

Billings, MT Conference Center

Billings Executive Conference Center -
Market Demand Study

SUBMITTED TO:

Downtown Billings Partnership, Inc.

SUBMITTED BY:

C.H. Johnson Consulting, Inc.

March 2011



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I. TRANSMITTAL LETTER

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

March 2, 2011

Mr. Greg A. Krueger
Downtown Billings Partnership, Inc.
2815 2nd Ave. N.
Billings, MT 59101

Dear Mr. Kruger:

C.H. Johnson Consulting, Inc. (Johnson Consulting) has prepared a market analysis regarding a potential executive conference center to be located in Billings, MT. This report reevaluates and updates prior report recommendations for the optimal conference center size and location, existing hospitality and market infrastructure, estimates of demand, and projected financial performance. The updated projections factor in economic and demographic changes as well as venue supply in the Billings regional market and nationally.

We have undertaken procedures that we believe are appropriate for drawing conclusions regarding the future development of the Billings Executive Conference Center. Johnson Consulting has no responsibility to update this report for events and circumstances that occur after the date of this report. The findings presented herein, reflect analysis of primary and secondary sources of information. Johnson Consulting utilized sources deemed to be reliable but cannot guarantee their accuracy. Moreover, estimates and analysis presented in this study are based on trends and assumptions, which usually result in differences between the projected and actual results. Because events and circumstances frequently do not occur as expected, those differences may be material.

We have enjoyed serving you on this engagement and look forward to providing you with continuing service.

Sincerely yours,

A handwritten signature in black ink that reads "C.H. Johnson Consulting, Inc." in a cursive, flowing script.

C.H. JOHNSON CONSULTING, INC.

Charles H. Johnson IV
President

II. INTRODUCTION & EXECUTIVE SUMMARY

INTRODUCTION

A proposed conference center project is planned to be located in Billings, Montana. The City has advanced an idea to include a project that would be included in a bond issue for a new parking deck to be located on Montana Avenue, next to the Crowne Plaza and Northern Hotels. Billings is a regional hub city and already has a presence in the regional group market for the mid-tier events it can accommodate in the Holiday Inn Grand Montana and MetraPark facilities. A higher end venue could attract small and mid-sized state and multi-state regional corporate meetings and niche conferences.

The downtown area was compared to both the East and West ends of the community. Recent growth trends in Billings indicate that the West end of the City is growing at a faster, more suburbanized rate and style than Downtown or the East end of the City. Downtown Billings is strong. It is the historical center of the community. It is fighting for reemergence as a stronger center point in the community. Almost to an interviewee, it was felt that the downtown core area is the right place for locating the conference center. Montana State University (MSU)-Billings, the Hospital Campus and the new baseball stadium all feed into this public/private effort to make Billings attractive. The conference center project is consistent with those prior efforts.

Nationally, conference centers in conjunction with stable and growing hotel supplies contribute to a city's economic well being, helping to support local businesses including hotels, restaurants, retailers, and entertainment providers. The notion of a conference center has been under consideration in the Billings area for many years and the majority of people in the City believe a conference center would provide a holistic balance of local and out of town visitors to the City and State.

Johnson Consulting concludes that a competitive level of demand is attainable and that such a development would advance the economy and make Billings more attractive for tourism and corporate recruitment. The draw for conferences, consumer shows, banquets and entertainment events would greatly benefit and diversify the local economy as a whole, as well as in the State of Montana as it will draw visitors from across state lines. In addition, with the creation of synergies from area Corporations and Billing's higher educational institutions, and the Medical Corridor, a conference center has an opportunity to spark growth and attract even more outside visitors to the area.

It is common knowledge in the meetings industry that most conference centers are loss leaders and incur a yearly operating deficit, which is often subsidized by an ongoing tax resource or privately funded by adjacent anchor hotel owners. A business that incurs a yearly loss is often scrutinized by the public as a costly

business for the city to be a part of. It is because of this fear of long-term responsibility by the City, many such projects have not advanced.

It has been made very clear by the city that capital support may be provided but resources are very tight. Associating the project with the proposed parking deck is a clever idea. Given the lack of funding mechanisms in the City and State, this may be the only practical way to execute the project. We recommend that the funding plan contemplate some ongoing support and capital improvement allowances for the conference center.

If the project is built, the desires by the City can materialize. The demand generated from visitors coming to the City helps generate room nights at hotels, dining at local restaurants, and the purchasing of goods and services at local stores. The result of this spending has exciting and positive impacts on the community and the State as it facilitates the creation of additional jobs and businesses to cater to visitor's needs, helps boost employer and employee's earnings, and increases tax revenue to the City, County, and State. Given Billings's growth cycle, all of these are desirable components that help maintain and grow the backbone of the City, also allowing for a more diversified local economy.

Johnson Consulting is a real estate consulting firm with specialized experience in convention centers, conference centers, hotels, and community economic development. The firm has worked on projects in Cheyenne, Spokane, Wenatchee, Tri-Cities and numerous other regional and national markets. This report presents the results of the analysis and informs the interested parties about the market feasibility and critical strategies that need to be addressed in order for a Conference Center to succeed under the present terms.

This report presents a brief recap of the 2002 Ernst and Associates, Inc feasibility study. The C.H. Johnson Consulting feasibility analysis then provides more in-depth analysis of comparable conference centers, estimates of demand and financial performance of the facility. The findings in this report are intended to enable the Community and others to make the best decisions concerning the development of proposed a Conference Center. To provide a framework for this report and its conclusions, the report includes the following:

Section 1 – Transmittal Letter

Section 2 – Introduction, Methodology, and Executive Summary

Section 3 – Economic and Demographic Analysis

Section 4 – Industry Trends

Section 5 – Interview Summary and Comparable Analysis

Section 6 – Demand and Financial Projections

METHODOLOGY

In order to complete this analysis and provide recommendations concerning the proposed Conference Center in Billings, Johnson Consulting performed the following tasks:

- Met and interviewed over 30 people knowledgeable about the local market place, with our local consulting partner, Stacey Robinson of Land Design, Inc.
- Summarized the 2002 feasibility study from Ernst and Associates, Inc,
- Analyzed comparable facilities to understand best practices within the region and nationally,
- Concluded whether such a facility could be sustained with reasonable levels of ongoing support from the city or others,
- Projected future demand for the proposed Conference Center, in terms of annual events and attendance, and
- Estimated revenues and expenses for the proposed Conference Center.

EXECUTIVE SUMMARY

The subject of this analysis is a Billings Conference and Events Center, which is conceived as an economic development tool for the City of Billings. Johnson Consulting concludes that prior study conclusions- that a facility makes sense for the market are appropriate and reasonable.

The 2002 Ernst and Associates, focused on two potential development sites identified by the Downtown Billings Partnership and New Century Entertainment, Inc. as follows:

- North Study Site A: comprised of several blocks bound by North 6th Avenue to the north, 30th Street to the west, 27th Street to the east, and North 4th Avenue to the south; and
- South Study Site B: comprised of several blocks bound by North 1st Avenue to the north, 29th Street to the west, 27th Street to the east, and Montana Avenue to the south.

The 2002 Analysis recommends that a non-residential executive conference center be developed in downtown Billings, constructed over one level and offering state-of-the-art facilities and amenities that cater to the corporate meetings market. The Analysis recommends that the overall facility comprise 22,750 square feet, including 14 meeting rooms of between 600 and 1,200 square feet, a lobby/pre-function area of 2,500 square feet and a dining room with capacity for 100 guests (1,500 square feet).

The current proposed facility is located in the same vicinity, but is a more general purpose facility that offers fewer breakout spaces, but about the same total space. By building it next to and integrated with two hotels, the result is actually a more balanced facility that can target larger and simultaneous events. This proposed project will offer a large ballroom/exhibit hall; a Jr. Ballroom, some support meeting space and back of house support areas.

In this analysis, only the conference center was analyzed, not the parking deck or the retail component of the proposed project. The analysis identifies how the proposed project will perform in the market, projects its operating profile and comments on the best approach to manage the facility.

Based on the data collected for the selected comparable convention facilities, that Johnson Consulting deemed appropriate, and using over 25 years of industry knowledge, Johnson Consulting estimates the conference center can achieve 220 events in Year 1 and grow to 255 events in Year 5 (Stabilization). Projected attendance is estimated to be 99,600 in Year 1 and 137,300 in Year 5, which equates to a large influx of incremental visitors to the area. Many of those visitors will require hospitality accommodations that will help add an estimated 20,200 room nights in Year 1 and 27,056 room nights in Year 5.

Considering that the conference center is proposed to be a stand-alone facility managed by an adjacent interconnected hotel, the projected operational performance of the conference center is estimated to range from a loss of approximately (\$144,000) in Year 1 to a small profit in Year 5, which is typical for a facility of this size, operated under this format. A slightly better operating result may be achieved if economies of scale and overhead reductions are optimized by effective joint management of the conference center with the hotel's facility.

In conclusion, the proposed project will complement the existing portfolio of meeting facilities in Billings. By adding two supplemental ballrooms to the package of the Northern Hotel and Crowne Plaza Hotel, a very compelling offering will result which will help all hotels in the market. The downtown hotels will benefit most directly, but all hotels will benefit from compression of other demand to periphery hotels.

Some day the City may wish to have a larger exhibit hall offering in the downtown area. If prudent planning is undertaken now, such a facility, say perhaps 50,000 square feet, could be masterplanned into the site area proposed for the conference center.

III. MARKET ANALYSIS

MARKET OVERVIEW

In order to analyze the market opportunity for a new executive conference center in Billings, Johnson Consulting undertook a comprehensive review of market conditions in Billings and Yellowstone County, relative to the broader metropolitan area, as well as the state and national averages. The key objectives of this analysis were to identify structural factors, and opportunities and weaknesses that may affect that market's ongoing competitive situation, and to gauge the level of support that exists for the development of a new executive conference center.

While characteristics such as population, employment and income are not strict predictors of performance for entertainment, cultural or community facilities, they provide insight into the capacity of a market to provide ongoing support for facilities and activities. In addition, the size and role of a marketplace, its civic leadership, proximity to other metropolitan areas, transportation concentrations, and the location of competing or complementary attractions directly influence the scale and quality of facilities that can be supported within a particular market.

