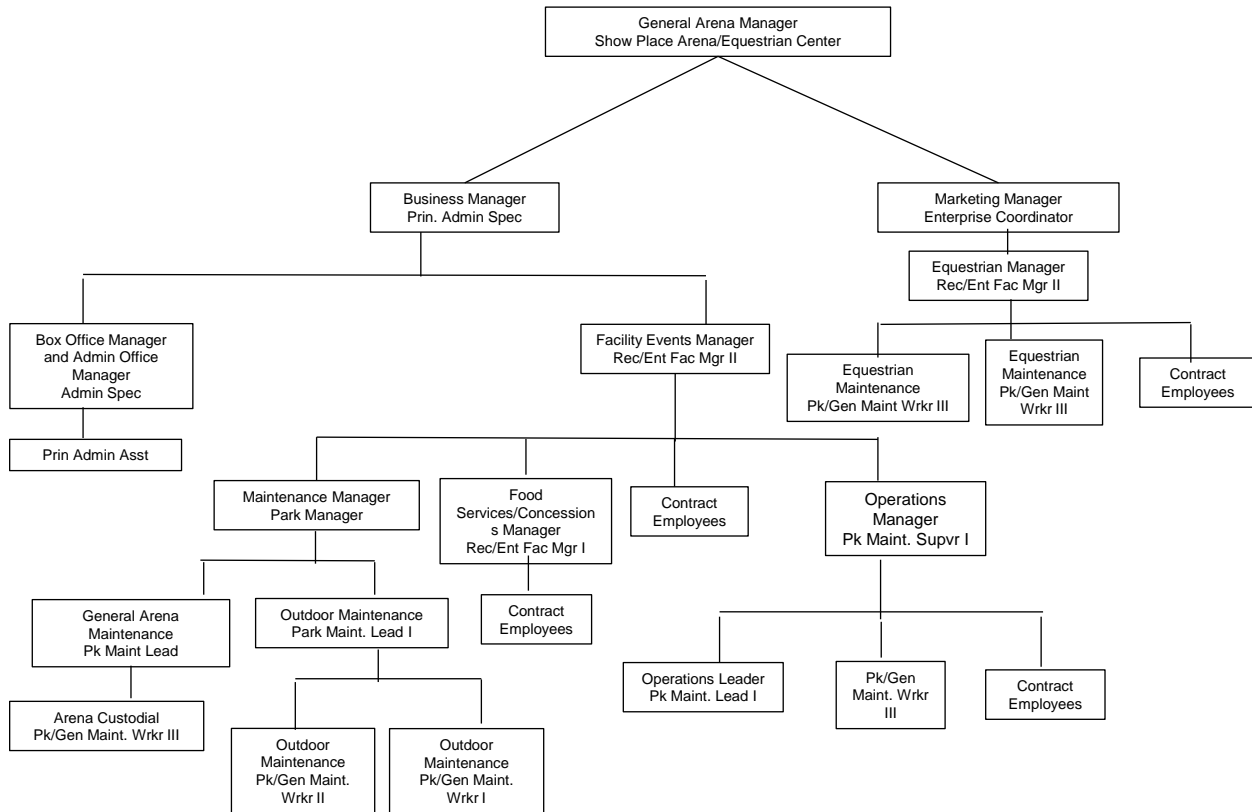
- An executive director/general manager
- An assistant general manager/business manager, reporting directly to the GM
- An administrative assistant
- A director of financial operations, reporting directly to the GM
- A director of operations, reporting directly to the GM
- One event coordinator, reporting to the Director of Operations
- One equestrian event coordinator, reporting to the Director of Operations
- Two operations staff to manage events and provide on-site event related services (i.e., electricians, equipment operators, etc.)
- One security manager, reporting to the Director of Operations
- One facility maintenance supervisor, reporting to the Director of Operations, with three maintenance staff to provide on-site facility maintenance support (i.e., housekeeping, scheduled maintenance, etc.)
- One marketing manager/staff member, reporting to the Assistant GM/Business Manager

The remaining staff member is employed in one of a number of different capacities including concessions staff, special projects, communications, box office management/staff and other such roles.

Generally, each facility requires at least one person with the ability to market and/or sell event space and one person with the skill set necessary to oversee the operations of a public assembly. Both of these positions require someone with leadership qualities able to lead a team of people. The responsibilities of either could be executed by the executive director/general manager, though it is likely not reasonable to expect the executive director/general manager to lead both sales/marketing efforts and manage the facility's physical operations. Specific staffing structures beyond these three positions vary among all complexes reviewed based on a variety of factors including the overall scope of the facility, the size and activity occurring at the facility, the facility's overall budget for salaries, wages and benefits, the managerial preferences of the facility's executive director/general manager and the unique skill set possessed by existing employees.

Based on data provided by management, the SPA/PGEC presently staffs 19 full-time employees and additional contract employees to accommodate for larger events. The Business Manager and Marketing Manager report directly to the General Manager. The Box Office Manager and Facility Events Manager report directly to the Business Manager, and the Equestrian Manager reports directly to the Marketing Manager. A detailed organizational chart for the SPA/PGEC is presented on the following page.

**Exhibit 27**  
**Show Place Arena and Prince George's Equestrian Center Current Organizational Structure**



The overall staffing levels and structure currently employed at the SPA/PGEC appear to be within industry standards. Any future adjustments to staffing levels or structure should ultimately be made by the executive director/general manager in the best interest of maximizing facility usage and minimizing the operational subsidy.

Among the complexes for which data was made available, the average total salaries, wages and benefits expense incurred per full-time employee approximates \$63,800. This is approximately \$13,700 less than the average expense incurred at the SPA/PGEC per full-time employee of \$77,500. However, when accounting for cost-of-living in the greater Washington, D.C. area, the average per employee expense incurred at the SPA/PGEC is approximately \$60,100, or approximately \$8,200 less than the average comparable complex analyzed. The SPA/PGEC having one of the lowest "salaries/wages/benefits to full-time staff" ratios suggests that (a) average compensation at the SPA/PGEC is lower than average (which could be affecting the ability to recruit and retain talent); (b) there are fewer than average managerial/executive level employees relative to "front line" staff; and/or (c) the lower number than average work force at the SPA/PGEC might influence a lower ratio figure.

The SPA/PGEC expends approximately 49 percent of its total operating budget on salaries, wages and benefits, which is lower than the average of 53 percent as measured among the comparable complexes reviewed. Importantly, the fiscal year 2012 SPA/PGEC salaries figure is down slightly from 2010 and 2011 due to the loss of some managerial/executive level staff. In 2010 and 2011, this percentage was approximately 52 and 53 percent, respectively, which is right at the average of the comparable complexes reviewed.



## 4. Assessment of SPA/PGEC Physical Plant, Operations and Service Provision

The purpose of section is to provide a summary assessment of the SPA/PGEC's physical plant, key operating procedures and practices, and provision of general services. At the outset of the study, project team leaders toured all areas of the SPA/PGEC and interviewed key management and operational staff.

### Overview

Our team reviewed the operations of SPA/PGEC with the focus on management of the complex in relation to industry "best practices" for operating a public assembly facility. Best practices identify operating procedures that are considered "standard" or an "acceptable" practice for public assembly operations. In each of the departments of the complex, we outline current operating methods and states whether these comport to industry best practices. These best practices vary depending on facility type but at their foundation are fundamental to many different types of public assembly facilities.

Public assembly facilities, such as the SPA/PGEC that has a heavy emphasis on equestrian usage, are operated differently depending on governance structure, budget and mission. Recommendations are provided for improved operations based industry best practices for public assembly facilities that serve multiple user groups.

### Organization - Current

The current leadership of SPA/PGEC is considered temporary until the M-NCPPC decides how the complex should be operated. Our impression of the acting leadership, which includes the general manager and assistant general manager, were favorable. These two individuals exhibited passion for their temporary jobs and view their mission to be the "bridge" until a permanent solution is found. In the meantime they articulated to the review team that they are attempting to gain more knowledge every day on how to better operate the complex and provide sound leadership for the remaining staff, which has been lacking in the past.

Until recently there has been a clear delineation in staff responsibilities with very little interest to participate in work activities that are not a part of their core responsibilities. This has resulted in "silos" where staff assigned to work inside the Show Place Arena wanted no part of working the grounds and staff assigned to work the grounds not wanting to work inside. Current leadership is in the process of attempting to dismantle the "silo" mentality and institute a more collegial, positive and communicative style to foster employee "buy in".

Although there has been turnover in the upper management of the complex there are several long serving employees who remain in key leadership positions at the complex. The equestrian manager, event coordinator (booking) and box office manager continue to perform their duties and do not appear to be disgruntled but are anxious about the potential change in management of the complex.

### Legal and Risk Management

Based on our interviews with SPA/PGEC staff and M-NCPPC leadership there are no written policies and procedures in place for ensuring that proper legal and risk management procedures are followed on a daily basis. There is no current vetting of legal documents that are generated by the SPA/PGEC to ensure that

changes to documents meet M-NCPPC legal standards. Best practices require that all SPA/PGEC contracts signed by promoters, users and contractors be approved by the M-NCPPC legal department. Further, best practices necessitate a review of certificates of insurance with the occasional call to the insurance provider to make sure the licensee does in fact have a binding policy in effect.

Having policies in place to manage risk is vitally important to protect the potential exposure of the M-NCPPC. These policies should include standard legal documents for contracting, specific levels of insurance coverage required of the licensee, periodic inspection by insurance company, proper written documentation of incidents on the complex, financial controls, periodic audits of food service and box office operations, purchasing and procurement guide lines, comprehensive emergency and life safety plan, vendor accountability policies, Americans With Disability Act (ADA) written policy and a comprehensive safety and security plan for the complex.

### Booking and Marketing

The booking and marketing of the complex and specifically the utilization of the Show Place Arena as a multi-purpose facility requires the expertise of a public assembly manager who possesses energy, passion and contacts in the entertainment industry.

Currently, there is no marketing plan for the complex based on our interviews of staff, users and the owner of the complex. A comprehensive marketing plan should be presented as a part of the overall budget approval process and should include the following elements:

1. Website that properly conveys the physical capabilities of the facilities on the complex such as room sizes, number of barns, number of concession stands, size of equestrian rings, etc. The website should include flash graphics, pull down menu of options and it must load quickly.
2. Industry trade magazine advertising plan that would include equestrian and the public assembly facility industry to include IAVM, Pollstar and Venues Today.
3. A plan to visit the major artist agencies in New York, Nashville and Los Angeles and develop relationships with agents for music genre's that have traditionally been strong in the market.
4. Rental structures should be constructed as "all in" deals that include all front of house expenses. Users like these structures versus the expenses "on top" model which convey that users will be "nickel and dimed".
5. A clear and concise booking and rental policy that is retrievable from the website.
6. Placement of advertising for clients especially for facility events such as Ringing Bros., Disney on Ice and the Harlem Globetrotters. The complex effectively serves as the advertising agency and would receive 15% commission.
7. Try to make the user's experience a pleasant one by doing "the little things" such as a back stage game room, provide a massage therapist or anything that can make a visit to your building special.

## Event Services

Based on the current organization chart there is no one person who is responsible for the event services operations of the complex. A person in this position is typically tasked with oversight of event coordination, parking, and event staff including ushers, ticket takers and housekeeping and otherwise oversees all aspects of the patron and user experience.

A person in this position also assumes responsibility for the day-to-day adherence of policies that are the backbone of the risk management plan as well as coordinating with local emergency agencies in conjunction with the security manager.

An event services department's policies and procedures should include the following areas:

1. Employee training for full and part time employees
2. Venue entry which includes signage
3. Venue production guide
4. "A-Z" guide
5. Radio communications plan
6. Event announcements for website and external public address
7. Employee check in
8. Forms
  - a. Employee accident
  - b. Lost child
  - c. Patron incident
  - d. Patron complaints
9. Bag and article search set up and execution
10. Overnight security policies and procedures

## Box Office

The Show Place Arena box office current operates as retail location for Ticketmaster (TM) providing an outlet to purchase tickets for any event in the Washington, D.C. and Baltimore area. The box office current sells 5,000 to 6,000 tickets a year so it is likely a money losing operation based on the \$1.00 per sold ticket the complex receives from Ticketmaster and the cost of \$650 per month just in TM fees which does not include complex employee staffing costs. Since 93% of all Ticketmaster tickets are sold on-line strong consideration should be given to eliminating the Show Place Arena box office as a TM retail location. The regional TM manager also supports this recommendation.

The SPA/PGEC and Ticketmaster are currently in discussions about a contract extension but the lack of a permanent general manager is making it difficult to advance the discussions. TM is willing to make infrastructure improvements to the current operations to include wireless ticket scanners and upgrade of

the computer platform with Access Manager and their Web Point of Sale. All of these improvements would be beneficial to the M-NCPPC and the complex so it is recommended that the TM relationship be continued.

With these ticketing improvements a greater technical knowledge is required to better optimize the analytics of the systems. The current box office manager will require significant training to be able to implement and subsequently optimize its use.

Currently, there are no formal, written policies for operating the box office, which is considered a best practice for the facilities of this type. Written policies should include the following areas:

1. Access and security
2. Daily deposits
3. Vault access
4. Settlements
5. Daily sales reports
6. Hours of operation
7. Cash and ticket stock controls including audits
8. Employee ticket requests
9. On-sale procedures
10. Will call procedures
11. Backup contingency plans
12. Staff training
13. Staff attire

### Security

Security for the complex was observed to be lacking on many different levels and in need of significant improvements to enhance the overall risk management of the complex. The Show Place Arena is unsecured during the day as anyone can walk off the street and access the facility, which puts the operator at significant risk of theft and damage to property. Best practices would require the securing of the main entrance with the installation of a "city gate" or the staffing of security personnel in the lobby who would require the sign in and out of visitors.

The arena requires security cameras that should cover spaces such as the concourse, door to the administration offices, dressing and locker room corridor as well as the door to the box office next to the main entrance. The placement of a pan-tilt-zoom (PTZ) camera on each exterior corner of the arena should provide sufficient coverage for the perimeter of the facility.

The equestrian facilities on the complex require cameras distributed through the site to provide sufficient coverage during "dark days" and as a deterrent that will improve the overall risk management profile. As a part of these physical improvements consideration should be given to adding a security manager who can take a more active approach in implementing a security plan for the complex with the park police and

oversee parking and overnight security during multi-day events. Currently, complex management allows licensees to provide their own security during the overnight to protect the animals and equipment. Industry standards for providing overnight security dictate that the SPA/PGEC provides and compensates security officers, which helps to improve the overall risk management profile of the complex.

The box office, even though it has a silent alarm directly to the park police, requires security enhancements to meet industry standards. The box office should be further secured with security cameras that focus on the vault and windows. These cameras also serve as a deterrent to employee theft. Written procedures should be developed outlining how cash and ticket stock are to be secured on a nightly basis as well as assign responsibility for making daily deposits. Ticket escrow accounts should be audited on a yearly basis as a part of the facility financial audit as performed by the owner.

### Emergency Action Plans

Currently, the complex has separate emergency actions plans for events and non-events. The document does not have a date when last updated so we cannot determine how current the plan has been in effect.

A best practice for a comprehensive emergency action plan is to have one plan that encompasses both event and non-event times as well as a document footer that states "revised: xx/xx/xxxx"

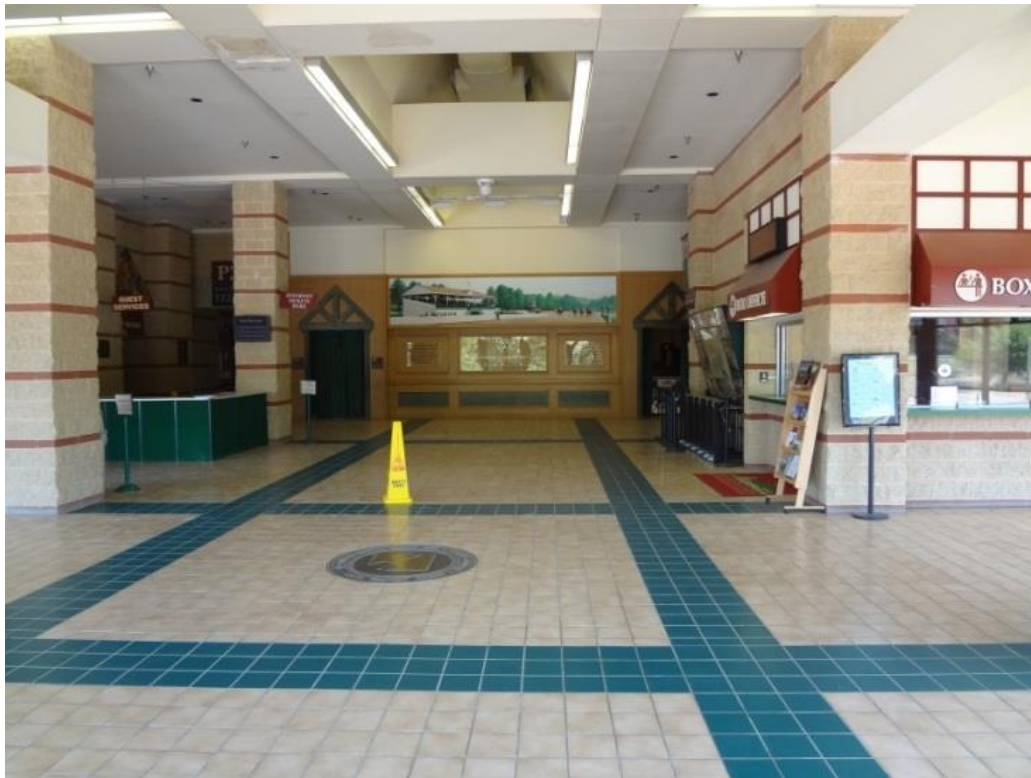
A review of the plans indicated that many of the emergency action items are very general and are not specific for the complex.

We recommend that the plans be merged and made more specific to the complex and in the following suggested format:

1. Table of contents
2. Emergency contact list that includes emergency responders and federal agencies
3. Statement of Purpose
4. Who coordinates emergency actions?
5. Location of interior and exterior command posts
6. Radio communication protocols
7. Public communications – who speaks to the press?
8. Emergency command reporting structure
9. Emergency communication procedures – radios and cell phones
10. Building evacuations
  - a. Partial
  - b. Full
11. Emergencies
  - a. Severe weather
  - b. Earthquake

- c. Hazardous spills
  - d. Active shooter
  - e. Hostage
  - f. Robberies
  - g. Spectator or employee illness or injury
  - h. Power outage
12. Emergency Announcements
  13. Bomb threat checklist
  14. Bomb threat search log
  15. Complex incident report
  16. Engineering checklist – post incident damage assessment
  17. Building maintenance safety procedures for power, water and gas
  18. Crisis communication and public information plan

The main entry lobby of the Show Place Arena is unsecured during regular business hours. The area should be secured by either posting a security office in the lobby or by installing a city gate to prevent access to other parts of the facility.



## Operations and Engineering

Many of the systems we observed appear to be nearing the end of their usable life and have not been maintained at a level we observed in similar facilities. Best practices for maintaining mechanical, electrical and plumbing systems include the utilization of a computerized preventive maintenance program that allows for the tracking of labor and material costs that can be used to develop the maintenance and repair budget. A building automation system (BAS) that allows for precise setting of temperature and lighting controls is considered a best practice for operating this type of facility. The operator several years back with no explanation for why this action was taken abandoned the current BAS. All mechanical systems are operated manually by the operator, which is not industry standard for efficiently controlling mechanical systems.

Our team reviewed the energy audit performed by EMG in the spring of 2011, which focused on current energy usage, condition of mechanical equipment and recommendations for improving the mechanical systems. The major findings from the audit were that the mechanical systems are all being operated manually instead of through the DOS based BAS, the two functional chiller towers are in poor condition, the emergency generator is not functional and the arena lighting consists of older and less efficient fixtures.

The audit has recommended repair and replacement of the major systems along with upgrades to the arena lighting at a cost of \$1,128,000, with annual projected cost savings of \$175,000 per year, resulting in an anticipated cost recovery time of just under 10 years.

It is likely that the lack of a comprehensive preventive maintenance program has contributed to the current condition of the systems and must be implemented as a part of the recommended upgrades to the mechanical systems. A computerized maintenance management software program would allow for the operator to properly track when maintenance is required and the cost to perform each task. This would assist the M-NCPPC in properly budgeting for repair and maintenance not just for the arena but the complex as a whole. The execution of a proper program would in all likelihood extend the useable life span of these systems well past 20 years.

The energy usage for this facility type is excessive and does not come close to meeting the national or industry standard for utility usage. The complex's cost per square foot is over \$4.00 per square foot and should be around \$1.75 a square foot and the variance is the result of poor maintenance and lack of control of the mechanical and electrical systems.

As part of the mechanical system upgrades that were identified in the energy audit, our team endorses the recommendation made by EMG to add variable frequency drives on the pumps and motors as a way to reduce energy consumption.

Many of the mechanical and electrical rooms are currently used for storage and are dirty, which has a negative impact not only on the daily operation of the equipment but will result in equipment reaching the end of its expected life cycle sooner. The rooms should be scheduled on either an every other week or monthly schedule to have the floors swept, equipment cleaned of dust and flammable or sundry equipment removed. The current conditions do not meet current best practices for maintaining rooms that house these types of equipment. By keeping these rooms clean you will likely extend the life of the equipment and reduce the amount of breakdowns and unscheduled maintenance.



The cooling towers located next to the loading dock are unsecured and should be protected with fencing to prevent access by the public.



The protective insulation on the piping from the cooling towers exhibits signs of damage and should be replaced.



Electrical room is utilized as a storage closet, which does not comport to industry best practices and likely violates local building code.



The main electrical closets that house the electrical switchgear with three breaker panels should be free of clutter and debris. The mechanical rooms should be on a regular cleaning rotation.





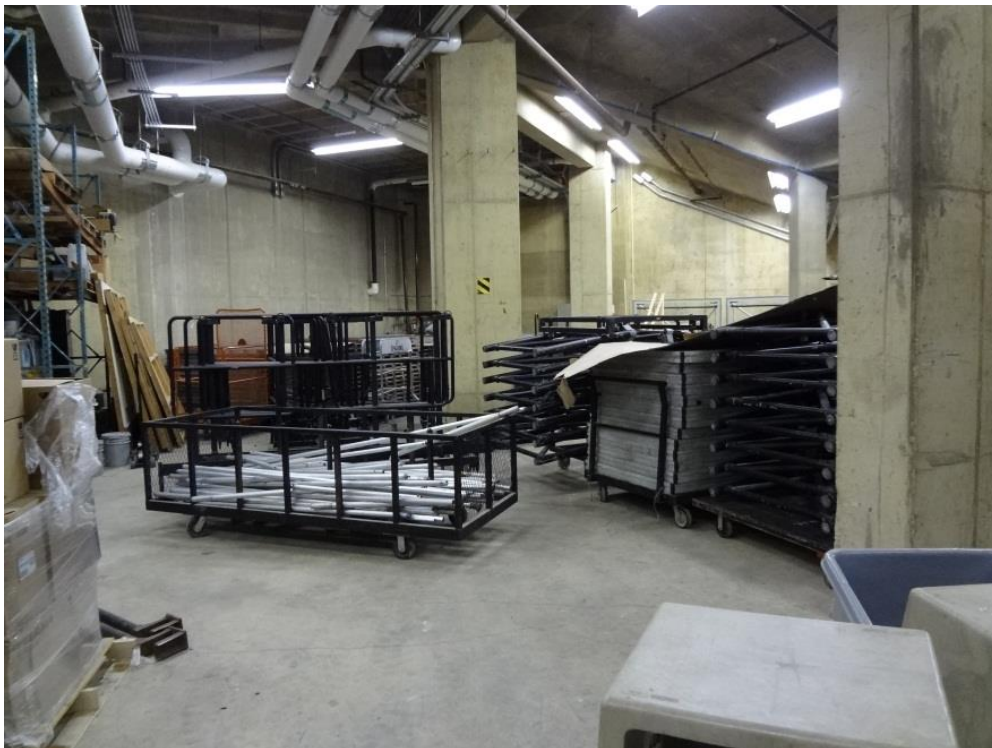
Sprinkler head in electrical room does not have an escutcheon ring which violates code.



Electrical transformer utilized as a table, which does not meet industry standards for how this room should be maintained.



The main storage areas for folding chairs, basketball floor, basketball goals and staging could be better organized.