Demographic and Economic Analysis

Situated in southeast Montana, the City of Billings is the county seat for Yellowstone County and the largest City in the state of Montana. The City serves as a major financial, medical, agricultural and cultural hub for a region spanning a 500-mile radius, and is the most populated City between Sioux Falls, South Dakota to the east and Spokane, Washington to the west. This, coupled with the proximity of Billings to the multitude of recreational opportunities within and around Yellowstone National Park, makes the City and the County popular destinations for residents and tourists alike.

The following map shows the location of Billings within the state of Montana.

Figure 3-1



Current Population

The Billings Metropolitan Statistical Area (MSA) is defined to include the counties of Yellowstone and Carbon. The following table shows the 2000 and 2010 estimated populations of the City of Billings, Yellowstone County and the Billings MSA, compared to the state of Montana and the U.S. as a whole.

Table 3-1

Historical & Current Population ('000s) - Billings MT					
	2000		2010 (estimate)		CAGR* (2000-2010)
	Population	% of MSA	Population	% of MSA	
US	281,280	-	308,183	-	0.9%
Montana	902	-	984	-	0.9%
Billings MSA	139	100%	155	100%	1.1%
Yellowstone County	129	93%	146	94%	1.2%
City of Billings	89	64%	97	62%	0.9%

* Compounded Annual Growth Rate
Source: US Census Bureau, DemographicsNow, Johnson Consulting

In 2010, the population of the City of Billings reached 96,930 people, representing 62 percent of the resident population of the MSA (155,260 people) and an average annual rate of growth of 0.9 percent over 2000 figures. This rate of growth was slightly lower than that recorded across Yellowstone County (1.2 percent per

annum) and the MSA (1.1 percent) but consistent with the rates of growth recorded across the state of Montana and the U.S. as a whole (both 0.9 percent).

Projected Population Growth

The latest population projections from the U.S. Census Bureau indicate that the population of the City of Billings will reach 102,370 in 2015. This represents a slight increase in the rate of population growth (1.1 percent per annum in 2010-2015) relative to the 2000-2010 period, but remains slightly lower than the rates of growth forecast across Yellowstone County (1.5 percent per annum) and the MSA (1.4 percent). During the same period, the population of the City of Montana is forecast to increase at an average annual rate of 1.1 percent, while the population of the U.S. is forecast to increase by 0.9 percent per annum.

Table 3-2

Projected Population ('000s) - Billings MT					
	2010 (estimate)		2015 (projection)		CAGR* (2010-2015)
	Population	% of MSA	Population	% of MSA	
US	308,183	-	322,429	-	0.9%
Montana	984	-	1,039	-	1.1%
Billings MSA	155	-	166	-	1.4%
Yellowstone County	146	100%	157	100%	1.5%
City of Billings	97	67%	102	65%	1.1%

* Compounded Annual Growth Rate
Source: US Census Bureau, DemographicsNow, Johnson Consulting

Longer-term projections indicate that the population of Montana will increase at an average annual rate of 0.4 percent during 2020-2030. This rate of growth is slightly lower than the national average (0.8 percent per annum), reflecting a return to longer-term growth rates throughout the state.

Table 3-3

Population Projections ('000's) - Montana and U.S.				
	Montana		US	
	Population	CAGR*	Population	CAGR*
2020	6,200	0.4%	335,805	0.8%
2025	6,315	0.4%	349,439	0.8%
2030	6,430	0.4%	363,584	0.8%
CAGR* (2010-2030)		0.4%		0.8%

*Compounded Annual Growth Rate
Source: US Census Bureau, Johnson Consulting

Median Age

In 2010, the median age of residents of the City of Billings is estimated to be 38.7 years, which is generally consistent with figures recorded for Yellowstone County (38.4 years) and the Billings MSA (38.8 years). A slightly older median age is recorded in Montana (39.5 years), while the national average is slightly younger (37.1 years).

Going forward, the median age of residents of the City of Billings is forecast to increase slightly to 39.4 years by 2015. This represents an average annual rate of growth of 1.8 percent, which is lower than the rate of growth forecast across the U.S. as a whole (2.0 percent), but higher than figures forecast for Yellowstone County (1.3 percent per annum), the Billings MSA (1.3 percent) and Montana (1.0 percent).

Table 3-4

Median Age (years) - Billings MT					
	2000	2010 (estimate)	2015 (projection)	% Change 00-10	% Change 10-15
US	35.3	37.1	37.9	5.1%	2.2%
Montana	37.5	39.5	39.9	5.3%	1.0%
Billings MSA	37.2	38.8	39.3	4.3%	1.3%
Yellowstone County	36.8	38.4	38.9	4.3%	1.3%
City of Billings	36.9	38.7	39.4	4.9%	1.8%

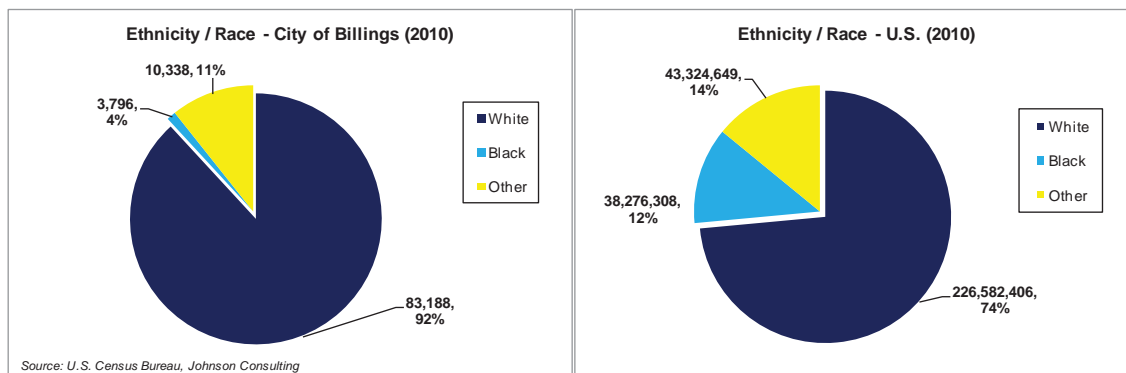
Source: US Census Bureau, DemographicsNow, Johnson Consulting

The age characteristics of a local population are an important consideration when analyzing long-term demand for a new public assembly facility, such as the proposed executive conference center, as these characteristics could impact demand for certain types of public events, and would likely influence the types of events that promoters would bring to the area.

Ethnicity / Race

The population of the City of Billings is predominantly White, with only 12 percent of the 2010 resident population being from non-White backgrounds. This figure is consistent with that recorded across Yellowstone County (11 percent), the MSA (10 percent) and Montana (10 percent), but lower than the national average, where 26 percent of the resident population is from non-White backgrounds.

Figure 3 - 2



Educational Attainment

The City of Billings' population is well educated, with 29.9 percent of residents aged 25 years and over holding a Bachelor degree or higher. This figure is slightly higher than that recorded across Yellowstone County (28.1 percent), the MSA (27.8), Montana (27.6) and the U.S. as a whole (27.9). In contrast, only 7.7 percent of residents of the City of Billings have no high school qualifications, compared to 7.9 percent in Yellowstone County, 8.0 percent throughout the MSA, 9.0 percent across Montana and 14.8 percent throughout the U.S. as a whole.

Table 3-5

Educational Attainment of Population Aged 25+ Years - Billings MT (2010)						
	Less than High School	High School	Some College, No Degree	Associates	Bachelors	Graduate / Professional
US	14.8%	29.7%	19.9%	7.6%	17.6%	10.3%
Montana	9.0%	32.1%	23.2%	8.1%	18.9%	8.7%
Billings MSA	8.0%	32.1%	22.9%	9.1%	20.1%	7.8%
Yellowstone County	7.9%	31.7%	22.9%	9.4%	20.3%	7.8%
City of Billings	7.7%	30.4%	23.1%	8.8%	21.4%	8.6%

Source: US Census Bureau, DemographicsNow, Johnson Consulting

The relatively high level of educational attainment observed amongst residents of Billings reflects the concentration of prominent post-secondary educational facilities, including Montana State University Billings, Rocky Mountain College, and the University of Mary. In addition, the Billings Public School System is the largest school system within the state of Montana.

Employment

In 2008, the predominant industry of non-farm employment in the Billings MSA was Services (38.5 percent), particularly Healthcare and Social Assistance, and

Accommodation and Food Services, followed by Retail Trade (13.9 percent), Finance, Insurance and Real Estate (10.0 percent) and Government (10.0 percent). Employment in the MSA fell slightly in 2006 before stabilizing in 2007, despite the broader economic downturn.

Between 2005 and 2008, the greatest growth in employment was observed in 'Other' sectors (9.9 percent per annum), predominantly in Arts, Entertainment and Recreation, and Mining, with substantial growth also observed in the Finance, Insurance and Real Estate (6.5 percent per annum), Construction (4.1 percent) and Retail Trade (3.5 percent) sectors. During the same period, employment in the Services sector decreased by 3.0 percent per annum, with a slight decline also recorded in the Transport and Utilities sector (0.2 percent per annum). These changes are indicative of a diverse economy throughout the MSA.

Table 3-6

Non-Farm Employment - MSA (2005-2008)					
	2005	2006	2007	2008	CAGR*
Construction	7,383	7,780	8,869	8,326	4.1%
% of total	7.4%	8.2%	9.0%	8.2%	-
FIRE**	8,373	8,979	9,476	10,123	6.5%
% of total	8.4%	9.4%	9.6%	10.0%	-
Government	10,105	10,034	10,016	10,161	0.2%
% of total	10.2%	10.5%	10.1%	10.0%	-
Manufacturing	3,942	3,887	3,914	3,997	0.5%
% of total	4.0%	4.1%	4.0%	3.9%	-
Other	3,693	3,909	4,133	4,901	9.9%
% of total	3.7%	4.1%	4.2%	4.8%	-
Retail Trade	12,725	13,106	13,620	14,123	3.5%
% of total	12.8%	13.7%	13.7%	13.9%	-
Services	42,722	37,195	38,058	39,004	-3.0%
% of total	43.0%	39.0%	38.4%	38.5%	-
Transport & Utilities	4,632	4,620	4,776	4,611	-0.2%
% of total	4.7%	4.8%	4.8%	4.5%	-
Wholesale Trade	5,874	5,894	6,204	6,101	1.3%
% of total	5.9%	6.2%	6.3%	6.0%	-
TOTAL	99,449	95,404	99,066	101,347	0.6%
% Growth Rate	-	-4.1%	3.8%	2.3%	-
* Compounded Annual Growth Rate (2005-2008)					
** Finance, Insurance & Real Estate					
Source: Bureau of Economic Analysis, Johnson Consulting					

Unemployment

The following table shows the unemployment rates for the Billings MSA, Montana, and the U.S. Between 2001 and 2009, the unemployment rate in the MSA remained consistently below that recorded across Montana and the U.S, decreasing steadily between 2002 and 2008 before increasing in line with broader trends throughout the regional, national and global economies. Nevertheless, in 2009 the unemployment rate in the MSA was 4.5 percent, which was substantially lower than that recorded in Montana (6.2 percent) and the national average (9.3 percent).