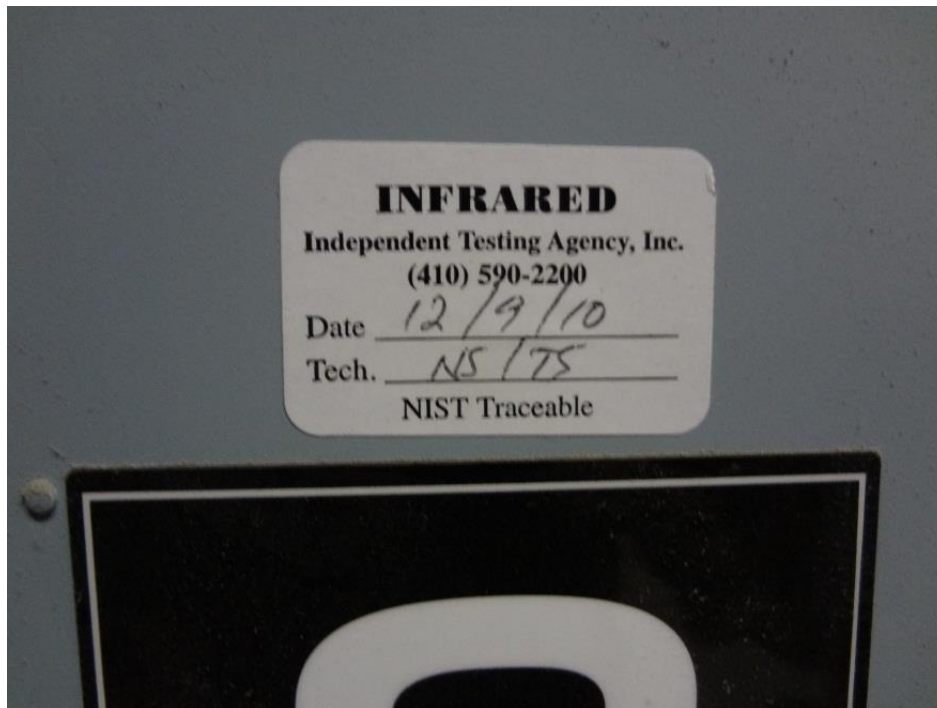
Domestic water pumps appear to be in good condition.



The main electrical room where the vast majority of the main building transformers and panel board units are located is utilized as a storage room.



The 400-amp disconnect was thermo tested in December 2010 which meets industry best practices for maintaining electrical equipment.



The main control panel for the chillers and the heat is manually operated since the building automation system (BAS) was abandoned resulting in no modulating control of the systems. The systems either operate at 100 percent capacity or are off, which is extremely inefficient, resulting in higher energy costs.



There is no lighting control system that controls the lighting in the arena. Light controls are manual at breaker panels. The only computer control is on the bowl lighting which allows the operator to "set scenes". We recommend that a lighting control system be considered in the near term which would also help reduce energy costs.



### Food Service

The food and beverage operation for the SPA/PGE is performed in-house and is a significant source of revenue. The operation is largely cash-based with no computerized inventory control or point of sale system, both of which are considered best practices for public assembly facilities.

Food service is provided on the complex through two concession stands in the Show Place Arena and an auxiliary concession stand located near the two outdoor equestrian competition rings. The SPA concession stands do not have the cooking capabilities and therefore all cooked food product is prepared in the kitchen and transported to the stands. The food selection is very limited, mainly hot dogs and nachos, due to the lack of cooking capability in the stands.

Because the food service operation is primarily a cash based operation it should be audited on an annual basis and a review of its operating procedures should be performed by an experienced food service consultant to ensure that the complex is handling cash properly, following M-NCPPC purchasing guidelines for food and dry goods. As a part of this review, we recommend that the M-NCPPC develop an RFP/RFQ for professional contracted food service operations that could potentially result in investment by the company for physical and operational improvements to the food service and retail operations for the complex.



The two fixed concession stands were observed to be in fair condition, clean but dated graphically and lacking cooking capability.



The two fixed concession stands are also utilized for dry goods storage which was observed to be well organized.



The concession transactions are cash only, which results in longer ATM lines and prevents the implementation of inventory controls that are considered a best practice for operating.



All food served in the concession stands is prepared in the kitchen resulting in limited options due to increased transport time and limited warming capabilities.





Without team tenants the suites serve little purpose for the complex. Consideration should be given to repurposing these areas to additional concession stands or meeting space.



The Winner Circle Room does not get used on a regular basis and could be repurposed into meeting space or a club that could open to the exterior and utilized for equestrian events.



The kitchen's equipment is original including the freezers and coolers and appears to be in fair condition. Due to lack of storage the kitchen is utilized for dry storage.



### User and Patron Experience

Measuring the experience of the patron is considered a best practice for effectively managing a public assembly facility. Facilities that continually measure and adjust their experience delivery methods based on that feedback increase the probability for repeat business from satisfied users and patrons.

Currently, there is no program in place to survey users and customers on a regular basis. Based on the information provided by the SPA/PGEC the last user survey was completed in 2009. In 2003, the complex hired a company to contact its users and gauged their experience. As the complex transitions to more stable leadership strong consideration should be given to allocating financial resources to capture user and patron experiences on a regular basis. This program should include the following elements:

1. Web based survey is inexpensive to set up as a link to the survey can be emailed to a user shortly after the end of their event.
2. The use of secret shoppers to experience the delivery of customer service that would entail interaction with staff associated with parking, security, ushering and ticket taking, food service and housekeeping.

### Master Planning

A comprehensive master plan of the SPA/PGEC is necessary to ensure that future programmatic additions are correctly placed on the site. Parts of the SPA/PGEC currently reside in a flood plain and its potential impact should be thoroughly addressed by the master plan.

The master plan involves the examination of a number of factors that either directly or indirectly impact facility development and future operations. A few of these include:

- The facility mission statement, goals and objectives
- Assessment of historic and current business operations
- Assessment of the market, be it geographic or industry specific
- Assessment of existing facility conditions
- Site constraints, zoning and surrounding land uses
- Regulatory issues impacting operations, such as waste/manure management
- Comparisons with competitive facilities or industry benchmarks
- Input from existing key stakeholders and potential target stakeholders

Comprehensive understanding of this information should drive the planning process and will result in a physical facilities plan with both short and long-term development objectives that coincide with the entity's business plan. In this respect, equestrian facilities are no different than any other facility or business in that all successful ventures are typically initiated with a good plan. However, by their nature, equestrian facilities tend to have more complex physical planning challenges. Equestrian venues typically involve multiple facility elements, such as show arenas, warm-up arenas, outdoor arenas, horse barns, tradeshow areas, RV parks, etc., which must work together to successfully host events and must be easily scalable to host events of many sizes or even multiple concurrent events. The addition of horses to the mix of

occupants requires special considerations and attention to safety, security, accessibility and the general health and welfare of the animals. The choreography of equestrian events, from move-in to the main event in the show ring, must also be understood and the facility planned to accommodate substantial move-in/out operations and efficient show operations. Accessibility, loading/unloading, and parking areas for a substantial number of large horse trailers and RVs is another significant factor that must be very well conceived to work safely and efficiently. In addition, ongoing waste and manure management operations during events and post-event facility turn-over is of growing concern at most large equestrian venues across the nation as a result of more stringent regulatory constraints being put in place by authorities having jurisdiction.

A comprehensive master planning process will examine all of the strengths, weaknesses, opportunities and threats similar to that conducted in the development of a good business plan. The resulting documents should include a written description of the planning analysis and components; facility programming; drawings including site analysis diagrams, architectural site plans and conceptual building plans; phasing scenarios; and capital budget estimates to execute the plan.

### Parking and Traffic

Our interviews of stakeholders, staff and M-NCPPC political leaders revealed that traffic and parking issues have contributed to poor guest and user experiences at the complex for quite some time. Parking at the site is controlled by the County and used for commuter purposes. Additionally, the town of Upper Marlboro uses the lot for overflow parking, which results in a lack of adequate parking spaces during the week for SPA/PGEC event-related parking.

Additionally, there is only one entrance/exit to the SPA/PGEC complex off of Route 4. This has resulted in traffic congestion into downtown Upper Marlboro and, in instances, along Route 4 to the interchange at Route 301, triggering numerous complaints from the community and SPA/PGEC event attendees. Further, the condition of the site roads and paved parking areas is poor as we observed many instances of damaged asphalt and the absence of adequate site lighting.

Operationally, there may be some procedures that can be implemented to alleviate the traffic congestion. These include manual operation of the traffic lights by police, which would allow for better flow onto the site, and placement of temporary signage in downtown Upper Marlboro, and the surround areas, forewarning workers and other community members that an event will be taking place at the complex. Furthermore, utilizing on-site grass areas for overflow parking may prove beneficial.

The solutions to site access, whether it is possible to add more entrances to the complex, and what number of total parking spaces would be appropriate at the site would require a traffic and/or parking study that would be utilized to bolster the aforementioned master plan study.



Site road in disrepair:



Damaged asphalt at loading dock entrance:



## Capital Expense Planning

Long-term capital expense planning is an important tool for the owner and operator in order to be able to understand and prepare for the costs associated with large repair and replacement of major systems at the facility.

Since 2000 the M-NCPPC has made \$5.5M in capital improvements to the complex which consisted of landscaping enhancements, a recently completed equestrian show ring and the replacement of the main roof on the Show Place Arena.

The M-NCPPC commissioned EMG to perform a facility condition assessment of the arena and site buildings to better understand the existing conditions and the efficacy of preventive maintenance programs. Besides benchmarking the existing conditions, EMG provided a fairly comprehensive, 20-year capital expense matrix that identified major repairs for the site buildings totaling \$2.1M and \$8.2M for the arena. The cost for the improvements is based on the equipment reaching the end of expected useable life. A continuation of the poor upkeep of systems will result in the escalation of these costs and result in unnecessary burdens on future capital budgets.

The matrix is meant to be a fluid document that should be updated regularly as items identified are either accelerated forward or backwards depending on improvements to preventive maintenance procedures or funding priorities change.

A condition assessment should be performed at least every five years with the capital cost matrix including more specific information in the following areas:

1. Sound system repair and replacement
2. Door and door hardware replacement
3. Concession stand menu boards
4. Point of sale system
5. Building automation system
6. Lighting control system
7. Preventive maintenance system
8. Wayfinding and graphics

## 5. Management and Governance Structure Issues

The SPA/PGEC is presently owned and operated by the Maryland-National Capital Park and Planning Commission, a bi-county public agency that administers parks and planning in Montgomery and Prince George's Counties. Until recent decades, most publicly-owned event facilities or complexes, such as the SPA/PGEC were also operated by the public sector owner. Now, intense and increasing levels of competition among facilities coupled with increased pressure from governmental entities for the facilities to break even has forced many governments to attempt changes in the fundamental process of managing public assembly facilities. As a result, a number of facilities across the country have day-to-day operations contracted to a private management company. However, when compared to other publicly-owned event venues such as arenas and convention centers throughout the country, a greater percentage of equestrian-oriented event complexes, like the SPA/PGEC, do not contract with a third-party private management firm.

Additionally, the non-local event industry nationally has become increasingly competitive as cities continue to improve their event venue packages to compete for market share. Event planners and producers are increasingly focused on non-facility criteria as part of their site selection process. One of the factors that continues to receive attention is the quality of customer service, beginning with the sales process, through contracting, into event planning and finally during the event itself.

### Best Practices Approach to Operating Functions

With this greater emphasis throughout the industry on effective, efficient and comprehensive event facility management, the best practices operational approach and methods—overall and at the departmental level—have grown increasingly sophisticated. Following a best practices model, Exhibit 1 on the following two pages presents a summary listing of the operational scope by functional area as seen in successful event facilities/complexes throughout the country.

## Exhibit 1

### Industry Best Practices Listing of Operational Scope by Functional Area

#### Administration

- ADA Policies
  - Braille maps
  - Brochure of seating and services
  - Map of seating
  - TDD units
- Arena Rules & Policies (see A-Z guide)
- Human Resources
  - Clock in/out procedures
  - Employee policies/manual
  - Job descriptions
  - Job fair plan
  - New hire checklist
  - Org chart
  - Solicitation procedures
- Manager On Duty
  - Procedures
  - MOD form
- Offices
  - Credentialing
  - Cleaning
  - Dept. storage spaces
  - Employee entrance
  - Information Technology
  - Office equipment maintenance/replacement
  - Recycling and trash collection
  - Security
  - Shipping and receiving policies – mail room
  - Vendor drop-off/pickup
  - Work orders
- Booking/Event Programming
  - Booking policies and procedures
  - Booking software
  - Calendar control
  - Contract management
  - Rental fee structure
  - Rental license Agreement
- Staffing
  - Full time org chart
  - Hiring procedures
  - Solicitations

#### Box Office

- Box Office Procedures
  - Access
  - Employee ticket requests
  - Group sales meeting/ticket handoff locations
  - Hours of operation
  - On-sale procedures
  - Security
    - Silent alarms
  - Staff attire
  - Staff training
  - Settlements
  - Vault access

#### Event Services

- Alcohol Plan
  - Ejection policy
  - Food service operator plan
  - Policy on purchase/consumption
  - Signage
  - Tips
  - Training
- Break Policies - Employees
- Communications
  - Radio distribution
  - Procedures
- Event Management
  - Event announcements
  - Venue Guide
- Event Employee Check-In
- Exterior Signage (prohibited items)
- Forms
  - Lost child release form
  - Employee accident report
  - Event incident report
  - Patron service issue form
- Gate Operations Plan
  - Bag and article search procedures/diagram
  - Pat down procedures
  - Queuing procedure
  - Staffing
- Give-A-Way Policy
- Guest Services Program
- Public A-Z Guide
- Smoking Area Determination
- Stagehand Provider/Contract

#### Finance

- Budget
  - Annual operating
- General Procedures
  - Accounts payable
  - Accounts receivable
  - Cash handling
  - Contract management
  - Licenses/permits
  - Payroll processing
  - Petty cash
  - Recordkeeping
- Insurance Requirements
  - Maintained by Complex
    - Auto
    - Crime
    - D&O liability
    - GL
    - Property
    - Reporting a loss
    - Umbrella
    - Workers compensation
  - Required of users
    - Auto, GL, Umbrella
    - Workers comp
  - Required of vendors

- Purchasing Procedures
- Risk Management
  - Loss prevention program
  - Policies and procedures
  - Snow/ice removal plan

#### Housekeeping

- Blood Borne Pathogen
- Contract for Purchase of PT/TP/Hand soap
- Fixtures and Equipment
  - Budget
  - List
- General Procedures and Operating Plan
- Paper and Supply
- Vendor/Storage/Security
- Recycling Plan
  - Identify recyclable materials
  - Identify type and placements of containers
  - Identify haul away service
- Sustainable Initiatives Plan
- TP/PT/Hand soap Dispenser Installation

#### Operations & Engineering

- Asset Management
  - City inventory program
  - Coordinate delivery
  - Event inventory control
  - Furniture, fixtures and equipment
  - Identify needs and storage capability
  - Lamping schedule
  - Lost and found
  - Preventive maintenance program
  - Purchasing procedures
  - Receiving and securing packages
  - Supplies and spare parts
  - Tagging procedure
  - Tool/vehicle checkout procedures
  - Work order procedures
- Computerized Maintenance Management System (CMMS)
- Development and Receiving of Building Manuals/Procedures
- Blueprint dry storage/electronic storage/CAD
- Develop shut-off list for emergencies
- Engineering operations
- Evacuation and emergency procedure
- First Aid
- MSDS/right-to-know
- Purchasing procedures

- Scoreboard movement
- Scoreboard/scoring systems
- Sound system
- Telephone systems
- FF&E Receiving, Storage and Security
- Ingress Procedures – tenant, event staff, patrons
- Parts & Supply Lists by Dept.
- Tool List, Storage and Sign-Out
- Vending Agreements
- Warrantees

### **Parking & Traffic**

- Daily Parking Procedures
- Limo/Bus Drop Off and Parking
- Parking Plan for Events
- Vehicle Drop Off and Parking
- Police
- Public Transportation Info
- Staff/Subcontractor/Tenant
- Parking - Non-Event Day
- Staff/Subcontractor/Tenant
- Parking - Event Day

### **Safety & Security**

- Building Security – Tour Scan Program
- Command Post Regulations
- Credentialing Program
- Relationship w DHS & FBI
- Disaster Response and Recovery
- Event Security Info
- Fire Alarm Panel Procedures
- First Responder Training
- Hazardous Materials Storage
- Incident Card Creation (Emergency Procedure and Map)
- Incident Command System Locations
- Key Control
  - Checkout procedures
  - Key dist. and control
  - Key schedule/levels of security
  - Credentials

- Design of credential Policies and procedures
- Responsibility for distribution
- Life Safety Plan
- Manager on Duty Program
- Police and Fire Dept. Interaction
- Post Orders Book-Creation and Training
- Radio Procedures
- Risk Management
- Tabletop Exercise
- VISAT

### **Sales & Marketing**

- Marketing
  - Media policies
  - Merchandise
    - Employee apparel
    - SWAG purchase
  - Show advertising
  - Relationships with local media
  - Rate cards
  - Venue advertising
- Sales
  - Venue rate sheet

### **Selection of Vendors/ Service Level Agreements**

- Ambulance Service
- Armored Car
- Boiler System
- Box Office Alarm Monitoring
- Building Control Systems
- Change-over Staffing
- Decorator
- Electrical/Lamp Supplier
- Emergency Generator
- Exterminator
- Fire Alarm
- Fire Panel Monitoring
- Fire Systems Pumps/Sprinkler
- Forklifts and Service Vehicles
- Grease Disposal
- HVAC Controls
- HVAC Parts and Filters
- Industrial Gases

- Landscaping
- Lighting Controls
- POS - future
- Propane Vendor
- Radio / Mobile - Lease / Repair
- Recycling
- Roof / Glass Cleaning
- Roof Maintenance
- Scoreboard/Hoist
- Sprinkler/Fire Pump System
- Stagehands
- Telephone / Data / Cable
- Uniform / Laundering
- Waste Removal Agreement
- Water Treatment
- Window Washing

### **Training Programs**

- Audio System
- Blood Borne Pathogen Training
- Building Management System
- Card Access Systems
- CATV System and TV Units
- CMMS
- CPR Training
- Customer Service Training
- Emergency Evacuation and Emergency Control Measures
  - Active Shooter
  - Bomb Threat
  - Fire
  - Gas Leak
  - Hail
  - Hurricane
  - Severe Weather
- First Aid Training
- Fire Alarm System
- Fork Lift Training and Certification
- HVAC Systems and Controls
- Lighting Systems and Controls
- Portable Staging/Risers
- Radio Etiquette
- Safety Training
- Scoreboard: Scoring and Video Systems
- Sport-Specific Equipment
- Spotlights
- Telephone System

Regardless of whether the SPA/PGEC remains under its current day-to-day management model or shifts to a third-party private management model, the organizational structure and operating plan for the complex should strive towards addressing and incorporating each of these operating items and principles.

### **Governance and Oversight Options**

Typically, overall direction for publicly-owned event venues is provided through a municipal department (i.e., City or County government). This department is responsible selecting the day-to-day management model under which the facility is expected to operate. The quality and experience of the day-to-day management team assigned to a public assembly facility has significant influence on the operational performance of the facility. Most public assembly facility operations resemble one of three basic



management alternatives with respect to their direct day-to-day management: internal management (government employees), private/contracted management (contracted management firms specializing in public assembly facility management) or the formation of an authority (a board of directors typically appointed by the department or otherwise elected based on bylaws established with the input of the department). Under the authority model, however, there is a fear that additional layer(s) of oversight added could be detrimental to the desired level of operational flexibility. Considering the layers of oversight currently in place within the M-NCPPC, this structure is not considered to be an optimal model for SPA/PGEC oversight and is not considered further.

Another option considered by the M-NCPPC has been to relinquish control of the SPA/PGEC complex to a yet-to-be-formed 501(c)3 non-profit organization. This non-profit control structure is widely used within the equestrian and fairgrounds event facility industry. As envisioned, this new organization would be responsible for all management and governance of the complex, including selecting a general manager/executive director to run the complex, setting prices and covering all operating expenses. Further, the non-profit organization would be responsible for any future complex development initiatives. Based off of our assessment of the existing SPA/PGEC, its available event facilities and financial operations, this option is not realistically viable. The SPA/PGEC was originally overbuilt to be able to accommodate added concerts and performances in addition to its primary responsibility in hosting equestrian events. Operating such an oversized facility is likely to be cost prohibitive to an organization required to cash flow annually. Further, the facility was and currently is envisioned to act as a public good, providing an event venue at which community gatherings (i.e., graduations, banquets, wedding receptions, promoted shows/entertainment, etc.) could take place. The pricing structure for a privately owned and operated facility would likely be such that these limited-revenue generating events would no longer be able to afford to hold their event(s) at the SPA/PGEC.

## 1. Internal Management

Under the internal management alternative, the event facility is operated based on an annual budget which is approved by the controlling entity (i.e., usually a municipal government department, but in the SPA/PGEC's case, the M-NCPPC) which typically owns the venue. The vast majority of small, stand-alone community event facilities tend to be operated in this way.

Under internal management, the daily operations of the facility are handled by a city or county department, or an arm of the Authority (or M-NCPPC, in this case). Typically, the department head is an experienced facility manager. However, in some communities the department head is a government employee that previously had responsibilities with the public sector in other capacities.

Under internal management and through the budgeting process, revenues and expenses are estimated and funds are appropriated for the operations of the facility by the controlling entity. Under this management option, the city/county or authority is responsible for funding or identifying another source for covering any shortfall in facility operations and is responsible for the ongoing capital maintenance of the facility. Further, the facility is staffed by city/county or authority employees who are assigned to the venue, and in turn, operate the facility under city/county guidelines in terms of personnel, purchasing, operations, accounting and human resources. Authorities or commissions, like the M-NCPPC, often have guidelines for these functions that are more optimized for the event industry than is typically the case with facilities that are managed directly by city or county government.

Some of the primary advantages and disadvantages of this facility management option are set forth on the following page:

### *Advantages*

- Ability of the controlling entity to maintain direct control over the operational focus of the facility as opposed to a management firm which is controlled through a contract.
- The finance, marketing, human resource and other departments setup by a private management firm may duplicate those of the controlling entity.
- There could be a potential costs savings related to not having to pay a private management fee.

### *Disadvantages*

- Possibility of internal bureaucracies slowing the responsiveness and/or lessening the effectiveness of facility management.

It is important to note that some publicly-run facilities are operated just as efficiently as those managed by private operators if the right General Manager can be obtained.

## 2. Contracted Management

Intense and increasing levels of competition among facilities coupled with increased pressure from governmental entities for the facilities to break even has forced many governments to attempt changes in the fundamental process of managing public assembly facilities. As a result, a number of facilities across the country have day-to-day operations contracted to a private management company.

The contracted management company is typically an agent of the hiring body (either a city/county department or an Authority, like the M-NCPPC). The firm is usually compensated with a flat annual fee plus incentive payments designed to reward the contractor for producing desired results. Incentives could be based on achieving specific revenue goals, attendance, events, room night generation, quality standards, or other targets. Operating contracts usually stipulate that operating budgets must be submitted by the management company to the governing body of the facility for approval. The governing body is responsible for providing the funds necessary to operate the facility.

Further, there are many financial variations and implications to the relationship created between the owner, generally a public entity, and a private management group. Financially, the biggest question for both parties is the management fee, incentive, or lease structure established. All of these things are contingent on a number of factors including, but not limited to:

- Length of contract.
- Type of contract (contract management versus privatization).
- Primary event focus (if the owner requires many dates dedicated to local non-profits or civic groups, this has a negative impact on the operator's ability to generate income).
- Facility age.
- Facility size.
- Market demographics and demand.
- Competition in the marketplace.



Under most types of private management, the operations of the facility are contracted to a management company. However, the facility owner still maintains responsibility for funding the operations of the facility and for any operating shortfall that may occur. Therefore, as with the internal management alternative, the facility will continue to operate based on an annual operating budget approved by the facility owner. Furthermore, under contracted management, the facility owner will continue to maintain responsibility for ongoing capital maintenance at the facility. The primary difference between internal management and contracted management is that under contracted management, the management company staffs the facility and is responsible for purchasing, marketing, accounting, booking events, and human resources.

Some of the primary advantages and disadvantages of the contracted management option are set forth below:

#### *Advantages*

- Potential for facility employees to work for the management company instead of the City/County or other public entity, such as the M-NCPPC in this case.
- There may be less potential for decisions based on political opinions or influence with contracted management.
- Potential for the contracted management firm to “route” certain business among its facilities under contract (which is much more prevalent with concerts, family shows and other touring events than events such as equestrian, tradeshow, consumer show, meetings and other such events.)

#### *Disadvantages*

- Private/contract firms require management fees.
- The financial operating incentives of a contracted management firm may not be consistent with the goal of attracting economic impact-generating events.

Throughout the country, the majority of equestrian-oriented event complexes, like the SPA/PGEC, do not contract with a third-party private management firm; however, most equestrian-oriented complexes do not possess an asset like the Show Place Arena, which is intended to host a variety of non-equestrian related events. While an experienced contracted management firm can bring substantial expertise to the operations of a new facility and can often realize gains in facility performance, a management fee will need to be paid to the firm. In some communities, it is believed that the “net gain” in facility performance (via event attraction and facility financial performance) through contracting management is positive, while in others the net benefits are not as substantial or at least not definitive. In many cases, the decision whether to operate/manage an event venue publicly or privately is ultimately determined largely by the public sector owner’s appetite for assuming all aspects of the management responsibility (overall and day-to-day) rather than simply overseeing a contract.

In terms of qualified “third party” public assembly facility private management firms, effectively only three prominent firms of note exist in the country—SMG, Global Spectrum, and VenuWorks (presented in order of the number of event facility management contracts each presently holds with municipal clients).

Virtually all third party management contracts include both a base (or fixed) fee plus incentive fee paid to the contracted firm for services rendered. If the event venue is publicly-financed, under federal law, the incentive fee cannot exceed the base fee. Based on our review of many dozens of management contracts,

a typical fee arrangement for a facility the size of the SPA/PGEC might be \$125,000 to \$175,000 per year in base fee, and an incentive fee that is effectively structured to equal or very closely near the base fee (i.e., \$225,000 to \$350,000 in total management fee cost to the M-NCPPC). These fees must be paid each year (representing the contract premium for management services, while all other expenses (including salaries of all private management staff) will also be paid by the facility owner. Therefore, in performing a cost/benefit relating to contracted management, these fees must be weighed along with the expected financial operating benefit the contracted firms are expected to "bring to the table" versus public sector options (such as how the SPA/PGEC is managed now).

Therefore, the base and incentive management fees paid to a contracted third party management firm would represent an additional expense (or simply, a "premium" paid to the private firm) that would be an additional responsibility of the M-NCPPC. The theory underlying "contracted management" is that it places managerial and operational control of a public sector-owned asset in the hands of an experienced and efficient private sector company. Therefore, in order for such an arrangement to prove advantageous to the public sector owner of the event venue, the private sector manager will have to provide an incremental financial benefit in excess of the contracted management fee it is charging for services, and that the public sector owner has a motivation, or interest, to remove itself from "day-to-day" managerial oversight of the asset.

#### Other Management Issues

Regardless of the specific approach taken with overall management (internal or contracted), there are some specific oversight elements that the M-NCPPC should give careful consideration. Of utmost importance is the selection of the General Manager (whether chosen through an open search conducted by M-NCPPC or through the pool of candidates available to a potential contracted management firm) to oversee facility operations. The competence, skill set and experience of the General Manager is a critical influencer of any facility's market and financial performance. Securing strong talent for this position at the SPA/PGEC should be a high priority for the M-NCPPC. The exhibit below and on the following page presents a sample description of the General Manager position that is considered industry best practices.

## **Exhibit 2**

### **Sample Description of the General Manager Position**

#### Summary:

Under supervision of (insert governing authority) coordinate the day-to-day activities of the various departments within the facility. Facilitate optimum efficiency, maximize profits and provide exceptional customer service by performing the following duties individually or through subordinate supervisors.

#### Essential Duties: Include the following. Other duties may be assigned.

- Implement facility policies and goals in accordance with supervising authority's objectives and policies.
- Meet with department heads to review activity, operating, and sales reports. Determine changes to the programs and/or operations and oversee implementation with the department heads.
- Negotiate contracts and agreements with suppliers, promoters and tenants for necessary activities and services at the facility.
- Oversee and manage development of long-range plans and program objectives in accordance with the supervising authority's policy.
- Guarantee all codes, laws, ordinances, policies, procedures, risk management, safety precautions, rules, regulations and emergency procedures are followed.
- Implement procedures within the departments to establish and maintain customer service standards that are designed to ensure a positive and professional image and generate repeat business.
- Responsible for the preparation of the annual budget and capital project budget for future repairs and improvements to the facility.
- Establish and maintain contact with booking agents, professional managers, promoters and others within the industry to encourage continual and regular use of the facility.
- Conduct post-event operational and financial review and analysis.
- Coordinate, implement and administer personnel development/training and safety/emergency procedures.
- Review and approve all purchasing, travel and promotional expense activity.
- Work extended and/or irregular hours including nights, weekends and holidays.

#### Skills Required: Position requires ability to:

- Possess skills and experience in contract negotiation, business law, labor relations, union contracts, purchasing procedures, and supervising personnel.
- Engage in much decision making that is generally governed by procedure and guided by policy.
- Demonstrate knowledge in the practices and terminology of public relations programs, advertising, marketing and sales.
- Plan, coordinate and direct varied and complex administrative operations.

- Supervise and recognize human resource and personnel problems, deal constructively with conflict, supervise and motivate personnel, provide counsel on routine and sensitive personnel matters and execute applicable solutions.
- Respond to crowd control and/or crowd management situations in a prompt and decisive manner during crisis situations.
- Operate a personal computer using Windows, Word, Excel, PowerPoint and other standard office equipment.
- Follow oral and written instructions and communicate effectively with others in both oral and written form.
- Organize and prioritize work to meet deadlines. Work effectively under pressure and/or stringent schedule and produce accurate results.
- Maintain an effective working relationship with clients, employees, exhibitors, patrons and others encountered in the course of employment.
- Be licensed and insured to operate a motor vehicle in the United States.
- Remain flexible and adjust to situations as they occur.

#### Education and Experience Requirements:

Bachelor's degree from an accredited four-year college or university and a minimum of seven (7) years' industry experience with at least three (3) of those years in a management function (at top two levels) of an arena or equestrian complex; or an equivalent combination of education and experience.

In addition to securing strong talent at the General Manager position, attempts should be made by the M-NCPPC and other project stakeholders to reinvigorate the Advisory Committee. This Committee should be comprised of people with a vested interest in the success of the SPA/PGEC (i.e., local community members, members of the regional/state-wide equestrian industry, event space user groups, etc.) tasked to meet regularly to discuss issues pertaining to the successful operation of the SPA/PGEC. This Committee could be expected to conduct services including, but not limited to:

- Providing guidance for developing the complex's marketing plan, long-term master plan and ongoing capital expense planning;
- Marketing the complex to potential new events and user groups;
- Organizing a not-for-profit foundation aimed at collecting donations to support SPA/PGEC operations or future capital investments;
- Lobbying for support from M-NCPPC, City, County, State and other elected officials;
- Providing the M-NCPPC with updates on the physical and operational state of the SPA/PGEC to supplement ongoing updates by the facility's General Manager, and;
- Other such duties as needed.

While this organization may not have direct governing or decision making power over SPA/PGEC operations, the expertise and desire of its members to produce a successful complex should provide useful guidance to M-NCPPC members as they make decisions on the future of complex operations.

## 6. Conclusions and Recommendations

The analysis summarized within this document addresses a number of key SPA/PGEC operational and performance areas, including assessment of event use and mix, organizational structure and staffing, operational policies/procedures, physical plant items, food and beverage and other event service issues, and event management/exhibitor services. In addition to research and analysis specific to the SPA/PGEC, a detailed benchmarking and best practices analysis was completed.

The following represents some of the key conclusions that are forwarded for consideration:

1. In general, while equestrian event activity at the SPA/PGEC is consistent with the average comparable complex reviewed, overall event levels at the SPA/PGEC are slightly lower than the average comparable complex reviewed as a part of this effort. This is believed to be attributed to a number of items, including the lack of dedicated exhibit space, marketing efforts, and destination perception issues. It is believed that event capture and attendance levels could be slightly improved with the implementation of the targeted recommendations provided herein.
2. Overall, the SPA/PGEC operates at a higher financial operating deficit than the average complex reviewed for this study. Specifically, higher operating expenses are partially influenced by the cost to turn-over the SPA between dirt and non-dirt events, as well as other inefficiencies that are discussed within this document. Also, it is believed that operating revenues have been historically constrained due to lower than average non-equestrian event levels, issues with food and beverage operations, sales/marketing efforts, event services, and other such items, including limitations in the offering of key revenue-generating facility components (such as dedicated exhibit space).
3. In general, staffing levels at the SPA/PGEC are slightly understaffed relative to industry averages for event complexes of comparable nature. This is evidenced by noting that the SPA/PGEC expends approximately 49 percent of its total operating budget on salaries, wages and benefits, which is lower than the average of 53 percent as measured among the comparable complexes reviewed. Further, the SPA/PGEC incurs an average per employee expense of \$60,100 when accounting for cost-of-living factors, which is approximately \$8,200 less than the average comparable complex analyzed. This suggests that (a) average compensation at the SPA/PGEC is lower than average (which could be affecting the ability to recruit and retain talent); (b) there are fewer than average managerial/executive level employees relative to "front line" staff; and/or (c) the lower number than average work force at the SPA/PGEC might influence a lower ratio figure.

The following represents some of the key operational and procedural recommendations that are forwarded for consideration:

1. Develop and implement formal, written policies and procedures with respect to legal and risk management in order to ensure that proper procedures are followed on a daily basis.
2. Develop a comprehensive marketing plan for the SPA/PGEC that would include advertising, guest experience enhancements, agent visits, web site improvements and revised rental structures. This plan should be presented as a part of the overall annual budget approval process.

3. Implement significant updates and improvements to enhance the overall security and risk management of the SPA/PGEC. M-NCPPC has a proposal to upgrade the security video system with additional cameras to improve the complex site security monitoring.
4. Update and improve the SPA/PGEC's emergency action plans so that specific responsibilities for executing the actions plan areas are clearly defined. Employee training on the plans must be implemented on a twice-yearly basis with the support of the M-NCPPC leadership.
5. Many of the mechanical, electrical, and plumbing systems observed at the SPA/PGEC are at the end of their usable life and have not been maintained at a level we observe in similarly-sized facilities. Best practices for maintaining mechanical, electrical and plumbing systems include the utilization of a computerized preventive maintenance program that allows for the tracking of labor and material costs that can be used to develop the maintenance and repair budget. Undertake a variety of systems upgrades, many of which were identified in the energy audit and condition assessment. Our team endorses the recommendation made by EMG to add variable frequency drives on the pumps and motors as a way to reduce energy consumption.

The following represents some of the key facility management, staffing and governance recommendations that are forwarded for consideration:

1. Create a new position and retain a qualified person who is responsible for event services operations of the SPA/PGEC, which would include oversight of event coordination, parking, and event staff including ushers, ticket takers and housekeeping. This person would oversee all aspects of the patron and user experience.
2. Continue to audit food service operations on an annual basis reviewing operating procedures to ensure that the complex is handling cash properly and following M-NCPPC purchasing guidelines for food and dry goods. The M-NCPPC might consider engaging a food service consultant to assist with the audit to ensure that operational food service "best practices" improvements are implemented. As a part of this review, we recommend that the M-NCPPC develop an RFP for professional contracted food service operations, which may result in investment by the company for physical and operational improvements to the food service and retail operations for the complex.
3. As the SPA/PGEC transitions to more stable leadership, strong consideration should be given to allocating financial resources to capture user and patron experiences on a regular basis. Measuring the experience of the patron is considered a best practice for effectively managing a public assembly facility. Facilities that continually measure and adjust their experience delivery methods based on that feedback increase the probability for repeat business from satisfied users and patrons.
4. The Advisory Committee should be reinvigorated. This Committee should be comprised of people with a vested interest in the success of the SPA/PGEC (i.e., local community members, members of the regional/state-wide equestrian industry, event space user groups, etc.) tasked to meet regularly to discuss issues pertaining to the successful operation of the SPA/PGEC. This Committee could provide guidance for developing SPA/PGEC's marketing plan, long-term master plan, ongoing capital expense planning, organizing a not-for-profit foundation aimed at collecting donations to support SPA/PGEC operations or future capital investments and other such duties as needed. While this organization may not have direct governing or decision making power over SPA/PGEC operations, the expertise and desire of its members to produce a successful complex should provide useful guidance to M-NCPPC members as they make decisions on the future of complex operations.

5. The current leadership of SPA/PGEC is considered temporary and is expected to be in place only until the M-NCPPC decides how the complex should be operated. Our impression of the acting leadership, which includes the general manager and assistant general manager, were favorable. These two individuals exhibited passion for their temporary jobs and view their mission to be the "bridge" until a permanent solution is found. Current leadership is in the process of attempting to dismantle the "silo" mentality and institute a more collegial, positive and communicative style to foster employee "buy in".
6. Third-party private management could be considered. Specifically, a Request for Proposals (RFP) could be issued to explore the opportunity with qualified bidders. In practice, the base and incentive management fees paid to a contracted third party management firm would represent an additional expense (or simply, a "premium" paid to the private firm) that would be additional responsibility of the M-NCPPC. The theory underlying "private management" is that it places managerial and operational control of a public sector-owned asset in the hands of an experienced and efficient private sector company. Therefore, in order for such an arrangement to prove advantageous to the public sector owner of the event venue, the private sector manager will have to provide an incremental financial benefit in excess of the private management fee it is charging for services, and that the public sector owner has a motivation, or interest, to remove itself from "day-to-day" managerial oversight of the asset.
7. Regardless of the specific approach taken with overall management (public or private), the competence, skill set and experience of the General Manager is normally a critical influencer of any facility's market and financial performance. Securing strong talent for this position at the SPA/PGEC should be a high priority for the M-NCPPC. Additionally, there is reason to believe that there is an immediate need for an operations manager with a strong experience base focused on operating equestrian venues.

The following represents some of the key physical facility improvement recommendations that are forwarded for consideration:

1. As a part of the long-term plan for the SPA/PGEC, a comprehensive master plan is necessary to ensure that future programmatic additions are correctly placed on the site. Comprehensive understanding of master plan goals should drive the planning process and will result in a physical facilities plan with both short and long-term development objectives that coincide with the entity's business plan. A comprehensive master planning process will examine all of the strengths, weaknesses, opportunities and threats similar to that conducted in the development of a good business plan. The resulting documents should include a written description of the planning analysis and components; facility programming; drawings (that include site analysis diagrams, architectural site plans and conceptual building plans); phasing scenarios; and capital budget estimates to execute the plan.
2. Long-term capital expense planning is an important tool for the owner and operator to understand the costs associated with large repair and replacement of major systems of the facility. The M-NCPPC commissioned a facility condition assessment of the arena and site building to better understand the existing conditions and the efficacy of preventive maintenance programs. A condition assessment should be performed every five years and the capital cost matrix should include more specific information related to event and entertainment production.



3. Targeted improvements to the box office must be undertaken, including the elimination of the Show Place Arena box office as a Ticketmaster retail location. With the suggested changes, the current box office manager will require additional training to be able to implement and subsequently optimize its use. Currently, there are no formal, written policies for operating the box office, which is considered a best practice for the facilities of this type.
4. Traffic and parking conditions need to be improved as soon as possible through the recommendations of a traffic consultant and the overall site master plan.



Project Report  
**Market and Economic Analysis – The  
Showplace Arena and Prince George’s  
Equestrian Center**

Prepared for the  
**Maryland Stadium Authority**

Submitted by  
**AECOM Technical Services, Inc (AECOM) and  
Partners for Economic Solutions**  
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This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.

## **I. Introduction and Executive Summary**

### **Project Background**

In December 2011, the Maryland-National Capital Parks and Planning Commission (MNCPPC) requested that the Maryland Stadium Authority (MSA) study the operations of the Showplace Arena and Prince George's County Equestrian Center (PGEC) in Upper Marlboro, Maryland. The MSA was established in 1986 with the original vision to build, manage, and maintain Major League Baseball and NFL facilities. Since then, the MSA's mission has expanded to include the planning, financing, building, and management of other public-assembly facilities throughout Maryland.

Following the request by the MNCPPC, AECOM and Partners for Economic Solutions were retained by the MSA to prepare a market and economic analysis for the Showplace Arena and Prince George's Equestrian Center. This section summarizes the results of our analyses that appear in the full report.

### **Purpose**

The purpose of this study is to analyze the overall competitive environment for the Equestrian Center and Arena and to provide recommendations regarding the future of the complex, as well as to estimate its economic and fiscal impacts to the area.

### **Work Plan**

In preparing this Market and Economic Analysis, AECOM and PES completed the following tasks:

- Met with and interviewed a wide range of stakeholders representing the equine industry, local and statewide public agencies, event promoters and other facility users, facility staff, and others.
- Analyzed the characteristics of the local and regional market, including population, age, income, employment, access, climate, tourism, and development.
- Analyzed trends in the public-assembly facility industry that can affect the Equestrian Center and Arena.
- Analyzed the complex's facility offerings and its recent demand and usage (events/attendance and revenues/expenses).
- Reviewed other studies that have recently been prepared for the complex.
- Analyzed the presence of other regional facilities that are competitive to the complex.
- Analyzed the facility offerings, planning, management, and operations of comparable complexes across the country.

- Provided recommendations regarding suggested future operations of the complex and potential renovations that could make the facilities more competitive.
- Estimated the future economic and fiscal impacts of the complex, based on an assumed renovation scenario.

## **Executive Summary**

### **The Local Market**

We analyzed various characteristics of the local and regional market (at the city, county, state, and metro area levels). The metro area consists of Washington DC, five Maryland counties (including Prince George's County), 11 counties in Virginia, and one county in West Virginia.

In general, characteristics of the market are relatively strong. While Upper Marlboro is a small city and population growth has been negative and modest at the city and county levels, income levels throughout the region are particularly high and unemployment is low, compared to national levels. In addition to the federal government, many large corporations provide the employment base and wages.

A great deal of development has been planned and built to the west of Upper Marlboro. This includes National Harbor and the Gaylord National Resort & Convention Center, an approved casino, and Westphalia Town Center. Much of the local tourism industry is served by National Harbor; Upper Marlboro itself has very few tourism or commercial offerings.

### **The Equestrian Center and Showplace Arena, and the Industry**

- In its last three fiscal years, the overall complex has hosted an average of 158 events and approximately 250,000 attendees per year. The primary sources of this demand have been equestrian events, graduations, sporting events, trade shows, concerts, banquets, and meetings.
- In fiscal year 2010, the complex's net operating deficit was approximately \$2.8 million on revenues of \$1.3 million and expenses of \$4.0 million. While revenues have remained constant in the three years from 2010 through 2012, expenses have decreased to \$3.0 million, and as a result, 2012's operating deficit was \$1.8 million.
- Because of the multipurpose nature of the complex, it serves a number of functions locally and hosts a wide range of event types. As a result, it has been and will continue to be affected by factors that influence the public-assembly facilities industry. These include broader economic conditions that impact travel and the convention and meetings industry, the overall competitiveness of the industry, and the presence of new and renovated facilities that offer a high level of services and amenities.

- The following conclusions and recommendations have been made, through our interviews with stakeholders and review of other recent studies:
  - There has been a significant increase in the number of smaller, low-revenue-generating events at the complex in recent years.
  - Overall usage of the complex is relatively low, compared to similar facilities, and its deficit is relatively high.
  - The complex's ability to generate revenues is limited due to its marketing, lack of revenue-generating facilities, and low levels of non-equestrian events.
  - A number of improvements to both the arena and equestrian center are needed.
  - The complex can be expensive to use.
  - Particularly with better offerings, the complex can be more highly utilized.
- The local area has a rich history with the equine industry. Statewide, Maryland is among the nation's leaders in terms of various measures of the size and strength of the industry, and Prince George's County has one of the strongest equine industries in Maryland.
- The PGEC is the most comprehensive equestrian center in Maryland, although many others can compete with the complex for various types of uses. Showplace Arena does not have many direct local competitors for sports and entertainment events, but competes with others for flat-floor events.

### **Comparable Facilities**

We analyzed various characteristics of four facilities across the country that are in many ways similar to the PGEC. These facilities are the Virginia Horse Center in Lexington, VA; the Deschutes County Fair and Expo Center in Redmond, OR; the Western North Carolina Agricultural Center in Fletcher, NC; and the Salt Lake County Equestrian Center in South Jordan, UT. In general, these complexes are similar in scale to the PGEC and are multipurpose event complexes with indoor arenas, outdoor equestrian and other livestock facilities such as stables, barns, show rings, and outdoor arenas, and other facilities.

- The facilities' markets vary in size; two are in smaller communities that are remote from a major metropolitan area, one is in a small market but close to a mid-sized city, and one is close to a major city.
- Three of the four facilities are owned and operated by a public body; the fourth was originally formed as a 501(c)3 but has since been taken private.



- As described above, the complexes have many facilities that are similar to the PGEC's. All have an indoor, multipurpose arena with 3,000 to 4,000 seats and varying numbers of show rings, barns and stalls, and other equestrian-oriented facilities.
- Annual event demand at the facilities ranged from approximately 100 to 200 total events, including equestrian and non-equestrian events. This is similar to the recent annual usage of the PGEC.
- The three facilities for which financial information is available all generated operating deficits. These deficits ranged from \$400,000 to \$700,000, with expense coverage of 50 percent to 90 percent. The PGEC's revenues were 43 percent of expenses in its last fiscal year.

## Recommendations and Case Studies

- In order to improve the complex's utilization and decrease its annual subsidy, we recommend that the Arena attempts to increase its usage by non-equestrian events, particularly during the winter when equestrian usage is low.
- A significant factor in the complex's ability to increase its usage will be the ability to offer better facilities to users. As a result, we recommend a number of improvements to the complex, including:
  - Arena improvements – include food and beverage and restroom facilities, the roof's rigging capacity, scoreboard, and others such as improved rigging and lighting that would make the facility more attractive to and capable of hosting events.
  - Equine-based facilities – more warmup areas, additional and improved stables and stalls, and other improvements such as better drainage, footing, and power/water.

The total estimated cost of all identified improvements is approximately \$13.7 million.

- Should these improvements be made, we expect that the complex's facilities would experience increased usage and allow for greater revenue generation. Based on our interviews with stakeholders such as event promoters, addressing these shortcomings will make the facilities more attractive to events and attendees, and allow the facilities to host events that they cannot currently host at all, or with limitations.

This increased usage could include a wide range of event types, such as equestrian events, sports, concerts, consumer shows, and social events. For example, improvements to the arena's rigging system will better allow the facility to attract and host concerts, and increasing the number

of concession points of sale to conform with industry standards would improve the facility's ability to sell food and beverages.

- As a potential model for Showplace Arena, the Erie Insurance Arena in Erie, Pennsylvania is an example of an arena that has recently undergone an expansion and renovation. Many aspects of this arena's renovation are similar to those recommended for Showplace Arena, such as increased and improved concessions and restrooms and improved technical capabilities. According to facility management, since the renovation was completed last fall, the arena has booked new events that it could not previously accommodate, and its ability to generate revenues has increased.
- Should the complex not be improved physically, we expect that its usage and subsidy will remain fairly stable in the short term but would likely suffer in the long term, as events begin to outgrow the complex, and its facilities become more of a liability and less competitive with newer facilities.

### **Economic and Fiscal Impacts**

We have projected future operations and economic and fiscal impacts for two future scenarios: the first scenario assumes that recommended improvements are implemented, and a second scenario that assumes no major changes are made (beyond more routine maintenance that occurs annually).

All dollar figures are shown in 2013 price levels for the purpose of consistency and comparison. However, both the renovation and no-renovation scenarios show expected future results. While a specific year is not identified, we assume that the future scenarios shown are approximately 2020. This would allow four to five years for usage to stabilize following a renovation (assuming renovations were to be implemented over the next couple of years), and the same year to be compared for the no-renovation scenario.

**Table 1: Summary of Economic and Fiscal Impacts – Renovation and No-Renovation Scenarios (Revenues, Expenses, and Impacts in thousands)**

	Current	Post-Renovation	Incremental	No Renovation	Incremental
<b>Events and Attendance</b>					
# of Events	158	184	26	141	(17)
Attendance	251,714	328,650	76,936	200,250	(51,464)
<b>Facility Revenue (000s)</b>	\$1,233	\$2,030	\$797	\$863	(\$371)
<b>Facility Expenses (000s)</b>	\$3,619	\$3,181	(\$439)	\$2,937	(\$682)
<b>Net Operating Income (Deficit)</b>	(\$2,386)	(\$1,151)	\$1,235	(\$2,074)	\$312
<b>Total Net Direct and Indirect Spending (000s)</b>					
Prince George's County	\$9,871	\$13,388	\$3,517	\$7,548	(\$2,324)
Maryland	\$6,852	\$9,465	\$2,613	\$5,222	(\$1,631)
<b>Earnings Impacts (000s)</b>					
Prince George's County	\$3,273	\$4,278	\$1,005	\$2,540	(\$733)
Maryland	\$3,395	\$3,925	\$530	\$1,578	(\$1,817)
<b>Employment Impacts</b>					
Prince George's County	114	149	36	88	(26)
Maryland	120	139	19	53	(67)
<b>Fiscal Impacts (000s)</b>					
Prince George's County	\$328	\$466	\$138	\$214	(\$114)
Maryland	\$333	\$422	\$89	\$211	(\$122)
<b>Construction Impacts (\$000s)</b>					
Earnings - Prince George's County	--	--	\$2,519	--	--
Earnings - Maryland	--	--	\$8,183	--	--
Materials/Services - Prince George's County	--	--	\$1,491	--	--
Materials/Services - Maryland	--	--	\$9,691	--	--
Employment - Prince George's County	--	--	47	--	--
Employment - Maryland	--	--	156	--	--

Source: Partners for Economic Solutions

### **Renovation Scenario**

Generally, in the renovation scenario, operating results and all identified economic and fiscal impacts are expected to improve over current results.