Table 3-7

	Unemployment Rate - Billings MT (2000-2009)					
	MSA		Montana		US	
	Rate	Change	Rate	Change	Rate	Change
2001	3.6%	-0.5	4.6%	-0.3	4.7%	0.7
2002	3.6%	0.0	4.6%	0.0	5.8%	1.1
2003	3.4%	-0.2	4.7%	0.1	6.0%	0.2
2004	3.2%	-0.2	4.4%	-0.3	5.5%	-0.5
2005	3.0%	-0.2	4.0%	-0.4	5.1%	-0.4
2006	2.7%	-0.3	3.2%	-0.8	4.6%	-0.5
2007	2.6%	-0.1	3.1%	-0.1	4.6%	0.0
2008	3.4%	0.8	4.5%	1.4	5.8%	1.2
2009	4.5%	0.9	6.2%	1.7	9.3%	3.5

Source: Bureau of Labor Statistics, Johnson Consulting

Income

Income characteristics of the local market are a key indicator of the potential to support a public facility, such as the proposed executive conference center. In general, higher income levels lead to greater amounts of disposable income that can be spent on non-essential items, such as recreation and entertainment.

The following table shows the non-farm earnings in the Billings MSA, and indicates steady growth between 2001 and 2008, averaging 5.5 percent per annum. This figure is consistent with that recorded throughout Montana (5.5 percent per annum) and substantial higher than the national average (4.2 percent per annum).

Table 3-8

Non-Farm Earnings - MSA and Montana			
	Billings MSA	Montana	US
2001	\$3,038,966	\$15,839,394	\$6,789,672,000
2002	\$3,166,120	\$16,394,832	\$6,951,836,000
2003	\$3,304,983	\$17,246,570	\$7,228,400,000
2004	\$3,533,271	\$18,491,286	\$7,656,172,000
2005	\$3,793,637	\$19,732,691	\$8,048,405,000
2006	\$4,060,206	\$21,266,929	\$8,539,008,000
2007	\$4,304,007	\$22,204,751	\$8,879,019,000
2008	\$4,420,327	\$22,864,667	\$9,073,124,000
CAGR*	5.5%	5.4%	4.2%
<i>* Compounded Annual Growth Rate (2001-2008)</i> <i>Source: Bureau of Economic Analysis, Johnson Consulting</i>			

The following table provides a breakdown of earnings in the MSA by industry of employment. Between 2005 and 2008, a slight decrease was recorded in total earnings in the Services industry (1.3 percent per annum), while increases were recorded in all other industry sectors. The strongest growth in earnings was recorded in 'Other' sectors (8.0 percent per annum), followed by Retail Trade (6.4 percent), Wholesale Trade (5.9 percent), and Manufacturing (5.3 percent).

In 2008 the key industries in the Billings MSA, in terms of total earnings, were Services (32.5 percent of total earnings), Government (14.6 percent), Retail Trade (9.5 percent), and Construction (9.1 percent), effectively mirroring employment trends.

Table 3-9

Non-Farm Earnings (\$'000s) - MSA (2005-2008)					
	2005	2006	2007	2008	CAGR*
Construction	\$322.6	\$354.2	\$441.7	\$372.5	4.9%
% of total	8.5%	9.4%	11.1%	9.1%	-
FIRE**	297.1	306.8	304.4	305.7	1.0%
% of total	7.9%	8.2%	7.7%	7.5%	-
Government	524.0	541.9	569.0	595.1	4.3%
% of total	13.9%	14.5%	14.3%	14.6%	-
Manufacturing	247.4	272.4	279.2	288.9	5.3%
% of total	6.6%	7.3%	7.0%	7.1%	-
Other	160.5	194.4	159.8	202.0	8.0%
% of total	4.3%	5.2%	4.0%	5.0%	-
Retail Trade	320.0	342.7	364.3	385.4	6.4%
% of total	8.5%	9.1%	9.2%	9.5%	-
Services	1,379.1	1,180.8	1,252.8	1,324.5	-1.3%
% of total	36.5%	31.5%	31.6%	32.5%	-
Transport & Utilities	220.9	233.5	242.0	242.5	3.2%
% of total	5.9%	6.2%	6.1%	5.9%	-
Wholesale Trade	303.0	322.7	356.1	360.0	5.9%
% of total	8.0%	8.6%	9.0%	8.8%	-
TOTAL	3,774.5	3,749.3	3,969.3	4,076.6	2.6%
% Growth Rate	-	-0.7%	5.9%	2.7%	-
* Compounded Annual Growth Rate (2005-2008)					
** Finance, Insurance & Real Estate					
Source: Bureau of Economic Analysis, Johnson Consulting					

Information from the Billings Chamber of Commerce indicates that agriculture and energy are key economic sectors. There are three oil refineries located throughout the City of Billings and Yellowstone County, making the location “the oil-refining capital of the northern Rockies”. The educational and medical sectors also provide immense opportunities for residents throughout the local and regional areas, with the City’s medical corridor providing the most advanced health care in the four-state area, which includes Wyoming and North and South Dakota.

Household Income

In 2010, the median household income in the City of Billings is estimated to be \$44,643 per annum, which is lower than figures recorded for the Yellowstone County (\$48,459 per annum), the Billings MSA (\$47,777) and the U.S. as a whole (\$51,510), but higher than the median household income in Montana (\$43,287). Between 2000 and 2010 the median household income in the City increased at an average annual rate of 2.5 percent, which was slightly lower than the rates of growth recorded across the County (2.8 percent per annum), the MSA (2.8 percent), and the state (2.7 percent) but higher than the national average (2.0 percent).

Table 3-10

Median Household Income - Billings MT					
	2000	2010 (estimate)	2015 (projection)	CAGR* 00-10	CAGR* 10-15
US	\$42,253	\$51,510	\$54,949	2.0%	1.3%
Montana	33,195	43,287	47,637	2.7%	1.9%
Billings MSA	36,317	47,777	52,971	2.8%	2.1%
Yellowstone County	36,676	48,458	53,528	2.8%	2.0%
City of Billings	34,831	44,643	50,208	2.5%	2.4%

* Compounded Annual Growth Rate
Source: US Census Bureau, DemographicsNow, Johnson Consulting

Going forward, the rate of growth in median household incomes in City of Billings is expected to remain stable relative to 2000-2010 (2.4 percent between 2010 and 2015). This increase is significantly higher than the more subdued growth forecast throughout Yellowstone County (2.0 percent per annum), the MSA (2.1 percent), Montana (1.9 percent) and the U.S. (1.3 percent). In 2015, the median household income in the City is projected to be \$50,208 per annum, which remains lower than forecast incomes in the County (\$53,528 per annum), the MSA (\$52,971), and the national average (\$54,949) but higher than that forecast across Montana (\$47,637).

Corporate Presence

A strong corporate and business presence can be an important factor in the success of a new public assembly facility, such as the proposed executive conference center, because local businesses can attract residents to an area, provide disposable income, and support facilities through donations, advertising, and their requirement for event space.

The following table shows the largest public and private employers throughout Billings (350 or more employees). As shown, the largest employers are concentrated within the healthcare, finance and retail sectors, with the largest single employer being Billings Clinic with 3,200 employees, followed by St. Vincent Healthcare (2,200 employees), Wal-Mart (1,013), and Wells Fargo (883).

Table 3-11

Major Employers - Billings MT (2010)		
Employer	Industry	Employees
Billings Clinic	Healthcare	3,200
St. Vincent Healthcare	Healthcare	2,200
Wal-Mart	Retail	1,013
Wells Fargo	Finance	883
Avitus Group	Human Resources	762
First Interstate Bank	Finance	674
Albertsons	Retail	524
Yellowstone Boys & Girls Ranch	Residential Care	438
Sysco Food Service	Food Services	370
Advanced Personnel Service	Human Resources	350

Source: Big Sky Economic Development Authority, Johnson Consulting

University and College Presence

The presence of colleges, universities, and educational institutions can serve as a source of event demand for a new public assembly facility, such as the proposed executive conference center. The number of college students in the area is important because it represents a target audience for education-related events, such as assemblies, graduations, and performances. Furthermore, if a building is capable of holding concerts, it can be expected that college students will be one of the largest attendee groups.

There are a number of universities, colleges, and trade institutes located within throughout Billings and Yellowstone County, including:

- **Montana State University Billings:** A full-service University offering pre-professional and certification programs, and awarding degrees at the associates, bachelors and masters levels. The University, which was founded in 1927, has six colleges – arts and sciences; business; allied health professions; education; technology and professional studies; and lifelong studies, with total enrollment of more than 4,200 students.
- **Rocky Mountain College:** A private, liberal arts college, offering associates bachelors and masters degrees. The College offers degrees in arts and humanities; interdisciplinary studies; agriculture and natural resources; business; communication and media; education; fitness, recreation and leisure studies; health and medical services; life science; mathematics and statistics; natural sciences; social sciences; technology; and transportation careers, with a student population of close to 1,000.
- **University of Mary:** The Billings Center is one of 19 adult learning centers operated by University of Mary, and is the Primary Center for the state of

Montana (additional centers in Crow Agency and Poplar). Opened in 2003, the Center offers accelerated degree programs, both online and location-based.

Hospitality-Related Infrastructure

In response to significant tourism and business demand, Billings has developed substantial infrastructure to accommodate visitors, including a strong service industry and a large inventory of hotel rooms and other lodging facilities. Data from the Billings Convention and Visitors Bureau (CVB) indicates that there are 4,776 hotel rooms in the broader Billings metropolitan area, of which 909 rooms (19 percent) are located in downtown Billings and 2,029 hotel rooms (42 percent) are located in the Westend. The following table provides a breakdown of local hotels by location.

Table 3-12

Hotel Inventory - Billings, MT (2010)		
Hotel	# Rooms	Meeting Space (SF)
Downtown		
Best Western Clock Tower Inn	127	13,450
Big 5 Motel	34	0
Carlin Hotel	8	0
Cherry Tree Inn	65	0
Crowne Plaza	289	16,000
Dude Rancher Lodge	56	400
Hilltop Inn by Riverside	56	0
The Josephine Bed & Breakfast	5	14 people
Juniper Inn	46	11-12 people
Rimrock Inn	69	20 people
War Bonnet Inn	100	400 people
Westwood Rimview Inn	54	40 people
Sub-Total Downtown	909	30,000+
Central	555	—
Westend	2,029	—
Billings Heights (East End)	250	—
Outside of Billings	1,033	—
Total	4,776	—

Source: Billings CVB, Johnson Consulting

The following figure shows the occupancy rate, Average Daily Rate (ADR) and Revenue per Available Room (RevPAR) at Billings' area hotels in 2009-2010. As shown, both the occupancy rate and the RevPAR decreased slightly in Billings in 2010, but increased in Montana and throughout the U.S. as a whole. During the same period, the ADR in Billings increased by 1.5 percent, which was substantially

higher than the increase recorded across Montana (0.7 percent) and contrasts with the decline observed throughout the U.S. (2.0 percent). Nevertheless, in 2010 the ADR in Billings (\$72.99) remained lower than figures recorded across Montana and the U.S. as a whole.

Table 3-13

Key Tourism Indicators - Billings MT (Year Ending June 2009-2010)									
	Occupancy Rate			Average Daily Rate (ADR)			RevPAR		
	2009	2010	% Change 09-10	2009	2010	% Change 09-10	2009	2010	% Change 09-10
US	54.0%	56.4%	2.4%	\$99.17	\$97.18	-2.0%	\$53.56	\$54.80	2.3%
Montana	49.3%	50.1%	0.8%	\$74.73	\$75.28	0.7%	\$36.83	\$37.69	2.3%
Billings	55.8%	54.8%	-1.0%	\$71.92	\$72.99	1.5%	\$40.13	\$39.97	-0.4%
Source: Smith Travel Research, Johnson Consulting									

The most recent data from Smith Travel Research indicates that room demand in Billings increased by 6.7 percent in July and by a further 7.8 percent in August 2010. An estimated 10 million out-of-state visitors traveled to Montana throughout 2010, a figure that has remained stable while other states saw declines. With regard to seasonality, hotel occupancies in Billings typically peak in June through September.

Meeting and Event Venues

The following table shows existing meeting and event venues throughout Billings, including the historic Northern Hotel, which is currently undergoing extensive renovations and is due to reopen in Spring 2011. As shown, the total inventory of meeting and event space exceeds 270,000 square feet, with some additional supply spread across a variety of smaller, limited service properties.

As shown, the largest conference and meeting facilities are contained within the Holiday Inn Grand Montana (50,000 square feet), Billings Hotel and Convention Center (23,300 square feet) and Crowne Plaza (16,000 square feet). MetraPark, which is home to the Montana State Fair, incorporates a 77,000 square foot Expo Center but is otherwise considered to have limited meeting space.

Table 3-14

Meeting & Events Venues - Billings, MT (2010)			
Venue	# Rooms	Banquet Capacity (ppl)	Total Meeting Space (sq.ft)
Billings Hotel & Convention Center	235	1,400	23,300
Crowne Plaza	289	520	16,000
Hilton Gardens Inn Bilings	128	200	4,000
MetraPark	-	-	Arena: 10,000-seat, Expo Center: 77,400 sq.ft, Montana Pavilion: 28,800 sq.ft, Other: 24,609 sq.ft. Total: 181,000
Holiday Inn Grand Montana	317	4,670	50,000
Northern Hotel (Under Construction)	160	700	12,100
Total	1,129	7,490	274,300

Source: Billings CVB, Johnson Consulting

Information from the Montana Innkeepers Association indicates that no large conventions or meetings were held in Billings during Summer 2010, reflecting a lagging recovery in business travel. Nevertheless, the City's hotels hosted several groups of between 600 and 1,000 people.

In June 2010 the Rimrock Auto Arena at MetraPark was extensively damaged by a tornado. Repairs are currently underway, at an estimated cost of \$25 million for Phase 1 (\$23 million covered by the County's insurance), with the County investing \$1.6 million for acoustic treatments. The Arena is scheduled to reopen in April 2011, with the first scheduled event being the Women of Faith Conference, followed by college and high school graduations.

It is anticipated that the temporary closure of the Arena will have a significant impact on visitation numbers, with a number of events, including the Montana High School Association's state wrestling tournament in February and Class A basketball tournament in March, having to be relocated or rescheduled. Furthermore, the loss of the Billings Outlaws indoor football team, which ceased operations at the end of the 2010 season, is expected to have a negative impact on both Arena operations and visitation the broader Billings area.

Accessibility

The convenient location of Billings in southeast Montana means that it is easily accessible via numerous modes of transportation, and as such can draw visitors from a wide catchment area:

- **Road:** Billings has excellent highway access, with Interstate Highway 90 running east-west to the south of Billings and U.S. Highway 84 running north-south just to the east of downtown. Access is also provided via Interstate Highway 94, U.S. Highway 212, and Montana State Highway 3;

Figure 3-3



- **Bus:** Greyhound has a terminal at Billings and Rimrock Trailways also provides regional and interstate bus services;
- **Air:** Billings Logan International Airport is located approximately 2 miles to the north of downtown Billings. The Airport offers non-stop services to nine cities - Denver, Minneapolis/St. Paul, Salt Lake City, Los Angeles, Las Vegas, Phoenix, Chicago (seasonal), Atlanta (seasonal), and Seattle. These services are provided by 7 airlines – Allegiant Air, Frontier Airlines, Horizon, Delta, Skywest, United and Great Lakes. Three cargo carriers also operate from the Airport (UPS, DHL and FedEx), along with two fixed base operators (Edwards Jet Center and Corporate Jet). In the 2010 year-to-date (as of October) the Airport provided services to 671,413 passengers. This represents a slight decrease of 2.6 percent from 2009 figures (689,358 passengers), but still continues the general upward trend observed over recent years. In the U.S. the Billings Logan Airport was ranked 124 out of all U.S. commercial airports (460-plus) in terms of total originating domestic passengers and had the lowest average airfare in the State with an average cost of \$394 per ticket. The national average is \$341. If tickets are not booked well in advance the cost increases significantly.

Competitive Set

For the purpose of this analysis the competitive set is defined as the following cities and facilities:

- Boise, Idaho: Boise Center (24,426 square foot ballroom, 16,679 square feet of meeting space, total 41,105 square feet);
- Spokane, Washington: Spokane Convention Center (25,915 square feet ballroom, 15,720 square feet of meeting space, total 193,157 square feet);
- Missoula, Montana: No main conference facility. Existing facilities with meeting space are primarily located at The University of Montana, including the University Center (10,437 square foot ballroom, total 38,577 square feet), and the Adams Center (42,846 square foot arena), with an additional 37,000 square feet of meeting space spread across two hotels. Phase II planning for a new events center in Missoula has been stalled;
- Bozeman, Montana: No main conference facility. Existing facilities with meeting space are primarily located at Montana State University (12,840 square foot ballroom, total 27,001 square feet), with an additional 16,500 square feet of meeting space spread across two hotels;
- Cheyenne, Wyoming: No main conference facility. Existing meeting space totals 25,800 square feet spread across three hotels: Historic Plains Hotel, Holiday Inn, and Little America Hotel & Resort;
- Sioux Falls, South Dakota: Sioux Falls Convention Center (16,800 square foot ballroom, 10,356 square feet of meeting space, total 60,756 square feet).

The following table provides a summary of the ballroom and meeting space in each of the competitive cities, and reveals an average 18,000 square foot ballroom across the cities, and an additional 30,000 square feet of meeting space.

Table 3-15

Competitive Set of Cities Summary of Ballroom and Meeting Space		
Facility	Total Square Footage	
	Ballroom	Meeting Room
Boise Centre - Boise, Idaho	24,426	16,679
Spokane Convention Center - Spokane, WA	25,915	15,720
Main Conference Facilities - Missoula, Montana	10,437	75,577
Main Conference Facilities - Bozeman, Montana	12,840	43,501
Main Conference Facilities - Cheyenne, Wyoming	n/a	25,800
Sioux Falls Convention Center - Sioux Falls, South Dakota	16,800	10,356
<i>Average Square Footage</i>	18,084	31,272
<i>Source: Respective Facilities, Johnson Consulting</i>		

The following map shows the location of the competitive cities. In addition to the fact that many of the competing cities do not have a dedicated conference and meetings venue, geographically the competitive set covers a broad region. This is considered to create a unique market opportunity for a new executive conference center in Billings to capture unmet demand throughout the region.

UNITED STATES

ALBERTA
Edmonton, Calgary, Banff, Jasper, Lake Louise, Canmore, Inverness, Grande Prairie, Fort McMurray, Peace River, Hinton, Grande Cache, Fort St. John, Fort Chipewyan, Fort Resolution, Fort Smith, Fort Reliance, Fort Liard, Fort McMurray, Fort St. John, Fort Chipewyan, Fort Resolution, Fort Smith, Fort Reliance, Fort Liard.

BRITISH COLUMBIA
Vancouver, Victoria, Nanaimo, Port Moody, Port Huron, Port Alberni, Port Mudge, Port Hardy, Port Roberts, Port Moody, Port Huron, Port Alberni, Port Mudge, Port Hardy, Port Roberts.

WASHINGTON
Seattle, Tacoma, Everett, Olympia, Bellingham, Everett, Olympia, Bellingham.

OREGON
Portland, Medford, Eugene, Astoria, Seaside, Cannon Beach, Clatskanie, Astoria, Seaside, Cannon Beach, Clatskanie.