- Post-renovation annual attendance at PGEC will increase over current levels, from approximately 252,000 currently to 329,000 post-renovation. The post-renovation operating revenue is projected to increase by 19 percent, from approximately \$1.2 million currently to \$2.0 million post-renovation. (All dollar amounts are shown in 2013 dollars.)
- In addition, net direct and indirect spending generated by non-county attendees will increase by \$3.5 million, from an estimated \$9.9 million currently to \$13.4 million post-renovation. Net direct

and indirect spending generated by non-Maryland attendees will increase by \$2.6 million, from an estimated \$6.9 million currently to \$9.5 million post-renovation.

- In Prince George's County, the net earnings impact (i.e., earnings supported by spending by non-county PGEC attendees) will increase by approximately \$1.0 million, from \$3.3 currently to \$4.3 million post-renovation. The net earnings impact in Maryland that is supported by non-Maryland attendees will increase by approximately \$500,000, from \$3.4 million currently to \$3.9 million post-renovation.
- Net employment (i.e., jobs supported by spending by non-county PGEC attendees) will increase by 36 FTEs in Prince George's County, from 114 FTEs currently to 149 FTEs post-renovation. In Maryland, net employment supported by non-Maryland attendees will increase by 19 FTEs, from 120 FTEs currently to 139 FTEs post-renovation.
- In terms of fiscal impacts, spending by non-county PGEC attendees currently generates an estimated \$328,000 annually in county tax revenue from sources such as county personal income tax, hotel/motel tax, and admissions and amusement tax. This revenue is projected to increase to \$466,000 post-renovation. An estimated \$333,000 in state tax revenue is currently generated by spending by non-Maryland PGEC attendees from sources such as state personal income tax, sales and use tax, and alcoholic beverage tax. This is projected to increase to \$422,000 post-renovation.
- Direct and indirect impacts from the construction of PGEC renovations will result in approximately \$8.2 million in earnings and an additional 156 FTE jobs in Maryland. Maryland businesses are projected to gain approximately \$9.7 million in revenue. Prince George's County is projected to capture approximately \$2.5 million in earnings and an additional 47 FTE jobs. Prince George's County businesses are projected to gain approximately \$1.5 million in revenue.

Assuming a \$13.7-million renovation (presumably from state funds) would result in a reduction of the complex's operating deficit of approximately \$1.2 million. While a deficit would still exist, saving \$1.2 million from a \$13.7-million investment can be seen as a nine-percent return that would be paid off in approximately 11 years. Including increased tax revenues at the state level (of \$89,000 per year) increases the return to nearly ten percent. (This does not include increased county tax collections of \$138,000 per year.) This return does not include any economic impacts that would accrue to the community. Assuming a renovation, spending, earnings, and employment impacts at the county and state levels would increase from current amounts.

***No-Renovation Scenario***

Should the recommended improvements not be made, we expect that operating results and all identified economic and fiscal impacts would decrease from current results.

- Annual attendance at the PGEC would decrease, from approximately 252,000 currently to 200,000. Operating revenue is projected to decrease from approximately \$1.2 million currently to approximately \$860,000.
- Net direct and indirect spending generated by non-county attendees is estimated to decrease by \$2.3 million, from an estimated \$9.9 million currently to \$7.5 million. Net direct and indirect spending generated by non-Maryland attendees will decrease by \$1.6 million.
- In Prince George's County, the net earnings impact (i.e., earnings supported by spending by non-county PGEC attendees) will decrease by approximately \$730,000, from \$3.3 million currently to \$2.5 million. The net earnings impact in Maryland that is supported by non-Maryland attendees will decrease by approximately \$1.8 million, from \$3.4 million currently to \$1.6 million.
- Net employment (i.e., jobs supported by spending by non-county PGEC attendees) will decrease by 26 FTEs in Prince George's County, from 114 FTEs currently to 88 FTEs. In Maryland, net employment supported by non-Maryland attendees will decrease by 67 FTEs, from 120 FTEs currently to 53 FTEs.
- In terms of fiscal impacts, net new tax revenue is projected to decrease to \$114,000 at the County level. For state-level taxes, amounts are estimated to decrease by \$122,000, to \$211,000.
- Because this scenario assumes no major renovations are made, there are no impacts associated with construction.



## II. Economic and Demographic Analysis of the Local Market

In this section, we will provide an overview of the Prince George's County market and broader metro area, as well as the immediate areas surrounding the Showplace Arena and Prince George's Equestrian Center (PGEC).

For the purposes of this section, the local market will be analyzed on multiple levels. These areas include:

- City of Upper Marlboro,
- Prince George's County,
- The State of Maryland, and
- The Washington–Arlington–Alexandria Metropolitan Statistical Area (metro area).

Characteristics shown for Upper Marlboro do not include the unincorporated Greater Upper Marlboro.

In some instances, data is not available for each of these geographic areas. Moreover, data at these levels will also be compared to national averages in order to better understand the performance of local markets.

The following map shows the location of Upper Marlboro and Prince George's County in relation to the surrounding area.

**Figure 1: Regional Map**



## Population

The City of Upper Marlboro decreased in population from 2000 to 2010, losing a net total of 17 residents. Prince George's County grew at an annual rate of 0.7 percent during this period, increasing from approximately 800,000 residents to more than 863,000 residents. The state and metro area both grew at faster rates (0.9 and 1.5 percent, respectively). The following table summarizes these changes for the various geographic areas.

**Table 2: Population by Geographic Area, 2000-2010**

Geography	2000	2010	Change	CAGR
Upper Marlboro - City	648	631	(17)	-0.3%
Prince George's County	801,515	863,420	61,905	0.7%
Maryland - State	5,296,486	5,773,552	477,066	0.9%
Washing-Arlington-Alexandria Metro Area	4,796,183	5,582,170	785,987	1.5%
United States	281,421,906	308,745,538	27,323,632	0.9%

Source: U.S. Census, AECOM

## Age of Population

The median age of Upper Marlboro is 39.5 years. Outside of residents younger than 14 years of age, the largest cohort of city residents are those between ages 40 and 49 (17.9 percent). The median age for Prince George's County is significantly lower than that of Upper Marlboro – 34.9 years, and the largest cohort (outside of residents younger than 14 years) consists of individuals between 20 and 29 years of age. Lastly, the median age for the State of Maryland is 38 years of age, while the metro area has a median age of 36.1 years.

**Table 3: Age of Population by Geographic Area, 2010**

	Upper Marlboro		Prince George's County		State of Maryland		Washington-Arlington-Alexandria Metro Area		United States	
	# of Residents	Percentage	# of Residents	Percentage	# of Residents	Percentage	# of Residents	Percentage	# of Residents	Percentage
0-14	114	18.1	168,696	19.6	1,110,385	19.3	1,104,688	19.8	61,227,213	19.8
15 to 19	28	4.4	67,439	7.8	406,241	7.0	370,283	6.6	22,040,323	7.1
20-29	79	12.5	135,326	15.6	787,246	13.7	812,443	14.6	42,687,848	13.8
30-39	102	16.1	121,753	14.1	745,903	12.9	829,658	14.9	40,141,741	13.0
40-49	113	17.9	129,437	15.0	879,748	15.2	871,927	15.6	43,599,555	14.1
50-59	103	16.4	115,114	13.4	818,608	14.1	752,133	13.5	41,962,930	13.6
60-69	56	8.9	73,630	8.5	544,375	9.4	474,404	8.5	29,253,187	9.5
70-79	22	3.5	34,514	4.0	284,640	5.0	222,930	4.0	16,595,961	5.4
80+	14	2.2	17,238	2.0	196,706	3.4	143,704	2.6	11,236,760	3.7
<b>Total</b>	<b>631</b>	<b>100.0</b>	<b>863,147</b>	<b>100.0</b>	<b>5,773,852</b>	<b>100.0</b>	<b>5,582,170</b>	<b>100.1</b>	<b>308,745,518</b>	<b>100.0</b>
<b>Median Age</b>	<b>39.5</b>		<b>34.9</b>		<b>38.0</b>		<b>36.1</b>		<b>37.2</b>	

Source: U.S. Census

## Household Income

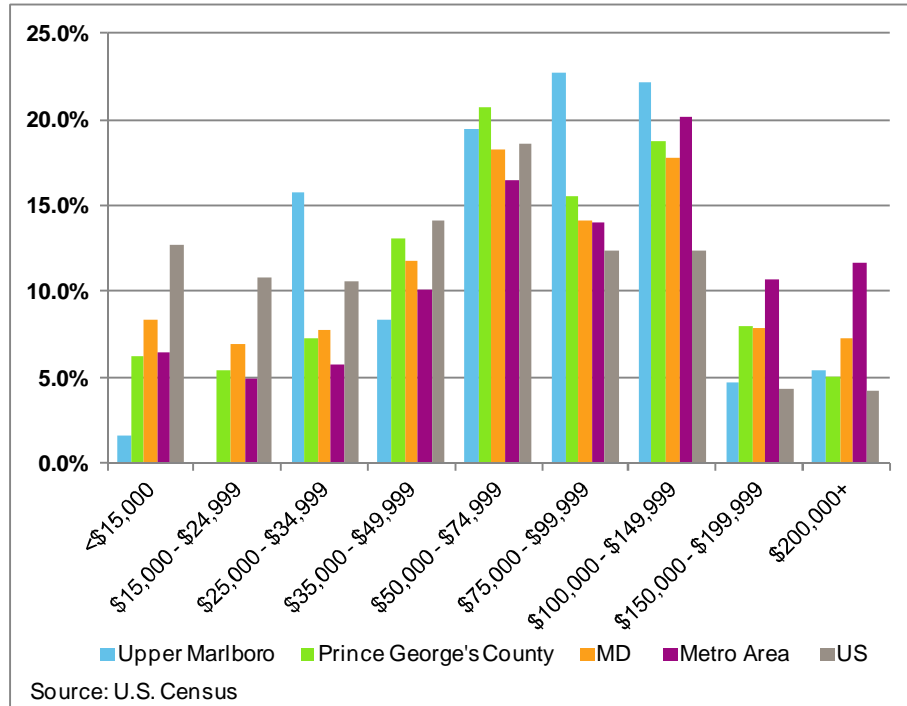
The median household income in Upper Marlboro was nearly \$79,000 in 2010, which was greater than that of the county (\$71,260) and state (\$70,647), but not as much as the metro area (\$85,660). The metro area currently has the highest median household income of any metro area in the United States; the national median is approximately \$52,000. The following table and chart summarize this data, by income bracket.

**Table 4: Household Income by Geography, 2010**

	Upper Marlboro - City		Prince George's County		State of Maryland		Washington-Arlington-Alexandria Metro Area		United States	
	# of Households	Percentage	# of Households	Percentage	# of Households	Percentage	# of Households	Percentage	# of Households	Percentage
<\$15,000	5	1.7%	18,730	6.2%	176,115	8.3%	129,439	6.4%	14,569,136	12.8%
\$15,000 - \$24,999	0	0.0%	16,407	5.4%	145,954	6.9%	98,691	4.9%	12,340,738	10.8%
\$25,000 - \$34,999	47	15.7%	21,831	7.2%	164,080	7.7%	115,332	5.7%	12,043,840	10.5%
\$35,000 - \$49,999	25	8.4%	39,453	13.1%	249,521	11.8%	202,750	10.1%	16,132,902	14.1%
\$50,000 - \$74,999	58	19.4%	62,403	20.7%	386,304	18.2%	331,894	16.5%	21,201,711	18.6%
\$75,000 - \$99,999	68	22.7%	46,958	15.6%	299,813	14.1%	281,332	14.0%	14,097,295	12.3%
\$100,000 - \$149,999	66	22.1%	56,648	18.8%	375,928	17.7%	404,793	20.1%	14,065,756	12.3%
\$150,000 - \$199,999	14	4.7%	24,198	8.0%	167,757	7.9%	216,529	10.7%	4,993,775	4.4%
\$200,000+	16	5.4%	15,278	5.1%	155,575	7.3%	233,707	11.6%	4,790,843	4.2%
<b>Total Households</b>	<b>299</b>	<b>100.0%</b>	<b>301,906</b>	<b>100.0%</b>	<b>2,121,047</b>	<b>100.0%</b>	<b>2,014,467</b>	<b>100.0%</b>	<b>114,235,996</b>	<b>100.0%</b>
<b>Median Household Income (\$)</b>	<b>\$78,750</b>		<b>\$71,260</b>		<b>\$70,647</b>		<b>\$85,660</b>		<b>\$51,194</b>	

Source: U.S. Census

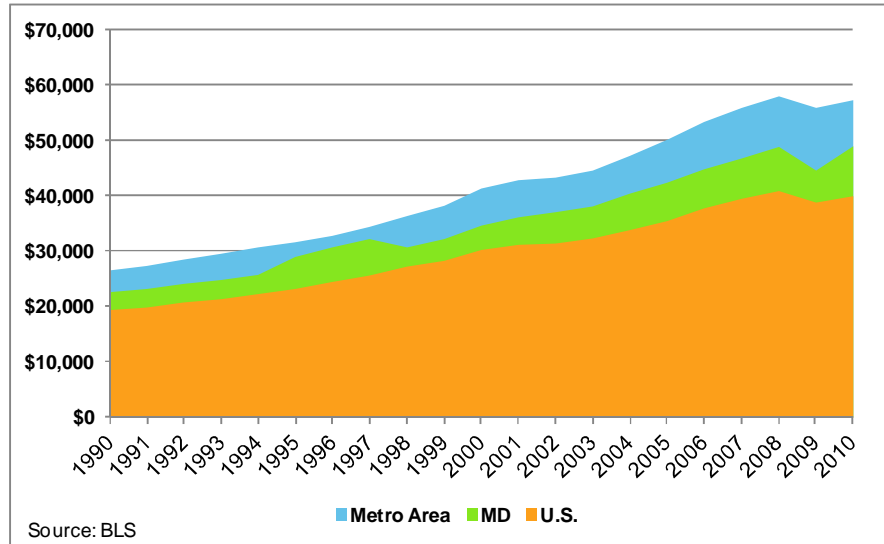
**Figure 2: Household Income by Geography, 2010**



## Per Capita Income

In the past two decades, per-capita income levels in the greater Washington D.C. area were on average 28 percent higher than the national average and 15 percent higher than the state of Maryland's. In 2010, the metro area reported a per-capita income of \$57,343, compared to \$51,038 for the State of Maryland and \$41,663 nationally. Per-capita income throughout the region reached a peak in 2008, and in 2010, began to approach past highs. This data is summarized in the following charts.

**Figure 3: Per-Capita Personal Income Growth, 2000-2010**



**Table 5: Per-Capita Personal Income, 1990-2010**

	Metro Area	Maryland	U.S.
1990	\$26,545	\$22,681	\$19,354
1991	\$27,429	\$23,282	\$19,818
1992	\$28,542	\$24,112	\$20,799
1993	\$29,587	\$24,805	\$21,385
1994	\$30,700	\$25,780	\$22,297
1995	\$31,638	\$29,000	\$23,262
1996	\$32,802	\$30,742	\$24,442
1997	\$34,387	\$32,216	\$25,654
1998	\$36,422	\$30,742	\$27,258
1999	\$38,301	\$32,216	\$28,333
2000	\$41,364	\$34,678	\$30,319
2001	\$42,884	\$36,203	\$31,157
2002	\$43,328	\$37,092	\$31,481
2003	\$44,611	\$38,153	\$32,295
2004	\$47,310	\$40,499	\$33,909
2005	\$50,187	\$42,405	\$35,452
2006	\$53,384	\$44,858	\$37,725
2007	\$55,913	\$46,839	\$39,506
2008	\$58,037	\$48,864	\$40,947
2009	\$55,947	\$44,611	\$38,846
2010	\$57,343	\$49,023	\$39,937

Source: BLS

## Employment

### Prince George's County

In total, nearly 240,000 people were employed in Prince George's County in 2010. The largest industries by number of paid employees included construction, healthcare and social assistance, and retail trade. Professional services, administrative support, and accommodation and food services also play a prominent role in the local economy. Prince George's County residents generated more than \$10.2 billion in earnings in 2010. Professional, scientific and technical services, construction and healthcare and social assistance comprised the three largest industries with regard to income.

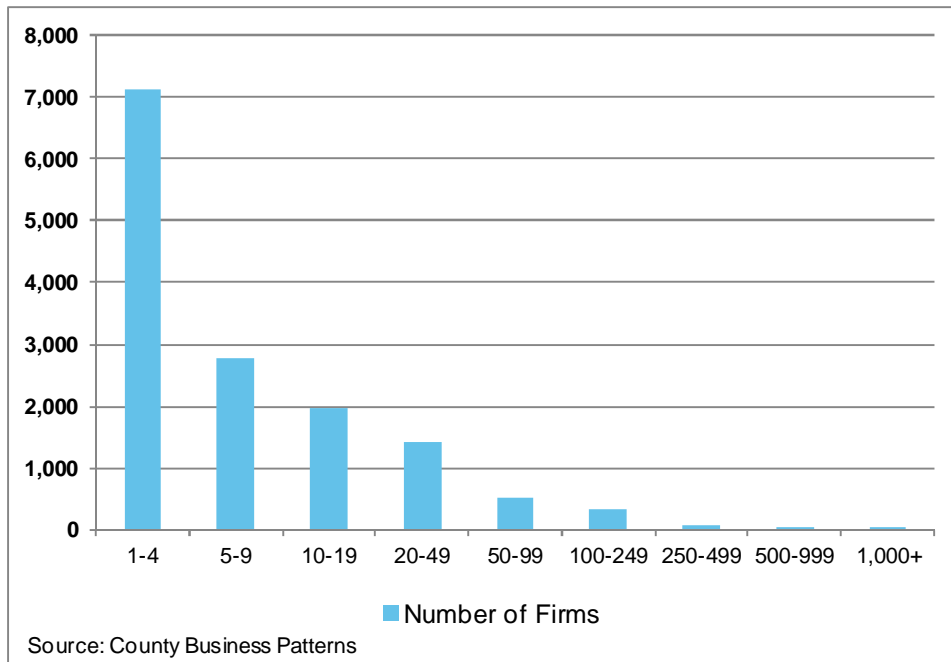
**Table 6: Prince George's County Employment by Industry, 2010**

Description	Paid Employees	Annual Payroll (\$000s)	Total Establishments
Agriculture, forestry, fishing & hunting	-	-	4
Mining, quarrying & oil & gas extraction	-	-	3
Utilities	-	-	9
Construction	28,361	1,549,225	1,454
Manufacturing	8,585	500,064	292
Wholesale trade	12,384	705,604	612
Retail trade	35,211	931,794	2,186
Transportation & warehousing	9,677	400,379	347
Information	6,047	382,451	254
Finance & insurance	6,240	325,451	662
Real estate & rental & leasing	5,729	247,972	630
Professional, scientific & technical services	24,737	1,823,949	1,712
Management of companies & enterprises	2,734	230,845	72
Administrative support & waste management	24,090	912,086	929
Educational services	4,289	128,825	214
Healthcare & social assistance	28,544	1,163,558	1,802
Arts, entertainment & recreation	4,694	75,915	176
Accommodation & food services	22,043	413,758	1,207
Other services (except public administration)	13,746	452,452	1,669
Industries not classified	7	453	16
<b>Total</b>	<b>237,118</b>	<b>10,244,781</b>	<b>14,250</b>

Source: County Business Patterns

In total, there are 14,250 firms located in Prince George's County. Roughly half of the firms employ between one and four individuals. An additional 44 percent of employed residents work for firms that range between five and 49 employees. A very limited share (14 firms) has more than 1,000 employees.



**Figure 4: Prince George's County Number of Firms by Employees, 2010**

### Metropolitan Statistical Area

In total, nearly 2.4 million people were employed in the Washington D.C. metro area in 2010. The largest industries by number of paid employees included professional, scientific and technical services, healthcare and social assistance, and retail. Administrative support and accommodation and food services also play a prominent role in the local economy. The metro area generated more than \$137 billion in earnings in 2010. Professional, scientific and technical services comprised more than \$45 billion, while healthcare and social assistance provided an additional \$13.3 billion in additional payroll.

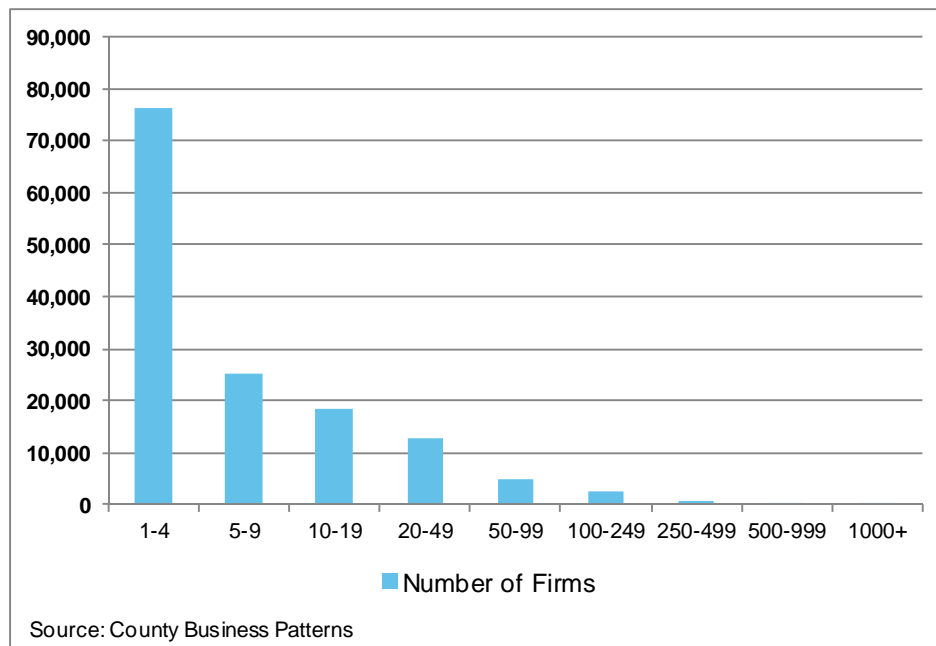
**Table 7: Washington D.C. Metro Area Employment by Industry, 2010**

Description	Paid Employees	Annual Payroll (\$000s)	Total Establishments
Agriculture, forestry, fishing & hunting	464	17,339	141
Mining, quarrying & oil & gas extraction	684	48,747	41
Utilities	7,867	780,538	157
Construction	133,475	7,419,804	12,058
Manufacturing	52,095	3,148,416	2,118
Wholesale trade	59,467	4,193,679	4,198
Retail trade	251,068	6,998,230	16,092
Transportation & warehousing	49,265	2,108,943	2,239
Information	97,713	9,481,204	3,429
Finance & insurance	97,900	8,860,206	7,234
Real estate & rental & leasing	50,261	2,890,665	6,759
Professional, scientific & technical services	484,690	45,371,499	30,053
Management of companies & enterprises	51,242	5,261,633	1,244
Administrative support & waste management	218,686	8,909,748	8,317
Educational services	91,566	3,716,668	2,570
Healthcare & social assistance	279,428	13,294,356	14,736
Arts, entertainment & recreation	40,080	1,400,044	1,932
Accommodation & food services	225,797	4,600,624	11,481
Other services (except public administration)	178,327	9,294,831	15,845
Industries not classified	-	7,689	376
<b>Total</b>	<b>2,370,075</b>	<b>137,804,863</b>	<b>141,020</b>

Source: County Business Patterns

In total, there are more than 141,000 firms located in the greater Washington D.C. region. Roughly 54 percent of these firms employ between one and four individuals. An additional 40 percent of employed residents work for firms that range between five and 49 employees. There are more than 150 firms in the greater metro area that employ more than 1,000 employees.