IDaho
Boise, Coeur d'Alene, Pocatello, Idaho Falls, Twin Falls, Burley, Logan, Salt Lake City, Ogden, Provo, St. George, Panguitch, Hatch, Blanding, Farmington, Durango, Cortez, Montezuma, Silverton, Telluride, Aspen, Vail, Breckenridge, Steamboat, Winter Park, Park City, Deer Valley, Park City, Deer Valley.

MONTANA
Helena, Great Falls, Missoula, Butte, Bozeman, Billings, Miles City, Terry, Glendive, Sidney, Wolf Point, Havre, Malta, Glasgow, Scooby, Plehwood, Williston, Minot, Towner, Cando, Rolla, Grafton, Langdon, Thief River Falls, Bemidji, Bagley, Crookston, Cooperstown, Jessenden, McCluskey, Manning, Dickinson, Bowman, Cason, Linton, Sisseton, Watertown, Marshall, St. Cloud, Willmar, Alexandria, Brainerd, Detroit Lakes, Fargo, Jamestown, Lisbon, Center, Bismarck, Hettinger, Timber Lake, Dupree, Chamberlain, Winner, Rosebud, Springview, O'Neill, Valentine, Bassett, Mullen, Theedford, North Platte, Kearney, Ogallala, Imperial, Beaver City, Holdrege, Hastings, Lincoln, Omaha, Council Bluffs, Des Moines, Iowa City, Ames, Urbandale, Johnston, Des Moines, Iowa City, Ames, Urbandale, Johnston.

NORTH DAKOTA
Grand Forks, Fargo, Jamestown, Lisbon, Center, Bismarck, Hettinger, Timber Lake, Dupree, Chamberlain, Winner, Rosebud, Springview, O'Neill, Valentine, Bassett, Mullen, Theedford, North Platte, Kearney, Ogallala, Imperial, Beaver City, Holdrege, Hastings, Lincoln, Omaha, Council Bluffs, Des Moines, Iowa City, Ames, Urbandale, Johnston, Des Moines, Iowa City, Ames, Urbandale, Johnston.

SOUTH DAKOTA
Sioux Falls, Rapid City, Pierre, Mitchell, Yankton, Vermillion, Sioux City, Carroll, Marshall, St. Cloud, Willmar, Alexandria, Brainerd, Detroit Lakes, Fargo, Jamestown, Lisbon, Center, Bismarck, Hettinger, Timber Lake, Dupree, Chamberlain, Winner, Rosebud, Springview, O'Neill, Valentine, Bassett, Mullen, Theedford, North Platte, Kearney, Ogallala, Imperial, Beaver City, Holdrege, Hastings, Lincoln, Omaha, Council Bluffs, Des Moines, Iowa City, Ames, Urbandale, Johnston, Des Moines, Iowa City, Ames, Urbandale, Johnston.

NEBRASKA
Lincoln, Omaha, Council Bluffs, Des Moines, Iowa City, Ames, Urbandale, Johnston, Des Moines, Iowa City, Ames, Urbandale, Johnston.

KANSAS
Topeka, Lawrence, Overland Park, Shawnee, Olathe, Kansas City, Wichita, Topeka, Lawrence, Overland Park, Shawnee, Olathe, Kansas City, Wichita.

OKLAHOMA
Oklahoma City, Tulsa, Norman, Muskogee, Bartlesville, Broken Arrow, Lawton, Muskogee, Bartlesville, Broken Arrow, Lawton.

TEXAS
Houston, Dallas, San Antonio, Austin, Fort Worth, El Paso, San Marcos, Corpus Christi, Brownsville, Houston, Dallas, San Antonio, Austin, Fort Worth, El Paso, San Marcos, Corpus Christi, Brownsville.

LOUISIANA
New Orleans, Baton Rouge, Shreveport, Lake Charles, Metairie, Kenner, Chalmette, New Orleans, Baton Rouge, Shreveport, Lake Charles, Metairie, Kenner, Chalmette.

ARKANSAS
Fayetteville, Springdale, Rogers, Benton, Fayetteville, Springdale, Rogers, Benton.

MISSOURI
St. Louis, Kansas City, Springfield, Columbia, Jefferson City, St. Louis, Kansas City, Springfield, Columbia, Jefferson City.

ILLINOIS
Chicago, Springfield, Peoria, Quincy, Macomb, Alton, Edwardsville, St. Louis, Kansas City, Springfield, Columbia, Jefferson City.

INDIANA
Indianapolis, Fort Wayne, Evansville, Gary, Hammond, South Bend, Indianapolis, Fort Wayne, Evansville, Gary, Hammond, South Bend.

MICHIGAN
Lansing, Detroit, Flint, Ann Arbor, Kalamazoo, East Lansing, Lansing, Detroit, Flint, Ann Arbor, Kalamazoo, East Lansing.

OHIO
Columbus, Cleveland, Cincinnati, Dayton, Akron, Toledo, Columbus, Cleveland, Cincinnati, Dayton, Akron, Toledo.

PENNSYLVANIA
Philadelphia, Pittsburgh, Harrisburg, Allentown, Reading, Lancaster, York, Harrisburg, Allentown, Reading, Lancaster, York.

NEW YORK
New York City, Albany, Syracuse, Binghamton, Ithaca, Cortland, Oswego, Utica, Albany, Syracuse, Binghamton, Ithaca, Cortland, Oswego, Utica.

VERMONT
Montpelier, St. Albans, Waterbury, South Burlington, Montpelier, St. Albans, Waterbury, South Burlington.

NEW HAMPSHIRE
Manchester, Nashua, Concord, Portsmouth, Dover, Manchester, Nashua, Concord, Portsmouth, Dover.

MAINE
Portland, Bangor, Lewiston, Auburn, Waterville, Bangor, Lewiston, Auburn, Waterville.

ALASKA
Anchorage, Fairbanks, Juneau, Sitka, Kodiak, Anchorage, Fairbanks, Juneau, Sitka, Kodiak.

HAWAII
Honolulu, Pearl Harbor, Hilo, Kailua, Kaneohe, Honolulu, Pearl Harbor, Hilo, Kailua, Kaneohe.

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Implications

In many respects, Billings is currently suffering the effects of the national recession, primarily as a result of the downturn in the tourism industry. Even though it is difficult to do so with a declining resource base, this is precisely the time when the community needs to invest in projects that will help to rebuild visitation and provide new job opportunities. Investment in the proposed executive conference center will create a long-lasting demand generator, attracting more and more visitors to the area and providing a long-term community resource that will help diversify the economy.

Indeed, the Billings metropolitan area has many of the key characteristics and requirements necessary to support a new conference center. These include an established tourism and service industry, steady population growth, high levels of employment, a strong corporate presence and a limited supply of events centers and public assembly facilities throughout the local and regional areas. In addition, the role of Billings as a major hub for financial, medical, agricultural and cultural activity, for a region spanning a 500-mile radius, further enhances the opportunity to develop a new executive conference center in an established, and expansive, catchment area.

IV. MEETING MARKET INDUSTRY TRENDS

MEETINGS MARKET INDUSTRY TRENDS

Virtually all categories of meeting activities have experienced rapid worldwide growth since the early 1970s. The economic efficiency of using tradeshow to sell products and the pursuit of education and commerce has fueled the creation of new events and the growth of existing events, in terms of both size and attendance. Cities throughout the world have responded and are still responding to this demand by supplying millions of square feet of new or renovated exhibition and meeting space in both small and large markets.

In order to understand the long-term market demand for the Billings conference market, an analysis of entertainment, social event, and meeting industry trends is important. This section provides a general overview of the types of meeting facilities that exist in the industry, as well as the types of events that are commonly hosted. Also discussed are the general requirements that meeting planners look for in a prospective location, as well as an overview of current and likely future market trends, focusing on the impact of broader economic conditions on the meetings and event industry

Types of Facilities

Each event type has unique facility needs. Certain events require large amounts of contiguous space, while others require many smaller meeting rooms. Often a single meeting will use many different types of spaces, such as large exhibit halls, banquet facilities, breakout meeting rooms, and theater seating.

As societies mature and become more sophisticated, so too does the meetings market. The diverse nature of the meetings industry, and the characteristics of various event types, necessitates a variety of alternative facilities.

The main types of public assembly facilities are summarized as follows:

- *Hotel and Meeting Room Facilities* - Many markets have developed a multipurpose or small convention or conference center complex within or adjacent to a hotel, as a means of improving the lure of the hotel and subsidizing its operations. These facilities, which have been undertaken in markets of varying sizes, are frequently developed through public-private partnerships whereby the public sector may assemble land, build parking, and fund meeting space components as a way to execute a project. Often the various project elements are developed as a joint project, in terms of timing, but in some markets, the public elements have been built first with the hotel coming later.

- *Conference Centers* - Conference centers provide a specialized combination of meeting spaces, high-tech amenities, and services in support of training and education initiatives. Most conference centers are operated in conjunction with a hotel, although some are part of a university and a small number operate as stand-alone venues.
- *Convention Centers* - On a larger scale, convention centers combine the meeting capabilities of a conference center with exhibit space. These facilities are designed to meet the broad needs of the Meetings, Incentive, Convention, and Exhibition (M.I.C.E.) industry and primarily serve as economic development enterprises for the community. Their mission is to bring outside visitors and associated spending into the community, although they may also host large locally-oriented consumer events.
- *Exposition Halls* - These facilities focus exclusively on product and consumer shows that require little meeting space. Pure exposition halls generally exist in markets that have other convention and/or meeting venues available or in situations where the private sector has responded to a lack of supply by developing an inexpensive facility. Fairgrounds also offer facilities that are exposition-oriented.
- *Trademarts* - Trademarts or merchandise marts typically combine an exhibit facility, permanent display space that is occupied by businesses under long-term lease agreements, and specialized office space. These facilities provide space for the wholesale distribution of products in specific industries, including furniture, clothing, sporting goods, and computers. These facilities occur in large cities that serve as regional wholesale and marketing centers.
- *Fairgrounds* - Fairgrounds combine a number of assembly and exposition elements on a large campus. Facilities may include one or more exhibition halls, along with arena and meeting hall functions, although little meeting space is usually offered on the property. Typically located away from downtown areas, fairgrounds provide acres of parking for large events.
- *Events Centers* - Events centers, or arenas, are used as multi-purpose facilities to host a wide range of events, from small to mid size conventions, and trade shows, to sporting events, concerts, and banquets. These facilities typically host many more locally-oriented events than dedicated exhibit and ballroom space within convention centers. Events centers also incorporate breakout/ meeting rooms, and often have a full commercial kitchen to cater banquet events.