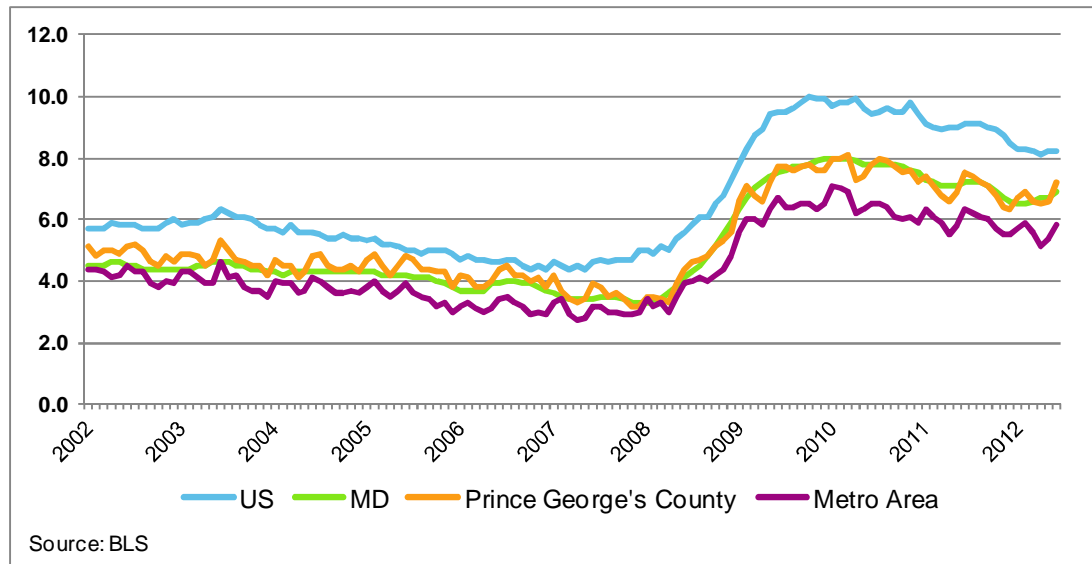
**Figure 5: Washington D.C. Metro Area Number of Firms by Employees, 2010**



## Unemployment Rate

The chart below compares historic trends in unemployment rates from January 2002 through June 2012. Overall, Prince George's County, the State of Maryland, and the metro area trended below the national averages. Unemployment rates were at their lowest nationally at the end of 2006 and beginning of 2007; during this period, unemployment declined to 4.4 percent. Unemployment in the metro area reached as low as 2.7 percent in mid-2007, and unemployment declined to as low as 3.2 percent for Maryland and Prince George's County toward the end of 2007.

Unemployment rates peaked at the end of 2009 and start of 2010. During this period, national unemployment reached 10 percent. The State of Maryland and Prince George's County both reached as high as eight percent by January 2010; meanwhile, the Washington D.C. metro area peaked at 7.1 percent in January 2010.

**Figure 6: Unemployment Rate, 2002-2012**

## Major Employers

The following table summarizes the county's largest employers in 2011. These companies represent industries including logistics, communications, retail and health-related industries.

**Table 8: Prince George's County – Largest Employers, 2011**

Employer	Number of Employees
United Parcel Service (UPS)	4,220
Giant Food, Inc.	3,600
Verizon	2,738
Dimensions Health Corp.	2,500
Gaylord National Resort & Convention Center	2,000
Shoppers Food Warehouse	1,975
Safeway Stores, Inc.	1,605
Chevy Chase Bank	1,456
Target	1,400
Doctor's Community Hospital	1,300
Southern MD Hospital Center	1,300

Source: Prince George's County

At the metro level, the federal government employs more than 140,000 people, and many others work for private contractors that work directly with the government. However, the region is also strong in other industries, including science and engineering, technology, and education. The following table summarizes major private companies that are headquartered in the metro area.

**Table 9: Metro Area – Largest Employers**

Company	Location	Revenue (billions)
AES Corporation	Northern Virginia (Arlington)	\$17.1
Booz Allen Hamilton	Northern Virginia (McLean)	\$5.1
Capital One	Northern Virginia (McLean)	\$19.0
Computer Sciences Corporation	Northern Virginia (Falls Church)	\$16.1
Coventry Health Care	Suburban Maryland (Bethesda)	\$11.6
Danaher Corporation	District of Columbia	\$13.2
Fannie Mae	District of Columbia	\$153.8
Freddie Mac	Northern Virginia (McLean)	\$98.4
Gannett Company	Northern Virginia (McLean)	\$5.6
Geico	Suburban Maryland (Chevy Chase)	\$9.2
General Dynamics	Northern Virginia (Falls Church)	\$32.5
Hilton Worldwide	Northern Virginia (McLean)	\$7.5
Lockheed Martin	Suburban Maryland (Bethesda)	\$46.9
Marriott International	Suburban Maryland (Bethesda)	\$11.7
Mars, Incorporated	Northern Virginia (McLean)	\$28.0
NII Holdings	Northern Virginia (Reston)	\$5.6
Northrop Grumman	Northern Virginia (Falls Church)	\$34.8
Pepco Holdings	District of Columbia	\$7.0
SAIC	Northern Virginia (McLean)	\$11.1

Source: AECOM

Other characteristics of the local market that could affect the operations of the complex appear in the following section.

### **III. Showplace Arena and The Prince George's Equestrian Center, and Analysis of Local Market Support**

In this section, we summarize the characteristics and operations of the Arena and Equestrian Center, as well as feedback from various stakeholders, and provide an overview of the facilities and events industry.

#### **Local and National Industry Overview**

The Arena and Equestrian Center, as described below in more detail, host a wide range of event types due to the multiple facility offerings within the complex. These events include indoor events such as sports and entertainment, business events, and community events, as well as outdoor equestrian events. As a result, the complex serves many functions within the community – such as an entertainment destination, a meetings site, a community center, a competition venue, and others. It therefore can be affected by factors that influence multiple areas of the public-assembly facility industry. This section addresses trends within this industry, including arenas, meetings/convention facilities, fairgrounds, and equestrian centers (many of which are consistent across facility types).

- The business/convention industry declined due to the national recession, as these events are heavily influenced by economic trends that affect corporate and public-sector revenues, as well as individual incomes. However, more recently, indicators of the strength of the meetings/convention industry have improved, particularly compared to 2007-2009 levels.
- Competitiveness: in general, the public-assembly industry has seen the addition of many new facilities in recent years, and this has made competition for attracting and hosting events more intense. The Prince George's County area is not immune from this, as it has a wide range of facilities that can compete with the PGEC (these are identified later in this section), although not all are new. Newer facilities in general can provide advantages over older facilities (or those that have not been renovated recently) in that they are better adapted to the characteristics of modern events and their need to generate revenues (see below).
- Multipurpose Use: in order to maximize usage (and revenues), facilities are often designed to be as multipurpose as possible. For a sports/entertainment facility, this can result in the ability to host much more than just a sporting event or concert – design could accommodate for smaller events such as meetings, conferences, and other private social events. For a meetings-oriented facility, this could mean the ability to host ticketed sports and entertainment events.
- Technology: as technology improves, these improvements are generally reflected in public-assembly venues. Depending on the facility type, features that can be affected by technology can include scoreboard capabilities (such as size and quality), ticketing, concessions (such as menu board flexibility), wireless capability for attendees, and many others.



- **Amenities:** amenities can be associated with technology (see above) or other offerings. These can range from wireless connectivity to improved food and beverage offerings to increased levels of service surrounding an event, or simply higher-quality facilities. As facilities offer these improved and expanded amenities, events and users begin to expect them at other facilities.
- **Revenue Generation:** there is an increased level of focus on a facility's ability to generate revenues, whether it is publicly- or privately-owned. As compared with the past, facilities are rarely viewed as purely public services that can be subsidized with no limits. Publicly-owned facilities, particularly with the current fiscal state of most government bodies, need to be efficient and limit deficits. Facilities that have been privately developed have seen increased development costs due to factors such as the ones listed above, and therefore require greater levels of revenue to provide a sufficient return on capital.
- **Premium offerings:** particularly in sports and entertainment venues for ticketed events, facilities are responding to a demand for a higher level of seating and entertainment options (this can also be considered as an amenity or revenue-generating trend). This is not exclusive to major venues and can include luxury suites, club seats, other types of group seating areas, clubs and restaurants, and others.
- **Surrounding development:** many facilities are now being planned as just one part of a broader development that can offer convenient entertainment, lodging, and other options before and after an event. Rather than offering a drive-in, drive-out environment for an event, municipalities and developers are increasingly building entertainment districts that are more fully inclusive of an attendee's needs. Locally, National Harbor is an example of this type of development.

## **Prince George's Equestrian Center and Showplace Arena**

The PGEC is a multipurpose complex in Upper Marlboro that includes the Showplace Arena. The PGEC's facilities in general have a strong orientation towards equine events, but the arena is a more multipurpose facility that hosts a wide range of equine- and non-equine events. However, the arena was originally planned to host equine events only. Major events currently held at the complex include the Capital Challenge Horse Show and the Colonial Athletic Association's women's basketball tournament; the arena has previously hosted minor-league sports teams. The PGEC is owned and operated by The Maryland-National Capital Park and Planning Commission's Department of Parks and Recreation/Prince George's County.

A map of the overall complex's property is shown below, followed by a representation of the arena's facilities.

# The Show Place Arena and Prince George's Equestrian Center

A detailed map of The Show Place Arena and Prince George's Equestrian Center. The map features a central area labeled 'THE SHOW PLACE ARENA' with a green circular 'Show Ring' and a smaller 'Schooling Area'. To the left of the arena are 'BARN NO. 1', 'BARN NO. 2', and 'BARN NO. 3'. Adjacent to these are 'Camping Area', 'Concessions', and a 'Trailer'. To the right of the arena is a 'Secretary's Office' and another 'Trailer'. A large, dark red, kidney-shaped area labeled 'INFIELD & RACETRACK' dominates the right side of the map. To the right of the infield are several rectangular areas: 'People Paddock Area', 'Thoroughbred Stabling Area' (containing stalls numbered 1 through 10), 'Maintenance Building', 'Storage', 'Auxiliary Ring', and 'Warm-Up Ring'. A 'Trailer' is also located near the warm-up ring. The map is bordered by 'MARYLAND ROUTE 4/PENNSYLVANIA AVENUE' at the top and 'WHITE STREET' on the left. A 'Jockey Center Parking Garage' is marked with a 'P' near the top left. A north arrow is located in the bottom left corner.

## INDOOR FACILITIES

The floor plan illustrates the layout of the indoor facilities, centered around the **ARENA FLOOR**. The arena is surrounded by four concourses: **West Concourse**, **Northwest Concourse**, **East Concourse**, and **Southwest Concourse**. The **South Concourse** is also labeled. Access to the arena is provided by **South Tunnel** and **Northwest Tunnel**. The plan includes various support areas: **RESTROOMS** (light blue), **CONCESSIONS** (yellow), and **PRIVATE BOXES** (dark green) are located along the concourses. The **East Concourse** features a **TACK ROOM** and a **Kitchen**. The **Southwest Concourse** has a **Paddock Room**. The **Northwest Concourse** includes **ADMINISTRATIVE OFFICES**, an **Elevator & Box Office**, and a **GRAND STAND LOBBY**. The **CLUB HOUSE ENTRANCE** leads to the **WINNER'S CIRCLE LOUNGE**.

The PGEC's main event and support facilities are summarized as follows:

- **Showplace Arena** – hosts equine and non-equine events such as sporting events, concerts, flat-floor events, graduations, and others. Depending on the event type, the arena can accommodate approximately 3,000 (in its permanent seating) to 5,500 attendees. The arena also has a 34,000-square foot floor. Other facilities within the arena include:
  - A 1,320-square foot lounge (the Winners Circle Lounge) with a built-in bar,
  - The 2,270-square foot Paddock Room and 2,560-square foot Tack Room, which are adjacent to each other and overlook the arena floor,
  - Five private suites on the arena's east side, and
  - Locker rooms, a show management office, and concession stands.
- **Outdoor facilities** – these include the following:
  - Two 150' x 300' show rings with adjacent schooling rings,
  - One 140' x 280' show ring with adjacent schooling rings,
  - Permanent stabling for 240 horses,
  - A vendor area and concession area,
  - Camping sites with electric hookups,
  - A show secretary's office and judges' stands, and
  - Space for temporary stabling in the old racetrack's infield.

The complex also has 2,500 on-site parking spaces. However, the availability of parking can be an issue for the complex, as the parking lot is also used by the County, which offers free park-and-ride services from the complex to the county courthouse, administration building, and other downtown locations.

Later in this report, we address potential renovations and capital improvements that could make the complex more competitive. In addition, the Maryland-National Capital Parks and Planning Commission (MNCPPC) typically invests in improvements annually. For FY 2014, a total of approximately \$1.7 million has been identified; the largest items are for renovation of offices and HVAC and water distribution improvements. Proposed improvements for the next two fiscal years are approximately \$3.2 million, which include parking lot repairs, replacement of lighting for energy efficiency, chiller replacement, and roof replacement. As of April 2014, the roof replacement has been funded and others are expected to be funded.

## PGEC Usage and Operations

The following tables summarize the PGEC's recent annual events/attendance and revenues and expenses.

**Table 10: PGEC Annual Events and Attendance**

	FY10		FY11		FY12	
	Events	Atten.	Events	Atten.	Events	Atten.
Equestrian	34	66,614	31	65,818	31	57,579
Graduation	33	75,667	37	86,806	42	92,804
Banquet	22	4,058	19	2,860	25	1,791
Meeting	18	739	15	717	24	1,495
Other Sports	13	28,297	16	34,987	10	21,778
Trade	10	21,771	12	24,497	12	20,101
SMERF	6	9,988	12	18,663	9	13,506
Concert/Promoted Show	9	20,922	5	16,109	5	15,323
Other	4	7,393	3	5,830	4	4,100
Fundraiser	2	913	3	880	1	241
Rodeo	1	2,193	2	3,257	1	5,255
Fair	1	6,920	1	10,269	1	5,000
<b>Total</b>	<b>153</b>	<b>245,475</b>	<b>156</b>	<b>270,693</b>	<b>165</b>	<b>238,973</b>

Source: PGEC

**Table 11: PGEC Operating Revenues and Expenses (000s)**

	FY10	FY11	FY12
<b>Operating Revenues</b>			
Facility Rental	\$910	\$1,000	\$1,014
Food Service (Net)	282	187	161
Other Revenue	70	68	8
<b>Total Operating Revenues</b>	<b>\$1,262</b>	<b>\$1,255</b>	<b>\$1,183</b>
<b>Operating Expenses</b>			
Salaries, Wages, and Benefits	\$2,109	\$2,044	\$1,472
Contract Labor	328	239	184
Utilities	618	653	607
Repair and Maintenance	348	391	417
General and Administrative	380	375	145
Supplies	57	71	104
Other Expenses	179	87	50
<b>Total Operating Expenses</b>	<b>\$4,019</b>	<b>\$3,860</b>	<b>\$2,979</b>
<b>Net Operating Income (Deficit)</b>	<b>(\$2,757)</b>	<b>(\$2,605)</b>	<b>(\$1,796)</b>

Source: PGEC

## **Other PGEC and Industry Studies**

The following information regarding the PGEC and Arena is taken from other recent studies that have been performed.

### ***Usage***

- Occupancy levels of the Arena have recently been higher than those of the Equestrian Center and banquet room.
- However, occupancy of the banquet room has increased significantly in the last three years, which indicates greater levels of events that generate fewer revenues and attendees.
- Usage of the Arena is greatest in the fall and lowest in the winter. Use of equestrian space is greatest in the spring and fall, and is essentially zero in the winter. Banquet usage is relatively more consistent throughout the year.

### ***Benchmarks/Comparable Facilities***

- Usage of the complex is low compared to benchmarked facilities. (This generally applies to non-equestrian events.)
- The PGEC's operating deficit is greater than average.
- Overall staffing levels of the PGEC are similar to those of other complexes.

### ***Financial***

- Revenues are limited by relatively low non-equestrian event levels, as well as issues with F&B operations, sales/marketing efforts, event services, and limited revenue-generating facilities.
- Expenses are relatively high due to factors such as the cost to change over the arena between dirt and non-dirt events.

### ***Capital Improvements***

- A masterplan should be completed in order to identify future needs.
- Specific improvements should include major facility systems and lighting, security, the box office, and traffic/parking.

## ***The Maryland Horse Park***

In recent years, a number of other studies and analyses have been prepared regarding the general equine industry locally and the potential for a Maryland Horse Park complex, in addition to the PGEC and arena specifically. While multiple local and state industry groups have worked on various initiatives to further the equine industry through marketing, public policy, education and outreach, and facility development, this section focuses on efforts to plan a Maryland Horse Park.

Since 1999, when it was first raised by the Horse Industry Board, the concept of a Maryland Horse Park has been discussed and planned. In 2006, a feasibility study for a Horse Park and Agricultural Education Center in Gambrills was completed, following a decision by a site selection committee that determined Gambrills to be the best alternative. The study identified a Horse Park at a single site that would host local, regional, national, and international equine-related events and programming.

In 2009, the complex had not been built, and the Maryland Horse Forum identified the Horse Park as a priority for the industry and state. In 2010, it was again addressed by the Prince George's County Equine Industry Task Force, which recommended using the existing PGEC in conjunction with other parks and facilities to create a multi-site Horse Park.

More recently, a concept of a Horse Park at the PGEC/Showplace Arena, the Baltimore County Agricultural Center, and the Fair Hill Equine Therapy Center in Elkton has been raised. A first phase of analysis has been completed for the MSA; this concluded that the Horse Park concept would be a viable development for the state to pursue.

## **Other Local Market Characteristics**

### **Road and Air Access**

Upper Marlboro is located just outside the Capital Beltway (I-495) and approximately 20 miles east of Washington D.C. The town and the complex are easily accessible via Maryland Route 4 (which passes by the complex's front entrance) and US Route 301. Baltimore is less than 40 miles north of Upper Marlboro, and other cities within 250 miles include Philadelphia, New York, Richmond, and Norfolk.

Due to its proximity to these major markets, a number of airport options are easily accessible to and from Upper Marlboro. The Baltimore/Washington International Thurgood Marshall Airport (30 miles), Washington Dulles International Airport (50 miles), and Ronald Reagan Washington National Airport (22 miles) are all within short driving distance of Upper Marlboro. All three airports are major facilities and were among the country's 26 busiest airports in 2011, based on their number of passenger boardings.

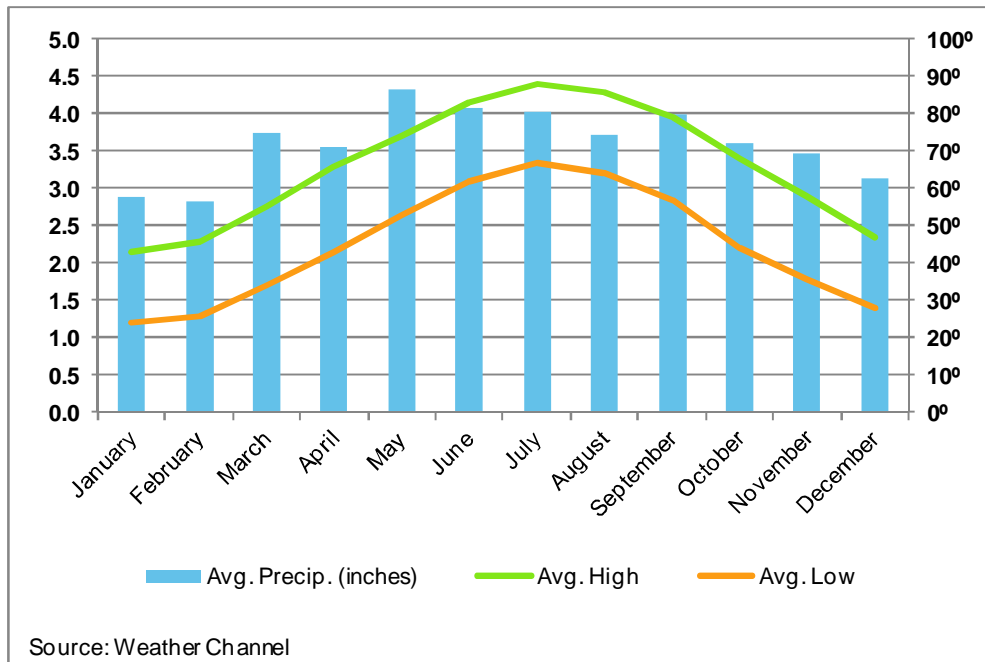
Figure 1: Regional Map, in the previous section, shows the location of the area's three major airports and the main roadways that serve Upper Marlboro and the region.

### **Climate and Seasonality**

The figure below reflects the vast disparity in average monthly temperatures in Upper Marlboro. Over the entire year, the average high is 66°F while the average low is approximately 45°F. During the summer months, the average high temperature reaches 88°F, while the average low temperature declines to 24°F in the winter months. The two months with the most and least precipitation are May and February, respectively. The following figure presents 30-year climatic data averages by month.



**Figure 9: Upper Marlboro – Avg. Monthly Temperatures and Rainfall, 1982-2012**



## Development Trends

Due to the small geographic area contained within Upper Marlboro (0.4 square miles), very little development of any significance is physically possible. However, the town's downtown (centered on Main Street) has a number of businesses and the county's courthouse and administration building, which generate significant activity for the immediate area. Upper Marlboro's primary residential area is west of downtown.

In recent years, a great deal of development activity has occurred and has been planned to the west of Upper Marlboro. In 2008, the first phase of National Harbor opened, including the 2,000-room Gaylord National Resort & Convention Center. Other existing and planned components of National Harbor include additional hotels, residential, offices, retail (including a Tanger Outlet mall), a marina, and the National Children's Museum. In November 2012, Question 7 was approved by county and state voters, which legalizes development of a casino at National Harbor.

In addition, to the west of Upper Marlboro but between the town and National Harbor (adjacent to Andrews Air Force Base), Westphalia Town Center has long been planned. Should it be built as approved, it will become the county's biggest mixed-use development since National Harbor, with 15,000 homes, more than four million square feet of office and industrial space, nearly one million square feet of retail, and new transit, police, fire, and library facilities, parks, schools, and roads.

## Tourism and Infrastructure

Upper Marlboro has two hotel options – an Executive Inn & Suites and a Sleep Inn & Suites – totaling 125 rooms. However, there are more than 8,200 rooms located throughout Prince George’s County and of course many thousands more in surrounding areas such as Washington DC. The following table summarizes the number and location of hotel rooms in the county (not including bed and breakfast properties and camping sites).

**Table 12: Prince George’s County Hotel Inventory**

North County Area		Central County Area		South County Area	
Adelphi	237	Bowie	289	Camp Springs	372
Beltsville	374	Capitol Heights	69	Clinton	404
College Park	1,044	Cheverly	175	National Harbor	2,503
Greenbelt	907	Landover	224	Oxon Hill	317
Laurel	424	Lanham	169	Upper Marlboro	125
		Largo	400		
		New Carrollton	197		
<b>Total</b>	<b>2,986</b>	<b>Total</b>	<b>1,523</b>	<b>Total</b>	<b>3,721</b>

Source: Prince George’s County CVB, AECOM

Nearly one-third of the county’s hotel rooms are at National Harbor, including the 2,000-room Gaylord National Resort & Convention Center, which is approximately 17 miles east of Upper Marlboro on the Potomac River that forms part of the Maryland-Virginia border.

According to the Maryland Office of Tourism, the following information characterizes various aspects of the local tourism industry:

- 16 percent of tourism to Maryland occurs in the “Capital” region, which includes Prince George’s, Frederick and Montgomery counties. Approximately half is to the Central region (which includes Baltimore), 22 percent is to the Eastern Shore, seven percent is to Western Maryland, and four percent is to Southern Maryland.
- In Prince George’s County, the average daily rate (ADR) for hotels was approximately \$126 and the occupancy rate was 57.6 percent. This ADR was higher than that of the Capital Region (\$121) and state (\$112), and the occupancy rate was similar to those areas’ levels.
- Statewide, approximately one-third of tourists in Maryland live in Maryland. The other largest feeder markets are Virginia (19 percent) and Pennsylvania (15 percent).

Similar to the hotel inventory, there is very little retail or other attractions within Upper Marlboro proper but the surrounding area has a great deal of offerings. Prince George’s County has the metro area’s only theme park (Six Flags America), the Washington Redskins’ FedEx Field, the University of Maryland, and

the relatively new National Harbor, a 300-acre mixed-use waterfront development. The county also has a wide range of museums and historic sites, performance venues, golf courses, and other attractions.

### **The Local/Regional Equine Industry**

The Prince George's County area, and the state of Maryland in general, have a rich history with the equine industry. According to the Maryland Horse Industry Board:

- Nearly 10 percent of the state's land is controlled by horse owners,
- More than 65,000 Marylanders are owners, employees, or volunteers within the industry,
- Nearly 200,000 acres are strictly devoted to horses and nearly 90,000 equine acres are permanently preserved as farmland,
- There are nearly 80,000 horses in Maryland, and 16,000 facilities where horses are kept, and
- More than \$500 million is annually spent on equine-related operations and capital expenditures.

In addition, according to the American Horse Council, the state of Maryland is among the country's leaders in terms of various measures of the size and strength of its equine industry (such as value of goods and services, economic impacts, and number of jobs and horses).

Locally, in Prince George's County, the local horse population is among the strongest in the state. According to the Horse Industry Board's 2010 Maryland Equine Census, nine percent of the state's equine population (or 7,100 horses) were in Prince George's County. Only Baltimore, Montgomery, and Frederick counties had a greater share. In addition, the equine population in the county far exceeded that of adjacent the counties of Anne Arundel, Calvert, Charles, and Saint Mary's.

These figures only begin to tell the story of the local area's relationship with the equine industry. However, it is important to point out that the PGEC and Arena were developed with the specific intent of serving this important market.

### **Regional Facilities**

In this section, we analyze the presence and characteristics of multipurpose arenas and equestrian centers in the surrounding area and their competitiveness with the PGEC facilities.