Since 2000, the total amount of exhibit space in North America has increased by 42 percent. As of June 2010, there were 46 new buildings or expansions, totaling 4.4

million square feet of exhibit space, either under construction or in the development pipeline throughout North America.

Types of Events

As outlined above, the events industry is comprised of various different types of events, including:

- *Conventions or Congresses* – These are privately held meetings of professional groups and associations that commonly take place in hotels, convention centers, or civic centers. These meetings attract association members and/or affiliates wishing to meet similar professionals and share ideas.

A convention can consist of a single meeting or a number of concurrent meetings during the event period, and are increasingly featuring exhibits to communicate ideas. These types of conventions are known as “conventions with exhibits.”

The term “convention” is generally used in North America, and “congress” is used in Europe, and sometimes in Asia, to describe the same type of events. However, conventions typically use more exposition space and have a more social nature than congresses, but this distinction is narrowing as congresses are becoming more like North American-style conventions.

Conventions are generally “high-impact” events since attendees normally stay several nights in the host city, generating hotel room nights. In addition to hotel expenditures, attendees purchase other goods and services while in the city such as food and beverage, souvenirs, and transportation that not only contribute to local business but also increase local and state tax revenues.

- *Temporary Expositions and Trade Shows* – These events are designed to bring buyers and sellers of industry-specific products together. Tradeshows usually cater to a specific industry, however, multi-industry “trade fairs” also occur. Most tradeshow events are not open to the public, although in Europe, the public can sometimes attend trade events.

Like conventions, trade shows offer a forum for exchanging industry ideas. They differ from conventions, however, because they are more product-and sales-oriented. Tradeshows are exhibit-intensive, and exhibitors prefer column-free, single-story, open-space facilities in which they construct temporary custom booths for product display. Tradeshows typically attract

a large number of attendees, who originate from outside the host city but tend to have a shorter average stay than convention attendees.

The event programs run for a period of three to six days, with equal or slightly less time allocated to setting up and tearing down the event booths. Therefore, individual attendees may have less impact on the host city's economy than a convention attendee.

Temporary exposition events are increasing the number of meetings held during an exhibition in an attempt to educate buyers about products, and as a result, are becoming more like "conventions with exhibits" (see following point). However, in comparison to more formal conventions with exhibits, temporary expositions tend to maintain higher attendance figures, but a shorter average length of stay for attendees.

Table 4-1 displays the most frequent event categories for conventions with exhibits and trade shows.

Table 4-1

Top Event Categories - Conventions with Exhibits and Trade Shows	
Aerospace & Aviation	Home & Garden Furnishings & Supplies
Agriculture & Farming	Libraries
Apparel & Fashion	Manufacturing & Industrial
Art & Architecture	Medical & Health Care
Associations	Military
Building & Construction	Ocean Supplies & Equipment
Business & Finance	Police & Fire Fighters
Chemicals	Printing & Graphics
Communications	Radio, TV & Cable
Computers & Computer Applications	Religious
Education	Safety & Security
Electrical & Electronics	Sanitation & Waste Management
Energy & Mining	Science
Facilities, Engineering & Maintenance	Stores & Store Fittings
Food & Beverage	Textiles
Forest Products	Transportation
Funeral Industry	Travel Industry
Government	Veterinary

Source: Trade Show Week Data Book

- **Assemblies** – These are largely association, fraternal, or religious events that require a large plenary hall, arena, or stadium. Similar to conventions, they are characterized by large numbers of attendees originating from outside the host city.

- *Conferences* – These are smaller convention-type events and are typically held in meeting rooms and ballrooms or in formal conference centers. Like conventions and congresses, they are often sponsored by associations and corporations and address current issues and information. Attendees and users typically demand high-quality facilities and most originate from out of town.
- *Incentive Meetings* - The corporate market uses incentive meetings as a way to reward employees, combine recreation and business meetings, or to mix employees and clients in a business and recreational setting. Product launches, key account conferences, and award events are all-important aspects of this type of event.
- *Consumer Shows* – These are public, ticketed events featuring exhibitions of merchandise, such as clothing, food, and antiques. These events are typically held in public assembly facilities such as hotels, convention centers, and exposition centers. They normally attract large numbers of attendees, and depending upon the size, location, and type of merchandise being displayed, these shows normally attract local residents.

Table 4-2 displays a summary of the most prevalent types of consumer shows.

Table 4-2

Top Event Categories - Consumer Shows	
Antique	Jewelry & Gem
Art	Jobs, Career & College
Auto	Motorcycle
Boat	Outdoor Sports
Computer	Pets
Ethnic	RV & Camping
Film	Sewing & Needlework
Flower	Sporting Goods & Guns
Gift & Craft	Super Sale
Golf	Toys & Hobbies
Health & Beauty	Travel
Holiday	Weddings
Home & Garden	Woodworking
Source: Johnson Consulting	

- *Entertainment Events* - Including performing arts, concerts, sporting events, and circuses that can be accommodated by a variety of facilities. Although entertainment facilities will typically be dedicated to one or more specific uses, multipurpose venues, such as convention centers, can accommodate a large variety of events, especially if they are designed appropriately.

Entertainment event promoters require unobstructed space to arrange the performance and to allow attendees to view the show.

- *Permanent Expositions* - Permanent expositions are designed to promote commerce by establishing permanent exhibit areas for manufacturers. Although these facilities cater primarily to businesses, the general public is usually allowed to enter. Show promoters, however, discourage public attendance, as the primary intent of the exhibition is to promote wholesale trade. Permanent expositions use three types of product promotions:
 - *Sample Showcases* – These are small advertising displays of various new products. While company representatives do not staff the permanent facility of the showcase, personnel are usually available to provide buyers with information regarding the companies and their products.
 - *Export Marts* – These are facilities with staffed booths displaying domestic manufactured products. Export marts are typically arranged by industries and are meant to be one-stop-shops for prospective domestic and international buyers. The display areas are typically 200 to 600 square feet in size and are staffed with three to five people. In industries such as fashion, where seasonal sales patterns occur, booths are only staffed during peak sales periods, despite the fact that annual rents are collected for the space.
 - *Import Marts* – These are used by foreign manufacturers to display their products to domestic buyers. Like export marts, they are typically arranged by industries, are 200 to 600 square feet in size, and are sometimes staffed (only during buying seasons). Often, trade associations representing mart tenants sponsor temporary expositions, thereby creating a regional draw for the mart. If significant exposition space is provided, these events can become the dominant industry event in the country or region.

In our assessment, the convention, conference, and corporate meeting market segment has the most demand potential for Billings, now and into the future, due to its role as a regional hub, accessibility by air and car, and a strong medical industry cluster. The conference, conventions with exhibits, social, entertainment, and Social, Military, Education, Religious, Fraternal, and Ethnic (SMERFE) markets have relevance and are important considerations in determining long-term demand for the proposed conference center, as they will emerge as a supplemental user of facility space when the conference center is not hosting conferences. We believe that consumer shows and large tradeshow are most appropriate for MetraPark and the Billings hotel and convention center as they have the type of space required for these exhibit intensive events and lacks Class A amenities required by conference and corporate events.

Event Sponsors

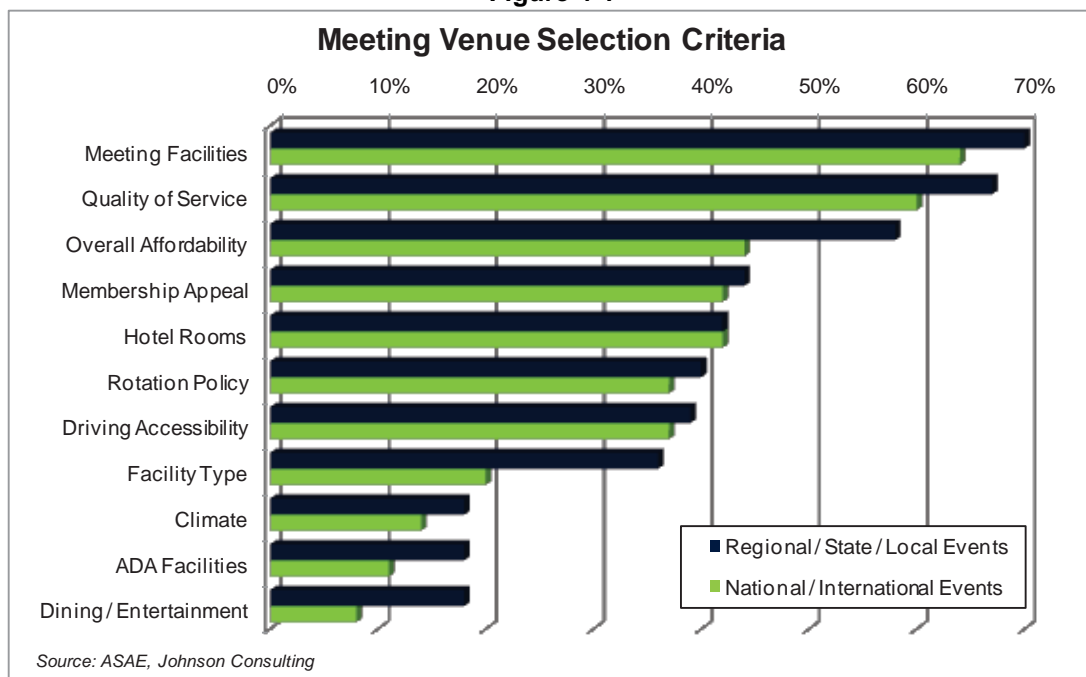
The meetings industry includes a wide variety of event types that are sponsored by different types of businesses and organizations, including:

- *Corporations* - Business meetings are an integral part of the meetings industry. They represent the majority of meetings held throughout the world, and topics can be as wide-ranging as the industries themselves. For the purposes of this report, corporate meetings will refer to off-site conferences, sales, and incentive meetings, such as the events that are often held at hotels.
- *Associations* - Trade and business associations represent certain industries and strive to keep members informed about current issues related to their industry. Associations sponsor meetings and conventions to serve this educational and informational purpose, and also assist in marketing efforts by holding trade shows where members can display and sell their products.
- *Educational Institutions* - Universities are increasingly recognizing that more continuing education occurs at meetings, rather than in classroom settings, and are becoming an important player in developing and sponsoring continuing education activities and conferences.
- *Government* - All levels of government hold meetings for the purpose of education, discussion of issues, and policy deliberation. In many countries, governments also create and sponsor trade shows in order to support sectors of the economy.
- *Independent Show Organizers, Incentive Houses, and Publishing Companies* - The meetings industry has grown so large that it now supports a growing number of organizations that specialize in the business of producing meeting events. These businesses may work on behalf of corporations and associations, and handle all aspects of a meeting, from booking attendees to event operations. Many publishing companies have trade show and convention management divisions, while incentive houses not only work for their corporate and association clientele, but may also develop programs and conferences as moneymaking ventures.
- *Social, Military, Education, Religious, Fraternal, and Ethnic (SMERFE) Organizations* - These organizations typically sponsor convention or assembly events that are not always business-related and tend to be geared more towards social networking and discussion of issues.