#### **Arenas and Indoor Event Centers**

There are many multipurpose arenas in the Maryland/Washington D.C./Virginia region that host events such as touring sports and entertainment events. However, most of these facilities are not competitive to the Showplace Arena due to their size or their usage. For example, arenas such as Baltimore's 1<sup>st</sup>

Mariner Arena, the University of Maryland's Comcast Center, and Washington's Verizon Center all have 14,000 or more seats and generally don't compete for events with a facility like the Showplace Arena. Other arenas, of various sizes, are used exclusively by colleges and universities.

Some university arenas are used for the occasional external event, such as facilities at Towson University, American University, and others. However, these do not appear to be consistent or significant competition to the Showplace Arena. Other facilities that can potentially compete with the Arena include:

- Dulles Expo Center – for trade and consumer shows.
- The Gaylord – for business events and competitions.
- Prince George's Sports and Learning Complex – for some flat-floor shows, and
- Camelot and Martin's Crosswinds – for trade shows and conferences,

### **Equestrian Centers and Other Equine Facilities**

While there are a significant number of equine-related complexes throughout the state that host events and offer various types of facilities such as trails, stables, rings, and others, the PGEC is the most comprehensive equestrian center in Maryland. Other facilities that can somewhat compete with the PGEC include:

- Rosaryville State Park – is much larger than the PGEC (1,100 acres) and hosts events that are too big for the PGEC.
- The Baltimore County Agricultural Center – has a strong educational component, and plans to build an indoor arena that will be oriented for local shows only.
- McDonogh School – currently has the state's other indoor arena for horse shows but it has very little seating. The school also has outdoor show rings, barns, trails, and other facilities.
- The Carroll County Agriculture Center – includes Shipley Arena and other indoor and outdoor facilities, and hosts a wide range of consumer shows and animal events.
- Fair Hill Training Center – is a horse training center in Fair Hill that was purchased by the state in 1974. The complex has 18 privately-owned barns and 490 stalls, as well as two tracks.
- Timonium Race Track – is on the site of the Maryland State Fairgrounds in Timonium and has a 5/8-mile oval track with live thoroughbred and simulcast racing.

## Stakeholder Feedback

AECOM also interviewed a number of stakeholders and past, current, and potential facility users in order to better understand their events' characteristics and needs, thoughts on the local market, and other subjects. Throughout the course of this study, we met with or interviewed approximately 15 individuals that represent groups such as:

- **Public-sector representatives:** including the Maryland-National Capital Park and Planning Commission, the Prince George's County CVB, and the Maryland Horse Industry Board,
- **Promoters and representatives of events:** including the Capital Challenge Horse Show, the Washington International Horse Show, consumer shows, and the Colonial Athletic Association,
- **Equine groups and individuals:** including members of the Equine Industry Task Force, and horse and horse farm owners.

These interviews are summarized below.

### The Local and Regional Market

- There are no hotels in the immediate area of the complex. The closest hotels that are typically used for events/attendees are at National Harbor (particularly the Gaylord National Resort and Convention Center). There is also a lack of restaurants in the area.
- According to various stakeholders, the complex's location within the market can be a positive or negative factor. Its proximity to a major city is considered to be a plus (as many similar facilities are more remote), and it is easily accessible via Route 4. However, equine industry representatives also said that the complex is not well-located relative to the local riding population, and that access can be difficult (as there is only one entrance/exit and all feeder roads are two-lane roads).
- Despite the affluence in the area, it still has a perception of crime.

### The Arena and PGEC's Facilities

- The facilities in general are thought to be underutilized.
- According to facility users, staff is said to be very responsive to an event's needs.
- The complex should be more "turnkey" for users – by providing services and facilities that are not currently available, events would not have to pay for things such as water, power, and temporary stables themselves. This would make the complex more user-friendly, less expensive, and would shorten the amount of time needed to set up and tear down and event. Most events do not have the budget to be able to afford these expenses.

***Arena***

- The arena's limitations include inadequate locker rooms, limited parking for large events, and accessibility (there is only one entrance and exit for cars).
- The wood roof is a weakness, in that it is difficult to hang equipment from and causes bad acoustics.
- Concessions are also problematic, as there is only one main concession stand that is easily accessed. In addition, concession stands are not equipped to accept credit cards.
- Restroom offerings could also be increased.
- The arena lacks a media space and press box (storage areas are currently used as a media room), and team meeting space and an officials' room are not offered.
- The arena's scoreboard is out of date and does not provide the types of information that attendees now expect during events.
- The arena is generally thought of as outdated.
- The cost of putting in and taking out dirt on the arena floor is approximately \$12,000 to \$16,000 per event.
- For televised events, the arena's lighting system is adequate but could be better.

***PGEC***

- The complex needs more warmup areas and horse stables, and existing stables could be improved.
- Permanent barns do not necessarily need to be built; a pole building that could accommodate temporary stalls and double as an exhibit hall for other events would be useful.
- There is also an ongoing need for better drainage and footing, although footing has recently been improved.
- There are needs for more campground space and power.
- For the Washington International Horse Show's use of the complex, there is plenty of space for practicing, showing, stabling, and parking, and the new covered ring is a positive addition.
- Only one of the 13 wash stalls has hot water.



### **Current and Potential Event Demand**

- While the complex is fairly heavily used on weekends, it is underutilized during the week. Weekday use of both the arena and the broader complex could involve more meetings and banquets, local equine-related usage, and other programming.
- Cheer and dance events are popular at the arena, and the arena floor is large enough to accommodate these events.
- Certain improvements to the complex would help to attract specific types of events. For example, more camping space would benefit quarter horse events, and improved footing could attract more dressage events.
- The arena could potentially host more consumer shows than it currently hosts.

## **IV. Comparable Facilities Analysis**

In this section, we analyze the planning, operations, use, and other characteristics of existing multipurpose equestrian centers in other markets across the country. While every facility and market are different, these facilities will help to define what has been implemented in similar situations in markets that are in many ways analogous to the Prince George's County area. The facilities analyzed are:

- The Virginia Horse Center in Lexington, Virginia,
- The Deschutes County Fair and Expo Center in Redmond, Oregon,
- The Western North Carolina Agricultural Center in Fletcher, North Carolina, and
- The Salt Lake County Equestrian Center in South Jordan, Utah.

In general, these complexes have a main indoor arena that is similar in size to the Showplace Arena, and other facilities that are typically found in an equestrian center, such as outdoor rings/arenas, horse stalls, barns, and the like.

## Virginia Horse Center

The Virginia Horse Center is a major complex located approximately 200 miles southwest of the PGEC. In general, the VHC is larger than the PGEC and offers a greater inventory of facilities but its main indoor facility is a 4,000-seat arena.

A map of the facility's grounds is shown below.

**Figure 10: VHC Map**



## Market and Setting

The Center is located in Lexington, which is the county seat of Rockbridge County. The city and county populations are 7,000 and 22,000, respectively. The closest large city to Lexington is Roanoke, approximately 50 miles to the south. Lexington has a strong student presence, as it is the home of Washington and Lee University and the Virginia Military Institute.

According to the Center, there are 21 hotels and motels near the complex.

## Planning/Funding and Ownership/Management

In 1985, Virginia's governor signed the Virginia Horse Center into law. For its first 21 years, the facility was owned and operated by a 501(c)3 foundation, with a public board overseeing operations and a private board responsible for planning and fundraising. In 2007, the public-private partnership was

dissolved and the foundation's private board was awarded the land through a US Department of Agriculture loan.

## **Facilities**

On nearly 600 acres, the Horse Center's facilities include:

- The 4,000-seat Anderson Coliseum,
- 19 show rings,
- Eight barns with 750 permanent stalls (temporary stabling can increase capacity to 1,200 stalls),
- A cross-country and carriage driving course,
- Campgrounds,
- A picnic pavilion and amphitheater, and
- The Hoofbeats Therapeutic Riding Center.

Not all facilities were built during the Center's original construction. Over the years, improvements and expansions included the cross-country course, renovations and expansion of the coliseum, four barns, eight outdoor rings, and the therapeutic riding center.

## **Operations**

### ***Staffing***

The Center reports a total of 70 employees; its full-time staff includes 12 in administration and seven in show management (the Center owns 14 of the events that it hosts).

### ***Usage***

The following table summarizes the facility's scheduled event demand for 2013, by type of event.

**Table 13: VHC Events**

<b>Event Category</b>	<b># of Events</b>
Agriculture	21
Arabian	6
Barrel Racing	2
Breed Shows	5
Community Events	1
Dressage	7
Eventing	5
Hunter/Jumper	19
Music	10
Saddlebred	4
Therapeutic Riding Shows	1
Trail Competition/Sale	1
Western	2
Youth	2
Other Animal-Related Events	16
Special Events	7
<b>Total</b>	<b>109</b>

Source: Virginia Horse Center, AECOM

Agriculture events are weekly farmers markets from May through October, and music events are not touring concerts but rather sessions where local musicians can attend and perform.

### ***Financial***

The Center's 2011 revenues and expenses (which are the most recent figures available) are shown below.

**Table 14: VHC Revenues and Expenses (000s)**

<b>Operating Revenues</b>	
Event and Show Revenues	\$1,553
Facility Fee Income	1,286
Bedding, Straw, Shavings	419
Food Service Income	60
Vending Commissions	6
Net Rental Income	26
Advertising	82
Miscellaneous Operating Revenues	8
<b>Total Operating Revenues</b>	<b>\$3,440</b>
<b>Operating Expenses</b>	
Salaries and Wages	\$1,106
Benefits	223
Professional Fees	23
Advertising and Promotion	27
Office Expenses	69
Information Technology	6
Royalties	88
Occupancy	327
Travel	130
Insurance	56
Prizes	310
Maintenance and Repairs	296
Bedding, Straw, Shavings	262
Supplies	139
Hospitality	64
Other Expenses	628
<b>Total Operating Expenses</b>	<b>\$3,754</b>
<b>Net Operating Revenue</b>	<b>(\$314)</b>
<b>Non-Operating Revenues</b>	
Government Grants	\$516
Other Grants and Contributions	448
Investment and Other Income	4
Net Income from Fundraising Events	6
Net Income from Inventory Sales	12
Insurance Proceeds	20
<b>Total Non-Operating Revenues</b>	<b>\$1,006</b>
<b>Non-Operating Expenses</b>	
Interest Expense	511
Depreciation and Amortization	616
<b>Total Non-Operating Expenses</b>	<b>\$1,127</b>
<b>NOI After Non-Operating Items</b>	<b>(\$435)</b>

Source: Virginia Horse Center, AECOM



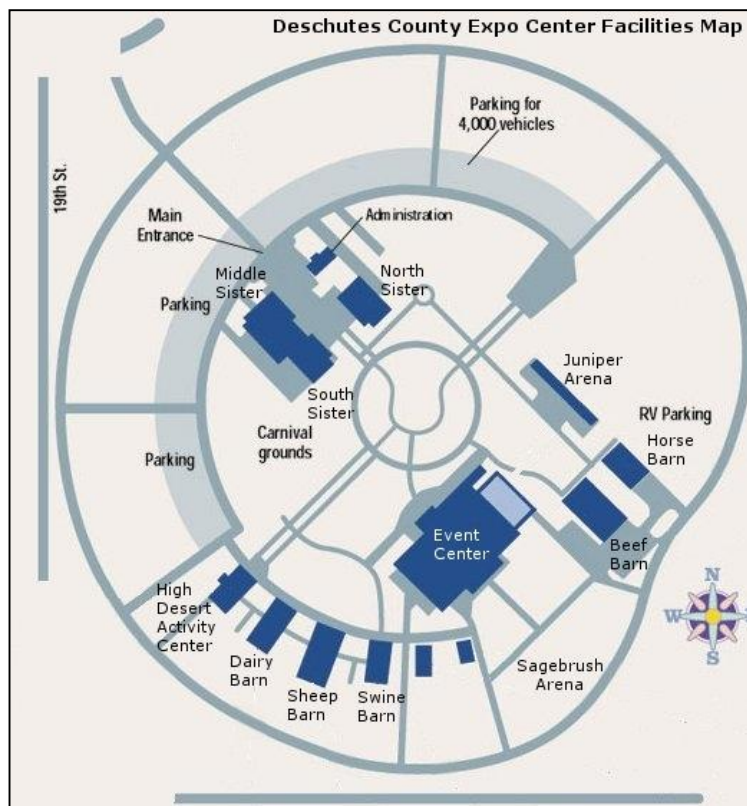
The Center's operating expenses exceeded operating revenues by \$314,000 in 2011; its revenues were approximately 92 percent of expenses. Through its foundation, approximately \$1 million was received from public and private sources.

The facility charges \$30 per night for camping with hook-ups; tent and generator camping is \$20 per week.

## Deschutes County Fair and Expo Center

The Deschutes County Fair and Expo Center is located approximately 15 miles outside of Bend, Oregon. A map of the facility's grounds is shown below.

**Figure 11: DCEC Map**



## Market and Setting

The complex is located in the City of Redmond and Deschutes County, which are part of Central Oregon. The city and county populations are 26,000 and 158,000, respectively. The closest large city to Redmond is Portland (175 miles).

According to the facility, there are approximately 5,000 hotel rooms throughout Central Oregon.

## **Planning/Funding and Ownership/Management**

The complex is owned and operated by Deschutes County.

## **Facilities**

On approximately 130 acres, the complex's facilities include:

- Hooker Creek Event Center – a multipurpose, 280,000-square foot event center. The facility has a maximum capacity of 7,800 for concerts, with 4,000 permanent seats.
- Three Sisters Conference and Convention Center – three halls with a total of approximately 34,000 square feet,
- High Desert Activity Center – a multipurpose hall with approximately 13,000 square feet,
- Barns – five barns; four are enclosed and one is covered. The individual barns can accommodate 75 to 150 stalls,
- Outdoor arenas – two arenas, with grandstand and bleacher seating for a total of 3,500 and 1,500 people, and
- RV Park – with 106 sites, and
- 4,000 parking spaces.

## **Operations**

### ***Staffing***

In FY 2012, the complex had ten full-time equivalent employees, and is budgeted for nine in FY 2013.

### ***Usage***

The following table summarizes the complex's total event days for 2012, by type of event.

**Table 15: DCEC 2012 Event Days**

Event Type	# of Event Days
Consumer/Public Shows	65
Sports/Competitions	33
Animal Shows	24
Meetings/Conferences	23
Other Events	19
Training/Education	12
Community Events	10
County Fair	5
Concerts	3
Conventions	1
<b>Total</b>	<b>195</b>

Source: Deschutes County Expo Center, AECOM

### **Financial**

The complex's revenues and expenses for the fiscal year ended June 2012 are shown below.

**Table 16: DCEC Revenues and Expenses**

	Fair & Expo Center	RV Park
<b>Operating Revenues</b>		
Charges for Services	\$1,962	\$155
Miscellaneous	2	0
<b>Total Operating Revenues</b>	<b>\$1,964</b>	<b>\$155</b>
<b>Operating Expenses</b>		
Personnel	\$945	\$0
Materials and Services	1,493	129
<b>Total Operating Expenses</b>	<b>\$2,438</b>	<b>\$129</b>
<b>Operating Income (Loss)</b>	<b>(\$474)</b>	<b>\$26</b>
<b>Non-Operating Revenues/Expenses</b>		
Grants	\$83	\$0
Property Taxes	2,334	0
Investment Earnings	8	0
Bond Issuance Costs	(132)	(3)
Interest Expense	(556)	(100)
<b>Total Non-Operating Revenues/Expenses</b>	<b>\$1,737</b>	<b>(\$103)</b>
<b>Income (Loss) After Non-Operating Items</b>	<b>(\$2,211)</b>	<b>\$129</b>

Source: Deschutes County

While the RV Park generated a small operating profit, the Fair & Expo Center had an operating deficit of approximately \$475,000; operating revenues were approximately 80 percent of expenses.

## Western North Carolina Agricultural Center

The Western North Carolina Agricultural Center is located in Fletcher, North Carolina. The following picture shows the complex's facilities.

**Figure 12: WNCAC Layout**



### Market and Setting

Fletcher is located in Henderson County and is part of the Asheville metro area. The city and county populations are 4,000 and 105,000, respectively. The Asheville MSA has approximately 415,000 residents.

### Planning/Funding and Ownership/Management

The complex is owned by the State of North Carolina and operated by its Department of Agriculture & Consumer Services.

### Facilities

On approximately 90 acres, the complex's facilities include:

- McGough Arena – with a permanent dirt floor and 3,000 seats,

- Davis Event Center – 45,000 square feet of clear-span exhibit space, breakout meeting rooms, and a restaurant,
- Expo Building – approximately 28,000 square feet of exhibit space,
- Boone Building – a 5,000-square foot facility with a catering kitchen,
- Livestock Sales Arena – a show/sales ring with seating for 500 people and an attached barn, and
- Stalls and Outdoor Rings – 603 permanent stalls, 271 portable stalls, three outdoor warmup rings, and one covered warmup ring.

## **Operations**

### ***Usage***

The following table summarizes the complex's total event days from March through December 2013, by type of event and facility.

**Table 17: WNCAC Event Days, March – December 2013**

<b>Facility and Event Type</b>	<b># of Event Days</b>
<b>Boone Building</b>	
Public Show	4
<b>Event Center</b>	
Animal-Based Event	3
Public Show	20
Sports/Competition	6
<b>Expo Building</b>	
Public Show	17
Sports/Competition	1
<b>McGough Arena</b>	
Animal-Based Event	42
Entertainment	2
Public Show	3
Sports/Competition	13
<b>Fairgrounds</b>	
Community Event	6
State Fair	10
Public Show	2
Sports/Competition	13
<b>Total</b>	
Animal-Based Event	45
Entertainment	2
Public Show	46
Sports/Competition	33
Community Event	6
State Fair	10
<b>Total</b>	<b>142</b>

Source: WNCAC, AECOM

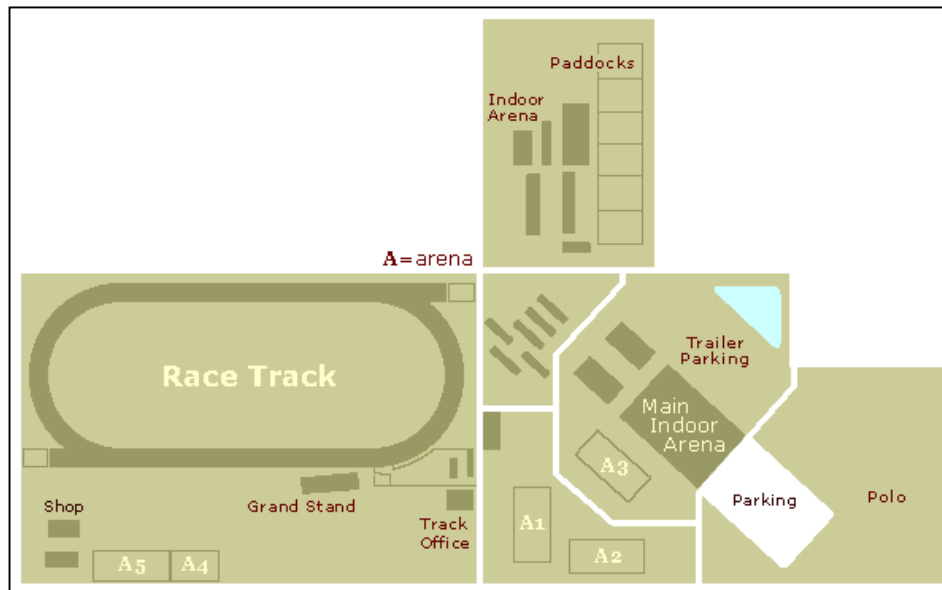


## Salt Lake County Equestrian Center

The Salt Lake County Equestrian Center is located approximately 20 miles south of downtown Salt Lake City, in South Jordan, Utah.

A map of the facility's grounds is shown below.

**Figure 13: SLCEC Map**



## Market and Setting

South Jordan has a population of approximately 50,000 and is part of Salt Lake County and the Salt Lake City MSA. The MSA has approximately 1.1 million residents.

## Planning/Funding and Ownership/Management

The complex opened over 40 years ago, and is owned by the County and operated by its Parks and Recreation Department. The complex has a citizen advisory board that meets quarterly.

The complex has a booking policy that prioritizes event scheduling; the facility's stated charter is to attract equine and community events, generate operating revenues, and improve the local quality of life. It also "strives to achieve a balance between equine and non-equine shows and events," according to its policy. Booking priorities are as follows:

- First consideration will be given to national, state or regional equine and/or non-equine shows, trade shows, meetings and similar events that book multiple days and generate significant attendance and revenue.

- Second consideration will be given to multiple-day, annual or repeat equine and non-equine shows, trade shows, meetings and similar events that do not generate attendance and revenue levels comparable to those described above.
- Third consideration will be given to one-time, multiple-day shows, trade shows, meetings and similar events that utilize a significant allocation of space and/or facilities.
- Fourth consideration will be given to one-time, daylong shows, trade shows, meetings and similar events.

## Facilities

On approximately 120 acres, the Equestrian Center's facilities include:

- A 3,000-seat multipurpose indoor Events Center,
- Laurel Brown Racetrack, a three-quarter-mile track with seating for 2,000 people,
- Five outdoor arenas,
- A 12-acre polo field, and
- 200 stalls for year-round boarding and 300 stalls for show boarding, and
- Round pens, paddocks, and runs.

## Operations

### Staffing

According to the county, the complex has nine full-time equivalent employees.

### Financial

The facility's recent annual revenues and expenses are summarized below.

**Table 18: SLCEC Revenues and Expenses (000s)**

	2008	2009	2010	2011
Revenues	\$858	\$856	\$858	\$711
Expenses	1,471	1,392	1,361	1,420
<b>Net Income</b>	<b>(\$613)</b>	<b>(\$536)</b>	<b>(\$503)</b>	<b>(\$709)</b>

Source: Salt Lake County, AECOM

## Conclusions

While the four complexes described above, and their markets, are all somewhat unique, there are many similarities to the PGEC, Showplace Arena, and the Prince George's County market. Three of the four are owned and operated by a public body, and in general, they have on-site facilities that are similar to the PGEC's, including a multipurpose indoor arena.

As previously shown, in recent years the annual event usage of the PGEC and Showplace Arena has been approximately 150 to 165 events. This is within the overall range of events held at the comparable facilities (109 to 195 total events). However, from a closer look at the composition of events at each complex, the comparable facilities have hosted significantly more public events than the PGEC, which has hosted approximately 50 smaller, private meetings and banquets per year. The events hosted at the other facilities are generally larger events that attract more attendees and can generate significantly greater revenues. It appears as though the comparable facilities have been more successful in attracting events on a year-round basis, and it has previously been noted that Showplace Arena's winter usage is relatively low. We believe that improvements to the complex (as described later in this report) could help to attract more of the types of events that have been held at the comparable facilities.

Increased usage of the PGEC, particularly by larger events, would also increase revenues and decrease its operating deficit. As shown above, the operating revenues of the comparable facilities are significantly greater than those of the PGEC, and their operating deficits are generally much lower, on both an absolute basis and as a percent of revenues.

## V. Recommendations and Arena Case Study

In this section, we discuss the overall competitive position of the Arena and PGEC, and identify potential opportunities to make the facilities more competitive and efficient, based on the results of this analysis and others. We also identify an arena that has recently undergone a renovation that is similar to the one recommended for the PGEC, and the impacts it has had on operations.

### Recommendations

It appears as though the complex is underutilized in general, particularly by non-private events. While it is the leading local (and perhaps regional) destination for equine-based events, its usage by other arena events is thought to be lower than it potentially could be. In many ways, this is a direct result of physical and other shortcomings of the complex and its facilities. In order to attempt to increase overall usage, decrease the annual subsidy, and generally improve the complex's competitiveness, we have identified the following areas for improvement:

- While the Arena was originally planned as an equine-only facility, we believe that it should continue to be used as a multipurpose venue, and focus on becoming *more* multipurpose. Equine events are generally not held in the winter and therefore, winter use of the Arena is very low; however, this is typically a strong season of demand for indoor facilities. Attracting additional public, indoor arena-based events would both increase usage of the facility and should help to decrease the annual subsidy of the complex. This appears to be the complex's greatest opportunity to improve its operations.
- However, increased usage of the Arena and the overall complex will depend at least partially on making needed improvements that will make the facilities more competitive and attractive to potential users. According to our market research, many of the complex's physical characteristics impede it from hosting many events and making events more successful. These improvements that can make the complex less expensive to use, provide needed facilities that are currently lacking, and improve revenue generation and customer experience can include:
  - Arena improvements – food and beverage and restroom facilities, scoreboard, and others such as improved rigging, lighting, and acoustics that would make the facility more attractive to and capable of hosting events.
  - Equine-based facilities – more warmup areas, additional and improved stables and stalls, and other improvements such as better drainage, footing, and power/water.

While improvements to the equine-based facilities are important to the future of the complex, particularly because of its status as a leading equine facility, we believe that improvements to the

arena could provide the greatest opportunity to improve operations because of the general underperformance of the arena. However, improvements to the arena will also benefit equine events, as many also use the arena.

These recommended improvements are in addition to ongoing expenditures made by the MNCPPC to continually maintain the complex. For the current fiscal year, approximately \$1.7 million in improvements are anticipated for items that are not addressed above and are generally not expected to materially impact event demand. In the next two years, capital expenditures for roof replacement, parking lot repairs, and energy-efficient lighting are anticipated.

## **Implications**

### ***Renovation Scenario***

Under a scenario in which recommended improvements are made, we would expect that utilization of the existing facilities would increase. Our market research indicated that many events that could likely use the arena and equestrian facilities are currently not using the complex because of its deficiencies. As previously described, many of the complex's physical characteristics make it difficult for events to be held there; for example, certain facilities are lacking (such as locker rooms and appropriate levels of restrooms and concession stands).

Addressing and improving these deficiencies are expected to make the complex more competitive and attractive to both events and attendees, according to our market research. While there is no guarantee of future use (short of a long-term lease agreement with an event or tenant), our market analyses have indicated that the complex could be better utilized if it can offer better facilities for events. In particular, the types of events that could generate higher levels of usage of the PGEC can include:

- Arena events – sporting events such as amateur sports and cheer and dance competitions; concerts; consumer/public shows; and greater weekday/weeknight usage through events such as meetings, banquets, and other social events, and smaller/local equine-related usage.
- Equine events – various types, but particular improvements such as additional camping space, improved footing, and improved warmup areas and stables can lead to greater levels of quarter horse and dressage events because these improvements will better match the complex's offerings with events' needs,

### ***No-Renovation Scenario***

Should the complex not be improved in any significant way (beyond the ongoing, routine improvements that it currently receives), we expect that its usage will remain fairly consistent with recent historical levels, at least in the short term. All of its limitations, as previously described, would continue to exist. As a result, the complex and its individual facilities will continue to have difficulty hosting certain events. While we are

not currently aware of a local facility that could be developed to compete directly with the PGEC in any of the event industries that it serves, a new facility in the market would presumably have multiple competitive advantages over the complex.

We also expect that the complex's required subsidy will also remain at levels similar to recent years. While the operating deficit has decreased significantly in the last three years, due largely to decreased expenses, a certain minimum level of operating expenses are required, which will limit future decreases in the operating deficit, particularly with stable levels of revenue.

In the longer term, with no significant improvements, the complex would likely begin to lose at least some of the events that it currently hosts, due to factors such as events outgrowing the facilities, further deterioration of the complex, and a decreased competitive position relative to newer and better maintained facilities. This would also presumably increase any operating deficit.

Specific projections of future complex usage, by event type, appear later in this report. These projections address both scenarios described above (no renovation and renovation).

## **Case Study – Erie Insurance Arena, Erie, Pennsylvania**

Erie Insurance Arena is located in Erie, Pennsylvania, and is within a two-hour drive of Buffalo, Cleveland, and Pittsburgh. The arena originally opened in 1983 as part of Louis J. Tullio Plaza, which also includes a theater and baseball stadium. All facilities are owned and operated by the Erie County Convention Center Authority (the city's convention center, the Bayfront Convention Center, is approximately one mile from Tullio Plaza).

The facility hosts minor-league basketball, hockey, and football teams. Prior to renovation, the arena had approximately 5,200 seats. Its new permanent seating capacity is 6,500, and its maximum concert capacity is 9,000.





### ***New/Renovated Facilities***

The arena's recent renovation began in December 2011 and was completed in September 2013; the \$42-million project was funded largely by the state (\$32 million) as well as Erie County (\$10 million). The renovation project included improvements and expansions to:

- Lobby and administrative office renovations
- Seating – the new seating bowl has provided increased capacities for hockey (5,600 to 6,700), basketball (5,600 to 6,800), and concerts (7,200 to 9,000). The arena also added ADA seating throughout the building that exceeds federal requirements.
- Concourses – were widened, and generally doubled in size. In addition, new pockets of space were created that are used for portable concession stands.
- Concessions – the original arena had a low number of points of sale, and due to the small concourses, insufficient queuing space. The stands were expanded and redesigned, and a total of 36 permanent POS exist, in addition to 10 temporary carts (as compared to 24 POS before the renovation).
- Restrooms – capacity was significantly increased, from 28 men's stalls to 64, and from 20 women's stalls to 84.
- Locker Rooms – three were added, and the arena now has a total of nine. Two star dressing rooms and two production offices were also added.
- A new team store and training areas.
- Improvements to mechanical rooms and food service areas.

- Premium Seating – 13 suites and 300 club seats were added.
- A number of other improvements that have made the arena better able to host events have been made; these include rigging, loading, and kitchen improvements.

### ***Operations***

According to facility management, the renovations generally made the arena more efficient and effective operationally, and more attractive to both event promoters and attendees. While the arena reopened less than a full year ago (October 2013), the facility has already booked events that it could not previously host or had lost because it could no longer accommodate. Examples include the Trans-Siberian Orchestra (which had outgrown the arena), the Zac Brown Band (the arena's previous capacity could not accommodate the band), Cirque du Soleil's Varekai (which would not perform at the arena before the renovation and is now bringing seven performances), WWE (which left the building four years ago), and the NCAA Division II women's Elite 8 and Final 4.

Because of Erie's status as a tertiary market and its three tenants that fill a great deal of prime dates, the arena's ability to increase bookings is relatively limited. However, according to management, it is "getting looks" that it never got before, in addition to the new events listed above.

Per-capita F&B sales have increased by approximately 20 percent since the renovation. In addition, the new suites and club seats have sold well, and are generating new revenues. While exact figures are not available, the arena's revenues and expenses were approximately \$1.9 million and \$2.4 million, respectively, in the last two years. The resulting deficit was approximately \$500,000, and this figure is expected to improve beginning in this fiscal year.

## VI. Economic and Fiscal Impact Analysis – Historical Operations and Future Scenarios

### Historical Operations

#### PGEC Annual Attendance

The following table shows existing event and attendance data for PGEC. For this analysis, existing events and attendance are defined as an average of the number of events and attendees in FY2010, FY2011, and FY2012. Based on the three-year average, graduations currently account for 34 percent of total attendees, equestrian events comprise 25 percent, and other sports make up 11 percent. The next largest attendee categories are trade (nine percent), concert/promoted show (seven percent), SMERF (social, military, educational, religious, and fraternal organizations, six percent), and the fair (three percent). The remaining events (rodeo, banquet, fundraiser, meeting, and other) each make up two percent or less of total attendees; in total, these event categories currently comprise 5.5 percent of total attendees.

**Table 19: Summary of PGEC Usage**

Event	FY10-12 Average		% of Total Attendance
	Events	Attendance	
Equestrian	32	63,337	25%
Graduation	37	85,092	34%
Banquet	22	2,903	1%
Meeting	19	984	0%
Other Sports	13	28,354	11%
Trade	11	22,123	9%
SMERF	9	14,052	6%
Concert/Promoted Show	6	17,451	7%
Other	4	5,774	2%
Fundraiser	2	678	0%
Rodeo	1	3,568	1%
Fair	1	7,396	3%
<b>Total</b>	<b>158</b>	<b>251,714</b>	<b>100%</b>

Source: PGEC, AECOM

## PGEC Annual Operating Revenues and Expenses

The following table shows annual revenue from PGEC operations that are based on the average revenue generated in FY2010, FY2011, and FY2012. For this analysis, the facility's annual operating revenue is estimated at \$1.2 million, and total expenses are estimated to be \$3.6 million. As a result, the average operating deficit for these years was approximately \$2.4 million.

**Table 20: PGEC Revenues and Expenses (000s)**

<b>Operating Revenues</b>	
Facility Rental	\$975
Food Service (Net)	210
Other Revenue	49
<b>Total Operating Revenue</b>	<b>\$1,233</b>
<b>Operating Expenses</b>	
Salaries, Wages, and Benefits	\$1,875
Contract Labor	250
Utilities	626
Repair and Maintenance	385
General and Administrative	300
Supplies	77
Other Expenses	105
<b>Total Operating Expenses</b>	<b>\$3,619</b>
<b>Net Operating Income (Deficit)</b>	<b><u>(\$2,386)</u></b>

Source: PGEC, AECOM

## Off-Site Spending by PGEC Attendees

Off-site expenditures by attendees are an important factor in determining the economic impact of PGEC. Based on a review of past events, attendance data, interviews with PGEC staff, discussions with stakeholders, and geographical and demographic characteristics of the Washington, D.C. metro area, the table below presents a summary profile of PGEC attendees. Data shown in the table include type of attendee (local, other metro area, overnight), spending, and travel characteristics. This analysis assumes that 40 percent of other metro area attendees and 60 percent of overnight attendees are non-Maryland residents.

**Table 21: Attendee Characteristics**

	Equestrian	Graduation	Banquet	Meeting	Other Sports	Trade	SMERF	Concert/ Promoted Show	Other	Fundraiser	Rodeo	Fair
<b>Type of Attendee*</b>												
County	5%	40%	75%	75%	25%	40%	60%	45%	45%	5%	40%	45%
Other Metro Area	45%	55%	20%	20%	25%	40%	35%	35%	50%	90%	40%	45%
Overnight	50%	5%	5%	5%	50%	20%	5%	20%	5%	5%	20%	10%
<b>Daily Off-Site Spending per Attendee**</b>												
<b>Food &amp; Beverage</b>												
County	\$1.18	\$1.18	\$1.18	\$1.18	\$1.18	\$1.18	\$1.18	\$1.18	\$1.18	\$1.18	\$1.18	\$1.18
Other Metro Area	\$1.18	\$1.18	\$1.18	\$1.18	\$1.18	\$1.18	\$1.18	\$1.18	\$1.18	\$1.18	\$1.18	\$1.18
Overnight	\$16.10	\$16.10	\$16.10	\$16.10	\$16.10	\$16.10	\$16.10	\$16.10	\$16.10	\$16.10	\$16.10	\$16.10
<b>Retail/Entertainment</b>												
County	\$6.08	\$6.08	\$6.08	\$6.08	\$6.08	\$6.08	\$6.08	\$6.08	\$6.08	\$6.08	\$6.08	\$6.08
Other Metro Area	\$6.08	\$6.08	\$6.08	\$6.08	\$6.08	\$6.08	\$6.08	\$6.08	\$6.08	\$6.08	\$6.08	\$6.08
Overnight	\$22.44	\$22.44	\$22.44	\$22.44	\$22.44	\$22.44	\$22.44	\$22.44	\$22.44	\$22.44	\$22.44	\$22.44
<b>Local (Non-Air) Transportation</b>												
County	\$3.93	\$3.93	\$3.93	\$3.93	\$3.93	\$3.93	\$3.93	\$3.93	\$3.93	\$3.93	\$3.93	\$3.93
Other Metro Area	\$3.93	\$3.93	\$3.93	\$3.93	\$3.93	\$3.93	\$3.93	\$3.93	\$3.93	\$3.93	\$3.93	\$3.93
Overnight	\$17.35	\$17.35	\$17.35	\$17.35	\$17.35	\$17.35	\$17.35	\$17.35	\$17.35	\$17.35	\$17.35	\$17.35
<b>Lodging</b>												
County	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Other Metro Area	\$37.42	\$37.42	\$37.42	\$37.42	\$37.42	\$37.42	\$37.42	\$37.42	\$37.42	\$37.42	\$37.42	\$37.42
Overnight	\$37.42	\$37.42	\$37.42	\$37.42	\$37.42	\$37.42	\$37.42	\$37.42	\$37.42	\$37.42	\$37.42	\$37.42
<b>Overnight Lodging Assumptions</b>												
Average Length of Stay (Room Nights)	1.8	1.0	1.0	1.0	1.4	1.0	1.0	1.0	1.0	1.0	1.4	1.4
Average Room Occupants	2.0	1.0	1.0	1.0	2.0	1.0	1.0	2.0	1.0	1.0	2.0	2.0
Percent Captured by Local Hotels	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%

\*Assumes 40 percent of Other Metro Area attendees and 60 percent of Overnight Attendees are non-Maryland residents.

\*\*Spending in Prince George's County, in 2013 dollars.

Sources: PGEC, State of Maryland Tourism Development Board, Consumer Expenditures for the Washington D.C. Area, U.S. Department of Labor, Bureau of Labor Statistics; Partners for Economic Solutions

***Type of Attendee***

On an annual basis, equestrian events and other sports generate the largest number of overnight attendees. Graduations, trade and SMERF events generate the greatest number of local attendees. Graduations and equestrian events generate the most attendees from other parts of the Washington, D.C. metro area.

For overnight attendees, the average room occupancy and length-of-stay assumptions vary according to the type of event. This analysis also assumes that 75 percent of lodging spending by PGEC attendees occurs in Prince George's County.

***Spending by Type of Attendee***

Although actual attendee spending data are not available, the expenditure assumptions shown in the table are based on survey data from other sources in order to estimate spending patterns by PGEC attendees. (These sources include the State of Maryland Tourism Development Board and Office of Tourism Development, the Bureau of Labor Statistics, and the Department of Labor.) These expenditure assumptions are based on data for spending patterns that are segmented by visitors who are business or leisure travelers, and whether they require overnight lodging.

Based on these data sources, the table above quantifies spending categories that are relevant to PGEC attendees including food and beverage, retail/entertainment, local (non-air) transportation, and lodging. Amounts shown in the table are limited to spending that takes place outside PGEC.

**Gross Direct Spending Generated by PGEC**

The table below shows total gross direct spending generated by PGEC that is derived from the three previous tables.

On-site gross spending at PGEC shown below includes two revenue categories previously shown: facility rental and other rental. It also includes estimated food and beverage (gross) revenue from which the food and beverage (net) operating revenue is derived. (Net F&B revenue is estimated to be 43 percent of gross.)

The table shows spending that is captured within Prince George's County by all PGEC attendees for food and beverage, retail/entertainment, non-air transportation, and lodging. Under its existing operating scenario, PGEC generates gross direct spending of approximately \$8.7 million annually.



**Table 22: Gross Direct Spending (000s)**

<b>On-Site</b>	
Gross Spending at PGEC	<b>\$1,507</b>
<b>Off-Site</b>	
Food & Beverage	\$1,202
Retail/Entertainment	2,523
Local (Non-Air) Transportation	1,804
Lodging	1,642
<b>Gross Off-Site Spending</b>	<b>\$7,171</b>
<b>Total Gross Direct Spending</b>	<b>\$8,678</b>

Source: PGEC, AECOM, PES

### Net Direct Spending Generated by PGEC

The gross spending impact shown above includes transfer spending (i.e., expenditures by Prince George's County residents and businesses that would have occurred in Prince George's County in any case, with or without PGEC). It also includes expenditures by Maryland residents that would have occurred in Maryland with or without PGEC. Therefore, it is necessary to deduct this transfer spending from gross direct spending in order to calculate the net direct spending impact generated by PGEC.

In the next table, transfer spending by county attendees is deducted from gross spending shown in above in order to estimate the net direct spending impact of non-county attendees. This means that the following table excludes all spending by county attendees and assumes that direct spending is captured within the county, except for 25 percent of lodging expenditures assumed to be spent in other jurisdictions. Under existing operating conditions, the net direct spending that is generated by non-county attendees is estimated at \$7.3 million annually.

Likewise, in the table below, the transfer spending by non-Maryland attendees has also been deducted from gross spending in order to show the net direct spending impact of non-Maryland attendees. Under existing operations, net direct spending by non-Maryland attendees is estimated at \$3.9 million annually.

**Table 23: Net Direct Spending (000s)**

	Prince George's County	Maryland
<b>Spending Inside PGEC</b>		
Net On-Site Spending	\$1,030	\$412
<b>Spending Outside PGEC</b>		
Food & Beverage	\$1,108	\$639
Retail/Entertainment	2,039	1,088
Local (Non-Air) Transportation	1,490	807
Lodging	1,642	944
<b>Total Net Off-Site Spending</b>	<b>\$6,279</b>	<b>\$3,477</b>
<b>Total Net Direct Spending</b>	<b>\$7,309</b>	<b>\$3,889</b>

Source: Partners for Economic Solutions

## Multipliers and Total Impacts

The net direct spending shown above has a multiplicative impact as it works its way through the economy. Consequently, multiplier analysis is applied because it measures the interdependence of different industry sectors as economic activity in one sector stimulates output (spending), employment (jobs), and earnings (payroll) in other sectors. For example, when non-local PGEC attendees make retail, restaurant, or lodging purchased in Prince George's County, these local businesses pay employees and make purchases from other businesses. These other businesses in turn purchase supplies and pay their employees, and so forth, thus resulting in an indirect economic impact.

Similarly, when PGEC employees spend their paychecks at Prince George's County businesses, these local businesses pay their employees, make purchases from other vendors, and so on, creating an induced economic impact.

The indirect and induced spending, employment, and earnings flows (collectively referred to as indirect impacts) that are generated by PGEC's net direct spending are estimated using the Regional Input-Output Modeling System II (RIMS II) multipliers for Prince George's County that are developed by the Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce. For this analysis, the types of net direct spending shown above are matched with corresponding industry sectors such as food services, retail trade, accommodation, etc.

The following table shows that the spending multipliers for Prince George's County within the selected industry sectors range from 1.2767 (transit and ground passenger transportation) to 1.4094 (performing arts, spectator sports, museums, zoos, and parks). For Maryland, the multipliers range from 1.6239 to 1.9017. RIMS II multipliers indicate that, for example, in Prince George's County the

lodging industry has a multiplier of 1.3895; therefore, for every \$1.00 in lodging spending, a total economic impact of \$1.39 is generated. This \$1.39 is composed of \$1.00 in direct spending plus an additional \$0.39 in indirect spending in the county.

**Table 24: Spending Multipliers**

	RIMS II Industry	Prince George's County Multiplier	MD Multiplier
<b>On-Site PGEC Spending</b>			
Facility Rental	Performing Arts, Spectator Sports, Museums, Zoos, and Parks	1.4094	1.9017
Food Service	Food Services and Drinking Places	1.3293	1.7647
Other Revenue	Performing Arts, Spectator Sports, Museums, Zoos, and Parks	1.4094	1.9017
<b>Off-Site Attendee Spending</b>			
Food & Beverage	Food Services and Drinking Places	1.3293	1.7647
Retail/Entertainment	Retail Trade/Performing Arts, Spectator Sports, Museums, Zoos, and Parks	1.3551	1.8088
Local (Non-Air) Transportation	Transit and Ground Passenger Transportation	1.2767	1.6239
Lodging	Accommodation	1.3895	1.7640

Source: Bureau of Economic Analysis, U.S. Department of Commerce; Partners for Economic Solutions

Based on multipliers for Prince George's County and Maryland shown above, the direct and indirect economic impacts generated by PGEC are shown below. Under PGEC's existing operating conditions, the total net direct and indirect spending impacts are estimated at \$9.9 million in Prince George's County and \$6.8 million in Maryland.

**Table 25: Total Impacts (000s)**

	Prince George's County	Maryland
<b>Total Net Direct Spending</b>	<b>\$7,309</b>	<b>\$3,889</b>
<b>Net Indirect Spending</b>		
Net Indirect Spending - On-Site	\$422	\$371
Net Indirect Spending - Off-Site		
Food & Beverage	\$365	\$488
Retail/Entertainment	724	880
Local (Non-Air) Transportation	412	503
Lodging	640	721
<b>Total Net Indirect Spending</b>	<b>\$2,562</b>	<b>\$2,964</b>
<b>Total Net Direct and Indirect Spending</b>	<b>\$9,871</b>	<b>\$6,852</b>

Source: Partners for Economic Solutions

### Employment and Earnings Assumptions and Multipliers

The average employment at PGEC for FY2010, FY2011, and FY2012 totals 55 full-time equivalent (FTE) staff members (15 full-time and 80 part-time employees). In addition to these on-site jobs, attendee spending also supports employment in the county at lodging, restaurant, and retail facilities, among others.

Employment and earnings impacts to Prince George's County and Maryland are a measure of the jobs and payroll income that are captured by the county and state economies. Data in the following table summarize the assumptions that are applied to the employment and earnings impacts generated by current operations at PGEC. Annual salary and hourly wage data for Prince George's County shown are from the Division of Occupational Employment Statistics at the U.S. Bureau of Labor Statistics.

**Table 26: Local Salary and Wage Data**

<b>Average Annual Salary in Prince George's County</b>	
Food & Beverage	\$21,350
Retail/Entertainment	\$22,270
Local (Non-Air) Transportation	\$35,750
Lodging	\$24,200
Construction	\$46,890
<b>Average Hourly Wages in Prince George's County</b>	
Food & Beverage	\$10.26
Retail/Entertainment	\$10.63
Local (Non-Air) Transportation	\$16.31
Lodging	\$11.64
Construction	\$22.54

Source: US Bureau of Labor Statistics, PES

As with spending multipliers shown above, indirect employment and earnings impacts are based on RIMS II multipliers for the industries shown below.

**Table 27: Earnings and Employment Multipliers**

	RIMS II Industry	Prince George's County		Maryland	
		Earnings Multiplier	Employment Multiplier*	Earnings Multiplier	Employment Multiplier*
<b>On-Site Spending</b>					
PGEC Operations	Performing Arts, Spectator Sports, Museums, Zoos, and Parks	1.2603	9.6051	1.6923	22.4115
<b>Off-Site Spending</b>					
Food & Beverage	Food Services and Drinking Places	1.2143	10.0399	1.6819	19.8951
Retail/Entertainment	Retail Trade/Performing Arts, Spectator Sports, Museums, Zoos, and Parks	1.2506	8.2123	1.6513	19.5169
Local (Non-Air) Transportation	Transit and Ground Passenger Transportation	1.0736	16.2404	1.3534	25.3503
Lodging	Accommodation	1.3273	6.3547	2.0122	12.2417

\*Jobs per \$1 million in spending.

Source: Bureau of Economic Analysis, U.S. Department of Commerce; Partners for Economic Solutions

### Total Net Employment and Earnings Impacts

Based on the multipliers shown above, the estimates below show the total (direct and indirect) net earnings and employment impacts generated by PGEC in Prince George's County and Maryland. These estimates indicate that spending by non-county attendees supports 114 full-time-equivalent (FTE) jobs in Prince George's County with an associated \$3.3 million in earnings. Likewise, spending by non-Maryland attendees supports 120 full-time-equivalent (FTE) jobs in Maryland with an associated \$3.4 million in earnings.

**Table 28: Net Employment and Earnings (Earnings in 000s)**

	Prince George's County	Maryland
<b>Net On-Site Earnings</b>		
PGEC Operations	\$1,275	\$506
<b>Net Off-Site Earnings</b>		
Food & Beverage	\$264	\$452
Retail/Entertainment	443	820
Local (Non-Air) Transportation	970	1,137
Lodging	322	480
<b>Total Net Off-Site Earnings</b>	<b>\$1,998</b>	<b>\$2,889</b>
<b>Total Net Earnings</b>	<b>\$3,273</b>	<b>\$3,395</b>
<b>PGEC Operations</b>		
Net PGEC Full-Time Equivalent Staff	37	15
<b>Net Off-Site Employment</b>		
Food & Beverage	13	20
Retail/Entertainment	21	35
Local (Non-Air) Transportation	28	31
Lodging	14	19
<b>Total Off-Site Employment (FTE Jobs)</b>	<b>76</b>	<b>105</b>
<b>Total Net Employment (FTE Jobs)</b>	<b>114</b>	<b>120</b>

Source: PGEC, AECOM, PES

### Fiscal Impacts from PGEC

The table below shows county and state tax rates that are relevant to economic activity generated by PGEC. County revenue sources include personal income tax, hotel/motel tax, and admissions and amusement tax. State revenue sources are personal income tax, sales and use tax, and alcoholic beverage tax.

**Table 29: Taxes and Rates**

Type of Tax	Rate	Recipient
<b>Local Taxes</b>		
County Personal Income Tax	3.2%	Prince George's County
Hotel Occupancy Tax	5.0%	Prince George's County
Admissions and Amusement Tax	10.0%	Prince George's County
<b>State Taxes</b>		
State Personal Income Tax	4.75%-5.75%	Maryland
Sales and Use Tax	6.0%	Maryland
Alcoholic Beverage Tax	9.0%	Maryland

Source: Revenue Administration Division, State of MD Comptroller, Prince George's County CVB

Based on the total net direct spending impacts, data in the following table show the estimated annual tax revenue that is generated by PGEC. Under existing operations, spending by non-county attendees generates an estimated \$328,000 in tax revenue to Prince George's County. Spending by non-Maryland attendees generates an estimated \$333,000 in tax revenue to the State of Maryland.