Meeting Planner Selection Criteria

The American Society of Association Executives (ASAE), which is a membership organization of more than 22,000 association executives in 50 countries throughout the world, recently surveyed its members regarding their criteria for selecting a convention center destination. These executives are responsible for selecting destination(s) for a variety of events, ranging from small meetings to large exhibitions. The following figure illustrates the average responses of members who placed events in convention centers, including both regional and local events, as well as national and international events.

Figure 4-1



The survey respondents gave a high level of importance to the following criteria when selecting a convention center for either a regional, state or local event, or a national or international event:

- Availability of meeting room facilities,
- Quality of service,
- Overall affordability,
- Membership appeal, and

- The availability of hotel rooms.

Meeting planners considered climate, ADA facilities, and dining/entertainment options as least important when selecting a venue. In situations where there are only a limited number of cities with sufficient exhibit space to meet a planner's requirements, data from TradeShow Week, indicates that the most important selection criteria relates to hotel supply. More specifically, the top five criteria when selecting a city, as opposed to a venue, are:

- Hotel room prices and quality (69 percent of respondents);
- Open Dates (66 percent);
- Number of Hotel Rooms and Capacity (60 percent);
- Hotel Block Attrition Rates and Issues (56 percent), and
- Labor Costs and Service Issues (43 percent).

A competitive advantage for cities is gained by having an established and effective tourism and hospitality industry that provides event producers and attendees with high quality experiences and encourages interest in returning for subsequent events and meetings.

International Destinations

Data from the Professional Convention Management Association's (PCMA) 2010 survey of its 6,000 members across the U.S., Canada and Mexico, indicates that 44 percent of respondents will be holding meetings outside of the U.S. in 2010 and 2011, which is consistent with actual figures recorded for 2008. The international destination that is most likely to be considered is Canada (45 percent of respondents), followed by the United Kingdom (25 percent), Mexico (25 percent), Western Europe (22 percent) and the Caribbean (22 percent).

Impact of Current Economic Conditions

A recent survey of event planners, indicates that 75 percent of respondents have changed their site selection process due to the recession. Perhaps the most significant, and expected, change is that more than 50 percent of planners are now looking for value locations and lower costs for venues, hotels and services, with 46 percent of respondents stating that they are also now booking smaller hotel blocks.

The top five criteria currently used for selecting a city for an event are:

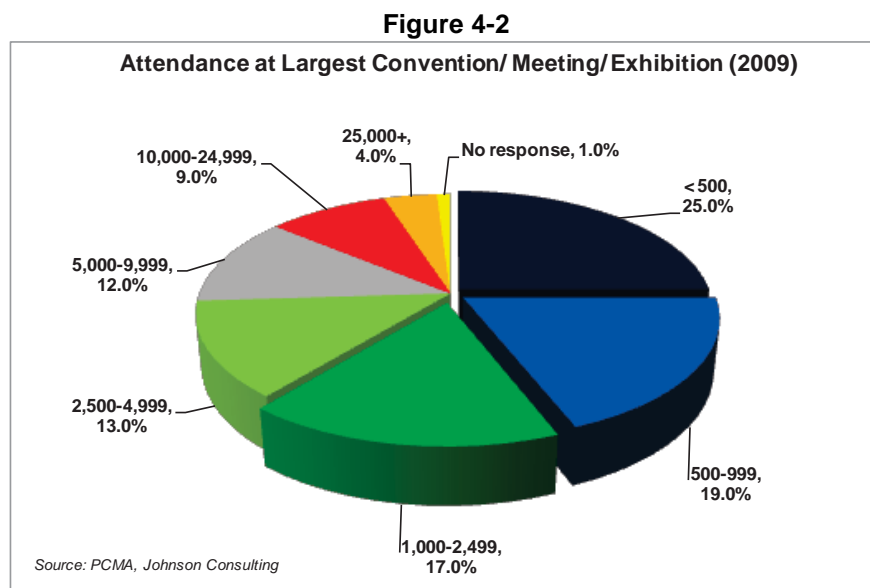
- Hotel Room Prices (75 percent of respondents);
- Convention Center and Exhibition Hall Size (67 percent);
- Airport Capacity and Airfares (65 percent);
- Hotel Room Availability (63 percent), and
- Availability of Open Dates (59 percent).

When compared to the Tradeshow Week data discussed previously, it is apparent that hotels continue to play an important role in differentiating cities. Concurrently, the importance of airlift has grown significantly, reflecting restricted travel budgets for many organizations, along with service and capacity cuts by many airlines. Approximately 64 percent of planners who have changed their selection criteria believe that the changes will remain in place for at least the next two years.

Event Attributes

Number of Attendees

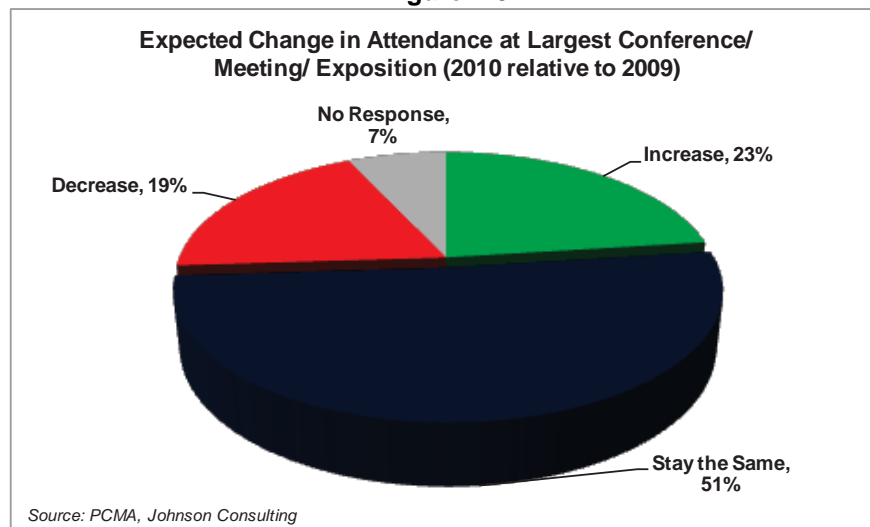
An important element to consider in terms of the appropriate size and scope of meeting facilities is the size distribution of the events it will pursue. Based on the PCMA's 2010 survey, 44 percent of respondents hosted less than 1,000 persons at their largest convention, meeting or exposition in 2009. The following figure shows the distribution of attendees based on the PCMA's survey responses.



Between 2008 and 2009, close to half of survey respondents (48 percent) saw a decrease in the number of attendees at their largest convention, meeting or exhibition, a consequence of broader economic downturn. It is worth noting, however, that attendance is not always negatively impacted by an economic downturn because attendees seek different things from events during periods of economic growth versus periods of decline. More specifically, during a period of economic prosperity, attendees are typically motivated to attend a convention, meeting or exhibition by a desire to gain new industry information and technology that may give them an advantage over their competitors. During periods of economic downturn and recession, attendees are motivated by a desire to understand what is happening in their market and stay abreast of the latest opportunities and challenges facing their industry. This means that key personnel will continue to attend what they consider to be their industry's most important conventions, trade shows and meetings, even during periods of economic decline.

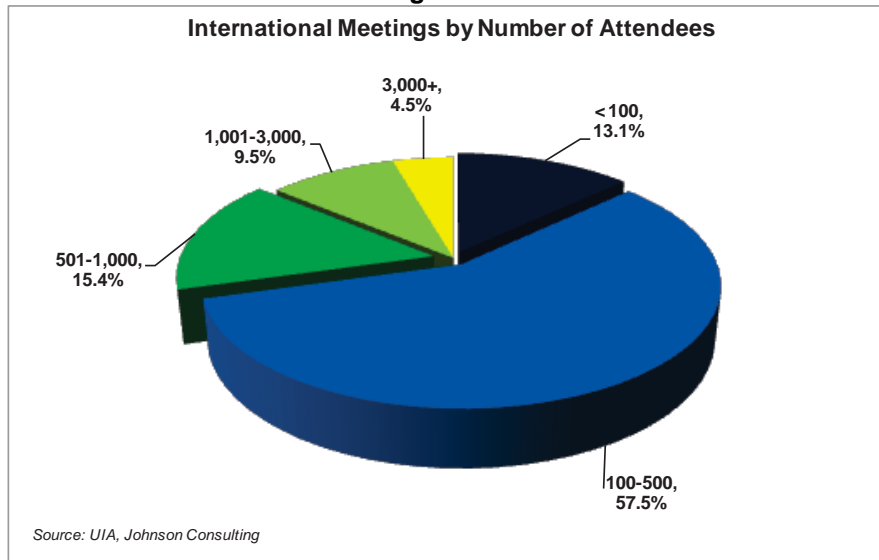
In 2010, only 23 percent of respondents expect to see any further decrease in attendance, with the slight majority (51 percent) of respondents expecting to see no change. During the same period, 23 percent of survey respondents expect to see an increase in attendance, a significant improvement from recorded 2009 data, which showed that only 16 percent of respondents saw an increase in attendance over 2008.

Figure 4-3



Analysis of the distribution of meeting events by number of attendees reveals a trend towards smaller events. This finding is consistent with a movement towards smaller events in the worldwide convention, exhibition, and meeting industries. The following figure displays the distribution of international meeting events by number of attendees.