**Table 30: Fiscal Impacts (000s)**

	Amount (000s)	Recipient
<b>County Tax Revenue</b>		
County Personal Income Tax	\$45	Prince George's County
Hotel/Motel Tax	\$114	Prince George's County
Admissions and Amusement Tax	\$169	Prince George's County
<b>Total Local Tax Revenue</b>	<b>\$328</b>	<b>Prince George's County</b>
<b>State Tax Revenue</b>		
State Personal Income Tax	\$136	Maryland
Sales and Use Tax	\$187	Maryland
Alcoholic Beverage Tax	\$10	Maryland
<b>Total State Tax Revenue</b>	<b>\$333</b>	<b>Maryland</b>

Source: Revenue Administration Division, State of MD Comptroller, Prince George's County CVB, PES

## Construction Impacts

As previously described, we have identified a need for various improvements at the complex in order to make it more competitive and attractive to potential users, as well as to address general facility deficiencies compared to industry standards. This section quantifies the costs associated with individual renovation items and calculates the resulting economic impacts from a potential



construction project. At this stage of the analysis, costs are range-of-magnitude estimates prepared by AECOM Sport + Venue and Populous' Equestrian Services.

While it is not possible to accurately quantify a specific return on investment of the individual renovation components, we generally believe that improvements to the arena could provide the greatest return to the complex. While the equine facilities could also use improvement, the arena is particularly physically deficient in many areas and likely has more opportunity to improve its current operations.

Specifically, we have identified the following renovations and their costs.

### Showplace Arena

- **Restrooms:** in order to bring the arena up to code from its existing offerings, additions and renovations are estimated to be approximately \$340,000 (approximately 1,400 new square feet at \$240 per square foot).
- **Concessions:** to increase the arena's number of points of sale from four to eight and provide limited cooking capacity, estimated renovation costs are approximately \$460,000. This is based on 600 square feet per stand and costs of \$380 per square foot, including FFE.
- **Locker Rooms:** renovation of the existing locker rooms is estimated to cost approximately \$1.4 million (or \$350/SF for 4,000 square feet).
- **Rigging and Lighting:** improvements to the arena's rigging capacity and lighting are estimated to cost approximately \$500,000. These improvements would generally have a structural component (to reinforce the roof) and an FFE component (to add a rigging grid that meets the needs of events such as concerts that could be held in the arena). These changes would improve the arena's acoustics by giving the arena the ability to better accommodate the technical needs of events.
- **Scoreboard:** a new scoreboard is estimated to cost approximately \$1 million.

### Equestrian Facilities

- **Barns:** we recommend a minimum of 400 permanent stalls (from the current 240), with ability to expand to 600, assuming land availability. For a phase one of 160 additional stalls (fully enclosed and heated barns with horse wash areas), estimated costs are approximately \$2.0 million. (We assume costs of \$12,800 per stall.)

For a second phase of 200 additional stalls, estimated costs are approximately \$2.6 million, based on the same per-stall cost.

- **Show Rings:** we recommend covering two of the rings that are adjacent to Showplace Arena. Costs associated with this renovation are estimated to be approximately \$5.2 million. This assumes 45,000 square feet of coverage per ring, at \$58 per square foot.
- **Power:** we recommend the development of 50 new, full-service RV hookups. Total estimated costs are approximately \$185,000 (or \$3,700 per hookup), although this can vary depending on the ultimate location and the distance from utility connections.

The total estimated cost for these improvements (including the second phase of barns) is approximately \$13.7 million. This does not include any costs for deferred maintenance.

The construction of these renovations is analyzed as a one-time economic event that will generate direct and indirect impacts to Prince George's County and Maryland based on spending for labor, materials, and services. Assumptions underlying the impact of PGEC renovations are based on the experience of similar projects and other factors such as the local labor market and other economic characteristics of Prince George's County and Maryland. The following assumptions have been applied to the analysis of impacts generated by PGEC renovations:

- Labor accounts for 45 percent of renovation costs,
- Materials and services account for 55 percent of renovation costs,
- 95 percent of construction workers live in Maryland,
- 20 percent of construction workers live in Prince George's County,
- 70 percent of materials and services vendors are located in Maryland, and
- 15 percent of materials and services vendors are located in Prince George's County.

Construction industry multipliers for Prince George's County and Maryland are shown below.

**Table 31: Construction Multipliers**

	<b>RIMS II Industry</b>	<b>Spending Multiplier</b>	<b>Earnings Multiplier</b>	<b>Employment Multiplier*</b>
Prince George's County	Construction	1.3184	0.1837	3.9171
Maryland	Construction	1.8358	0.5968	13.0286

\*Jobs per \$1 million in spending.

Source: Bureau of Economic Analysis, U.S. Department of Commerce, Partners for Economic Solutions

The following table summarizes total impacts (direct and indirect) to Prince George's County and Maryland generated by PGEC renovations.

**Table 32: Construction Impacts ( Earnings and Spending in \$000s)**

	Prince George's County	Maryland
Direct and Indirect Earnings	\$2,519	\$8,183
Direct and Indirect Materials and Services Spending	\$1,491	\$9,691
Direct and Indirect Employment (FTE Jobs)	47	156

Source: Partners of Economic Solutions

Based on the above assumptions, Maryland residents are projected to capture approximately \$8.2 million in earnings and an additional 156 FTE jobs. Maryland businesses are projected to gain approximately \$9.7 million in revenue.

Prince George's County residents are projected to capture approximately \$2.5 million in earnings and an additional 47 FTE jobs. Prince George's County businesses are projected to capture approximately \$1.5 million in revenue.

### **Future Impacts – Renovation Scenario**

As previously described, we anticipate that the recommended improvements to the complex will make the facilities more attractive to both events and attendees. Our market research has indicated that there are events that could use the facilities if physical improvements, such as new or improved camping space, warmup areas, and stables, are made. In addition, we expect that other recommended improvements (such as increased concession points of sale in the arena) will allow the facilities to generate increased levels of revenue, which would help to decrease the operating deficit.

Many of the recommended improvements to Showplace Arena (such as those related to concessions, restrooms, and technical capabilities) have recently been implemented at the Erie Insurance Arena in Pennsylvania. Since the renovations were completed last fall, the arena reports the booking of new events it had previously lost or was unable to host, and higher levels of attendee spending.

The following tables show the incremental impacts resulting from renovations to PGEC (with all dollar amounts in 2013 dollars).

**Table 33: Summary of Incremental Usage and Revenues and Expenses (Revenues and Expenses in 000s)**

EVENTS AND ATTENDANCE	Current		Post-Renovation		Incremental	
	Events	Attendance	Events	Attendance	Events	Attendance
Attendance						
Equestrian	32	63,337	38	76,000	6	12,663
Graduation	37	85,092	37	85,100	(0)	8
Banquet	22	2,903	25	3,250	3	347
Meeting	19	984	20	1,000	1	16
Other Sports	13	28,354	18	45,000	5	16,646
Trade	11	22,123	14	28,000	3	5,877
SMERF	9	14,052	12	19,200	3	5,148
Concert/Promoted Show	6	17,451	10	28,000	4	10,549
Other	4	5,774	5	30,000	1	24,226
Fundraiser	2	678	3	1,500	1	822
Rodeo	1	3,568	1	3,600	0	32
Fair	1	7,396	1	8,000	0	604
<b>Total</b>	<b>158</b>	<b>251,714</b>	<b>184</b>	<b>328,650</b>	<b>26</b>	<b>76,936</b>

FACILITY REVENUE & EXPENSES	Current	Post-Renovation	Incremental
<b>Operating Revenue (000s)</b>			
Facility Rental	\$975	\$1,420	\$445
Food Service (Net)	210	362	152
Other Revenue	49	248	199
<b>Total Revenue</b>	<b>\$1,233</b>	<b>\$2,030</b>	<b>\$797</b>
<b>Operating Expenses (000s)</b>			
Salaries, Wages, and Benefits	\$1,875	\$1,546	(\$329)
Contract Labor	250	239	(11)
Utilities	626	668	42
Repair and Maintenance	385	443	58
General and Administrative	300	145	(155)
Supplies	77	85	8
Other Expenses	105	55	(50)
<b>Total Expenses</b>	<b>\$3,619</b>	<b>\$3,181</b>	<b>(\$439)</b>
<b>Net Operating Income (Deficit)</b>	<b>(\$2,386)</b>	<b>(\$1,151)</b>	<b>\$1,235</b>

Source: PGEC, AECOM, PES

**Table 34: Summary of Incremental Operating Impacts (Spending and Earnings in 000s)**

SPENDING IMPACTS (000s)	County		State		Incremental	
	Current	Post-Renovation	Current	Post-Renovation	County	State
<b>Net Direct and Indirect Spending</b>						
Total Net Direct Spending	\$7,309	\$9,898	\$3,889	\$5,351	\$2,590	\$1,462
<b>Net Indirect Spending</b>						
Net Indirect Spending - On-Site	\$422	\$4,052	\$371	\$4,825	\$3,631	\$4,454
Net Indirect Spending - Off-Site						
Food & Beverage	\$365	\$481	\$488	\$644	\$116	\$155
Retail/Entertainment	724	946	880	1,153	222	274
Local (Non-Air) Transportation	412	540	503	661	127	157
Lodging	640	830	721	936	190	215
<b>Total Net Indirect Spending</b>	<b>\$2,562</b>	<b>\$6,849</b>	<b>\$2,964</b>	<b>\$8,219</b>	<b>\$4,286</b>	<b>\$5,255</b>
<b>Total Net Direct and Indirect Spending</b>	<b>\$9,871</b>	<b>\$16,747</b>	<b>\$6,852</b>	<b>\$13,570</b>	<b>\$6,876</b>	<b>\$6,717</b>

EARNINGS IMPACTS (000s)	County		State		Incremental	
	Current	Post-Renovation	Current	Post-Renovation	County	State
<b>Net On-Site Earnings</b>						
PGEC Operations	\$1,275	\$1,665	\$506	\$661	\$390	\$155
<b>Net Off-Site Earnings</b>						
Food & Beverage	\$264	\$347	\$452	\$515	\$84	\$62
Retail/Entertainment	443	579	820	934	136	114
Local (Non-Air) Transportation	970	1,270	1,137	1,274	300	136
Lodging	322	418	480	541	96	62
<b>Total Net Off-Site Earnings</b>	<b>\$1,998</b>	<b>\$2,613</b>	<b>\$2,889</b>	<b>\$3,264</b>	<b>\$615</b>	<b>\$375</b>
<b>Total Net Earnings</b>	<b>\$3,273</b>	<b>\$4,278</b>	<b>\$3,395</b>	<b>\$3,925</b>	<b>\$1,005</b>	<b>\$530</b>

EMPLOYMENT IMPACTS	County		State		Incremental	
	Current	Post-Renovation	Current	Post-Renovation	County	State
PGEC Operations						
Net PGEC Full-Time Equivalent Staff	37	50	15	20	12	5
<b>Net Off-Site Employment</b>						
Food & Beverage	13	17	20	23	4	3
Retail/Entertainment	21	27	35	40	6	5
Local (Non-Air) Transportation	28	37	31	34	9	4
Lodging	14	18	19	22	4	2
<b>Total Off-Site Employment (FTE Jobs)</b>	<b>76</b>	<b>100</b>	<b>105</b>	<b>119</b>	<b>23</b>	<b>14</b>
<b>Total Net Employment (FTE Jobs)</b>	<b>114</b>	<b>149</b>	<b>120</b>	<b>139</b>	<b>36</b>	<b>19</b>

Source: PGEC, AECOM, PES

**Table 35: Summary of Incremental Fiscal Impacts (000s)**

FISCAL IMPACTS (000s)	County		State		Incremental	
	Current	Post-Renovation	Current	Post-Renovation	County	State
<b>County Tax Revenue</b>						
County Personal Income Tax	\$45	\$59	--	--	\$14	--
Hotel/Motel Tax	\$114	\$148	--	--	\$34	--
Admissions and Amusement Tax	\$169	\$260	--	--	\$90	--
<b>Total Local Tax Revenue</b>	<b>\$328</b>	<b>\$466</b>	--	--	<b>\$138</b>	--
<b>State Tax Revenue</b>						
State Personal Income Tax	--	--	\$136	\$157	--	\$21
Sales and Use Tax	--	--	\$187	\$251	--	\$64
Alcoholic Beverage Tax	--	--	\$10	\$14	--	\$4
<b>Total State Tax Revenue</b>	--	--	<b>\$333</b>	<b>\$422</b>	--	<b>\$89</b>

Source: PGEC, AECOM, PES

**Table 36: Summary of Construction Impacts (000s)**

CONSTRUCTION IMPACTS (000S)	County		State		Incremental	
	Current	Post-Renovation	Current	Post-Renovation	County	State
Direct and Indirect Earnings	--	--	--	--	\$2,519	\$8,183
Direct and Indirect Materials and Services Spending	--	--	--	--	\$1,491	\$9,691
Direct and Indirect Employment (FTE Jobs)	--	--	--	--	47	156

Source: AECOM, PES

- The post-renovation annual attendance at PGEC is estimated to increase by approximately 77,000 attendees (more than 30 percent) over current levels, and overall event demand is estimated to increase from 158 events to 184 events.
- The post-renovation annual operating revenue is projected to increase over the three-year average by \$797,000, to approximately \$2.0 million. Expenses are expected to continue to decrease from the three-year average but grow from the FY 2012 amount. As was shown earlier in this report, total expenses exceeded \$4.0 million in FY 2010 but decreased to less than \$3.0 million in FY 2012 (and as a result, more recent expenses were strongly considered in determining future amounts). Post-renovation, expenses are forecasted to be approximately \$3.2 million. As a result, the operating deficit is estimated to decrease by approximately \$1.2 million, to a loss of approximately \$1.2 million.
- In addition, total net direct and indirect spending in Prince George's County (i.e., spending generated by non-county attendees) will increase by \$6.9 million, from an estimated \$9.9 million currently to \$16.7 million post-renovation. Post-renovation, non-Maryland attendees will generate an additional \$6.7 million in direct and indirect spending in Maryland, from \$6.9 million currently to \$13.6 million.

- In Prince George's County, the net earnings impact (i.e., earnings supported by spending by non-county attendees) will increase by approximately \$1.0 million, from \$3.3 million currently to \$4.3 million post-renovation. The net earnings impact in Maryland (i.e., earnings supported by spending by non-Maryland attendees) will increase by \$530,000, from \$3.4 million currently to \$3.9 million post-renovation.
- Net employment (i.e., jobs supported by spending by non-county attendees) will increase by 36 FTEs in Prince George's County, from 114 FTEs currently to 149 FTEs post-renovation. In Maryland, spending by non-Maryland attendees will increase net employment by 19 FTEs, from 120 FTEs currently to 139 FTEs post-renovation.
- In terms of fiscal impacts, non-county attendees currently generate an estimated \$328,000 annually in local tax revenue from sources such as county personal income tax, hotel/motel tax, and admissions and amusement tax. This revenue is projected to increase to \$466,000 post-renovation. An estimated \$333,000 in state tax revenue is currently generated by non-Maryland attendees from sources such as state personal income tax, sales and use tax, and alcoholic beverage tax. This is projected to increase to \$422,000 post-renovation.
- Direct and indirect impacts from the construction of PGEC renovations will result in approximately \$8.2 million in earnings and an additional 156 FTE jobs in Maryland. Maryland businesses are projected to gain approximately \$9.7 million in revenue. Prince George's County is projected to capture approximately \$2.5 million in earnings and an additional 47 FTE jobs. Prince George's County businesses are projected to gain approximately \$1.5 million in revenue.

## Future Impacts – No-Renovation Scenario

Assuming that no major improvements are made to the complex, we expect that its facilities will continue to have difficulty in attracting and hosting many types of events, particularly as they may grow and require more support and infrastructure over time. While overall usage of the complex has been relatively consistent in the last few years, we believe it is reasonable to expect that in the long run, the complex will become less and less competitive for modern equestrian, sports, entertainment, and community events.

The following tables show the incremental impacts resulting from the no-renovation scenario to PGEC (with all dollar amounts in 2013 dollars).



**Table 37: Summary of Incremental Usage and Revenues and Expenses (Revenues and Expenses in 000s)**

EVENTS AND ATTENDANCE	Current		No Renovation		Incremental	
	Events	Attendance	Events	Attendance	Events	Attendance
Attendance						
Equestrian	32	63,337	29	52,200	(3)	(11,137)
Graduation	37	85,092	37	77,700	(0)	(7,392)
Banquet	22	2,903	20	1,500	(2)	(1,403)
Meeting	19	984	20	1,000	1	16
Other Sports	13	28,354	8	14,400	(5)	(13,954)
Trade	11	22,123	10	20,000	(1)	(2,123)
SMERF	9	14,052	8	12,800	(1)	(1,252)
Concert/Promoted Show	6	17,451	3	8,100	(3)	(9,351)
Other	4	5,774	3	3,750	(1)	(2,024)
Fundraiser	2	678	1	300	(1)	(378)
Rodeo	1	3,568	1	2,500	0	(1,068)
Fair	1	7,396	1	6,000	0	(1,396)
<b>Total</b>	<b>158</b>	<b>251,714</b>	<b>141</b>	<b>200,250</b>	<b>(17)</b>	<b>(51,464)</b>

FACILITY REVENUE & EXPENSES	Current	No Renovation	Incremental
<b>Operating Revenue (000s)</b>			
Facility Rental	\$975	\$710	(\$265)
Food Service (Net)	210	121	(89)
Other Revenue	49	32	(17)
<b>Total Revenue</b>	<b>\$1,233</b>	<b>\$863</b>	<b>(\$371)</b>
<b>Operating Expenses (000s)</b>			
Salaries, Wages, and Benefits	\$1,875	\$1,472	(\$403)
Contract Labor	250	175	(76)
Utilities	626	577	(49)
Repair and Maintenance	385	417	32
General and Administrative	300	145	(155)
Supplies	77	104	27
Other Expenses	105	48	(58)
<b>Total Expenses</b>	<b>\$3,619</b>	<b>\$2,937</b>	<b>(\$682)</b>
<b>Net Operating Income (Deficit)</b>	<b>(\$2,386)</b>	<b>(\$2,074)</b>	<b>\$312</b>

Source: PGEC, AECOM, PES

**Table 38: Summary of Incremental Operating Impacts (Spending and Earnings in 000s)**

SPENDING IMPACTS (000s)					Incremental	
	Current	No Renovation	Current	No Renovation	County	State
<b>Net Direct and Indirect Spending</b>						
Total Net Direct Spending	\$7,309	\$5,588	\$3,889	\$2,962	(\$1,721)	(\$926)
<b>Net Indirect Spending</b>						
Net Indirect Spending - On-Site	\$422	\$324	\$371	\$292	(\$98)	(\$80)
Net Indirect Spending - Off-Site						
Food & Beverage	\$365	\$273	\$488	\$364	(\$92)	(\$124)
Retail/Entertainment	724	555	880	669	(169)	(211)
Local (Non-Air) Transportation	412	315	503	381	(97)	(122)
Lodging	640	493	721	554	(147)	(167)
<b>Total Net Indirect Spending</b>	<b>\$2,562</b>	<b>\$1,960</b>	<b>\$2,964</b>	<b>\$2,260</b>	<b>(\$602)</b>	<b>(\$704)</b>
<b>Total Net Direct and Indirect Spending</b>	<b>\$9,871</b>	<b>\$7,548</b>	<b>\$6,852</b>	<b>\$5,222</b>	<b>(\$2,324)</b>	<b>(\$1,631)</b>

EARNINGS IMPACTS (000s)	County		State		Incremental	
	Current	No Renovation	Current	No Renovation	County	State
<b>Net On-Site Earnings</b>						
PGEC Operations	\$1,275	\$1,014	\$506	\$403	(\$261)	(\$103)
<b>Net Off-Site Earnings</b>						
Food & Beverage	\$264	\$198	\$452	\$170	(\$66)	(\$282)
Retail/Entertainment	443	339	820	262	(103)	(558)
Local (Non-Air) Transportation	970	741	1,137	552	(229)	(586)
Lodging	322	248	480	191	(74)	(288)
<b>Total Net Off-Site Earnings</b>	<b>\$1,998</b>	<b>\$1,525</b>	<b>\$2,889</b>	<b>\$1,175</b>	<b>(\$473)</b>	<b>(\$1,714)</b>
<b>Total Net Earnings</b>	<b>\$3,273</b>	<b>\$2,540</b>	<b>\$3,395</b>	<b>\$1,578</b>	<b>(\$733)</b>	<b>(\$1,817)</b>

EMPLOYMENT IMPACTS	County		State		Incremental	
	Current	No Renovation	Current	No Renovation	County	State
PGEC Operations						
Net PGEC Full-Time Equivalent Staff	37	30	15	12	(7)	(3)
Net Off-Site Employment						
Food & Beverage	13	10	20	8	(3)	(12)
Retail/Entertainment	21	16	35	11	(5)	(24)
Local (Non-Air) Transportation	28	22	31	15	(7)	(16)
Lodging	14	11	19	8	(3)	(12)
<b>Total Off-Site Employment (FTE Jobs)</b>	<b>76</b>	<b>58</b>	<b>105</b>	<b>41</b>	<b>(18)</b>	<b>(64)</b>
<b>Total Net Employment (FTE Jobs)</b>	<b>114</b>	<b>88</b>	<b>120</b>	<b>53</b>	<b>(26)</b>	<b>(67)</b>

Source: PGEC, AECOM, PES

**Table 39: Summary of Incremental Fiscal Impacts (000s)**

FISCAL IMPACTS (000s)	County		State		Incremental	
	Current	No Renovation	Current	No Renovation	County	State
<b>County Tax Revenue</b>						
Hotel/Motel Tax	\$45	\$35	--	--	(\$10)	--
	\$114	\$88	--	--	(\$26)	--
	\$169	\$91	--	--	(\$78)	--
<b>Total Local Tax Revenue</b>	<b>\$328</b>	<b>\$214</b>	--	--	<b>(\$114)</b>	--
State Personal Income Tax	--	--	\$136	\$63	--	(\$73)
	--	--	\$187	\$141	--	(\$46)
Alcoholic Beverage Tax	--	--	\$10	\$7	--	(\$3)
	--	--	<b>\$333</b>	<b>\$211</b>	--	<b>(\$122)</b>

Source: PGEC, AECOM, PES

- The future no-renovation scenario's annual attendance at PGEC is estimated to decrease by approximately 51,000 attendees from current levels, and overall event demand is estimated to decrease from 158 events to 141 events.
- The annual operating revenue is projected to decrease from the three-year average by approximately \$370,000, to approximately \$860,000. Expenses are expected to decrease from the three-year average but remain similar to the FY 2012 amount of approximately \$2.9 million. In this scenario, the operating deficit is estimated to decrease by approximately \$300,000, to a loss of approximately \$2.1 million. However, as described above, in forecasting future expenses, FY 2012 amounts were primarily considered, and this future deficit of \$2.1 million is an increase from FY 2012's deficit of less than \$1.8 million.
- Total net direct and indirect spending in Prince George's County (i.e., spending generated by non-county attendees) will decrease by \$2.3 million, from an estimated \$9.9 million currently to \$7.5 million in this no-renovation scenario. Also, in this scenario, non-Maryland attendees will generate \$1.6 million less in direct and indirect spending in Maryland, from \$6.9 million currently to \$5.2 million.
- In Prince George's County, the net earnings impact (i.e., earnings supported by spending by non-county attendees) will decrease by approximately \$730,000, from \$3.3 million currently to \$2.5 million. The net earnings impact in Maryland (i.e., earnings supported by spending by non-Maryland attendees) will decrease by \$1.8 million, from \$3.4 million currently to \$1.6 million.
- Net employment (i.e., jobs supported by spending by non-county attendees) will decrease by 26 FTEs in Prince George's County, from 114 FTEs currently to 88 FTEs in the no-renovation

scenario. In Maryland, spending by non-Maryland attendees will decrease net employment by 67 FTEs, from 120 FTEs currently to 53 FTEs, assuming no renovations occur.

- In terms of fiscal impacts, non-county attendees currently generate an estimated \$328,000 annually in local tax revenue, as described above. This revenue is projected to decrease to \$214,000 if no renovations are to occur. An estimated \$333,000 in state tax revenue is currently generated by non-Maryland attendees; this is projected to decrease to \$211,000 in a no-scenario renovation.

## Summary of Future Scenarios

As shown in the previous pages, we expect that recommended renovations to the complex will have a significant positive effect on operations and economic and fiscal impacts, and that in the no-renovation scenario, operating results would decline. Based on the information shown above, we can provide a basic return on investment analysis of the future scenarios.

- **Renovation:** spending \$13.7 million (presumably of state funds) for renovations would result in a reduction of the complex's operating deficit of approximately \$1.2 million. While a deficit would still exist, saving \$1.2 million from a \$13.7-million investment can be seen as a nine-percent return that would be paid off in approximately 11 years.

Including increased tax revenues at the state level (of \$89,000 per year) increases the return to nearly ten percent. (This does not include increased county tax collections of \$138,000 per year.)

This return does not include any economic impacts that would accrue to the community. Assuming a renovation, spending, earnings, and employment impacts at the county and state levels would increase from current amounts.

- **No Renovation:** a return cannot be calculated because no capital spending is assumed. However, as shown above, the complex's deficit would increase and economic and fiscal impacts would decrease in this scenario.