Figure 4-4

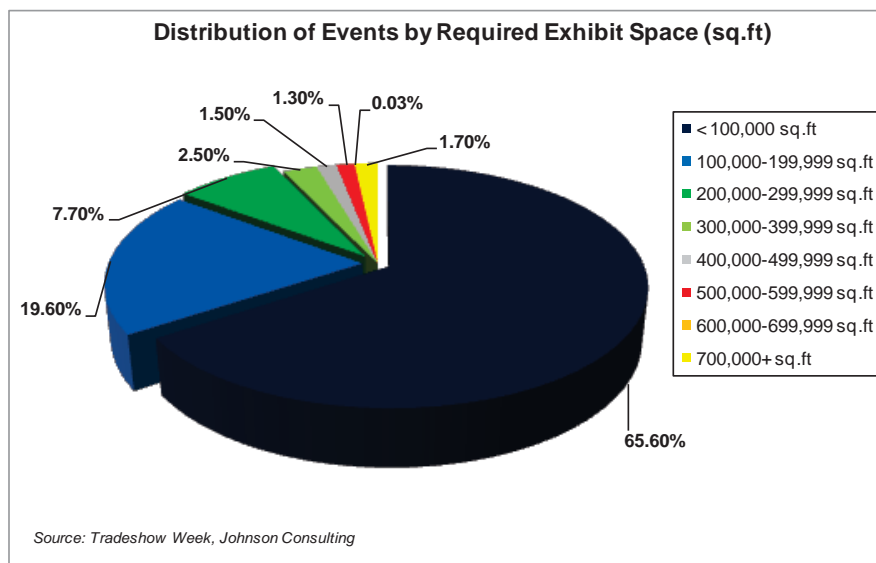


The majority of international meeting events (57.5 percent) are in the 100-to-500 attendee range. Very few of these meeting events have over 3,000 attendees (4.5 percent), while 86 percent have 1,000 or fewer attendees.

Event Space Requirements

The following figure highlights the distribution of shows by required exhibit space. As shown, the majority of events (nearly 66 percent) utilize less than 100,000 square feet of space.

Figure 4-5



Recent surveys by Red 7 Media (Research and Consulting) indicate that the number of exhibitors has grown slightly (by 1-2 percent) in 2010, while total net square footage requirements have remained flat.

Seasonality

Meetings occur throughout the year. However, just as the number of people taking vacations displays distinct seasonal patterns, so does the level of meeting activity vary from month to month.

Since 2000, the first and fourth quarters have generally seen the most stable growth. Second and third quarters saw contraction during the beginning of the decade but growth in the past several years, with demand fluctuating much more during the second and third quarters as opposed to the first and fourth.

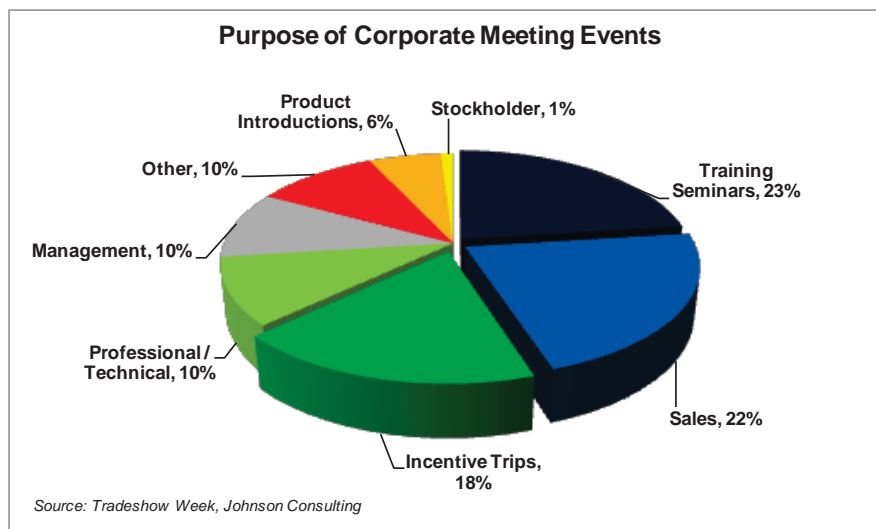
Length

The average length of events recorded by the Union of International Associates (UIA) is four days. The increasing trend in meeting events is to concentrate activities into a shorter period of time. However, the UIA's criterion of a minimum of three days causes it to exclude a growing number of shorter meeting events from its analysis.

Purpose of Events

Corporate activity is responsible for a large share of overall meeting events, with demand often being generated from the local region, although cities and regions that are particularly attractive as destinations can attract meeting attendees from a much broader area. The following figure displays the distribution of corporate meeting types by purpose of meeting.

Figure 4-6



Training seminars, sales meetings, and incentive trips account for the largest share of overall meeting attendees. As shown, the meeting industry is diversified, with no single meeting type accounting for over 25 percent of overall attendees, and seven distinct categories of meetings all contributing significant volumes of attendees. This diversification helps to stabilize overall event demand, as the demand from each individual sub-sector of meeting events ebbs and flows with changes in business cycles and technology.

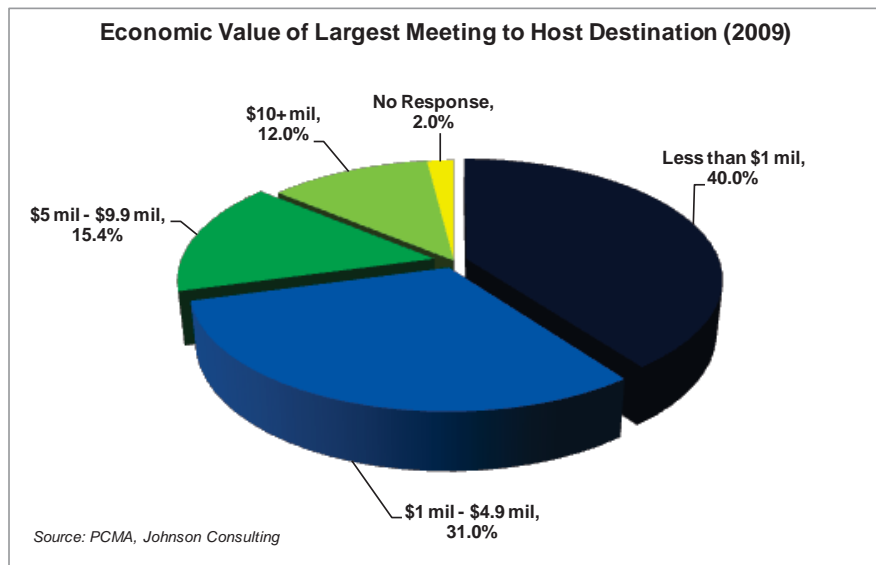
Overlaying and adding to this is the university training and conference sectors. There are hundreds of conference centers internationally that are affiliated with four year and community college institutions. They host some of the above events, but also create a huge volume of business in their own right.

Economic Impact

The PCMA's 2010 survey indicates that the average economic impact of respondents' largest convention, meeting or exposition was \$3.6 million to the host

destination in 2009, up from \$3.0 million in 2008. The following figure shows the economic value of survey respondents' meetings to host communities in 2009.

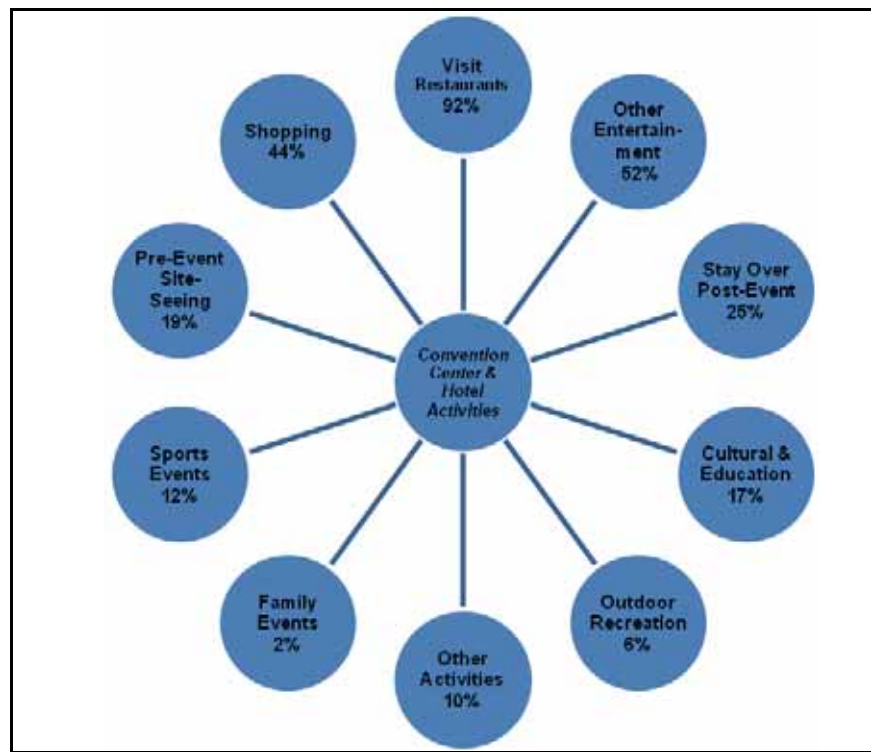
Figure 4 - 7



The average economic impact per trade show attendee is estimated to be \$1,000 per visit, with each convention or trade show attendee generating, on average, 1.8 total hotel room nights. Generally, association conventions generate the greatest economic impact, reflecting high levels of attendance and associated hotel, restaurant, retail and transportation spending. Exhibitors and corporate sponsors also contribute significantly to the overall impact of an event.

The following figure shows the 'Convention and Meetings Eco-System' as defined by Tradeshow Week, which identifies the activities that attendees will typically engage in outside of the convention center and hotel.

Figure 4 - 8



Source: Tradeshow Week, Johnson Consulting

Market Conditions

Current Trends

As a whole, the meeting industry has experienced sporadic growth in the past ten years, dipping slightly in the early 2000's then experiencing a significant period of growth followed by another wave of decline over recent years, reflecting broader economic conditions and the negative publicity associated with hosting meetings in upscale or resort destinations.

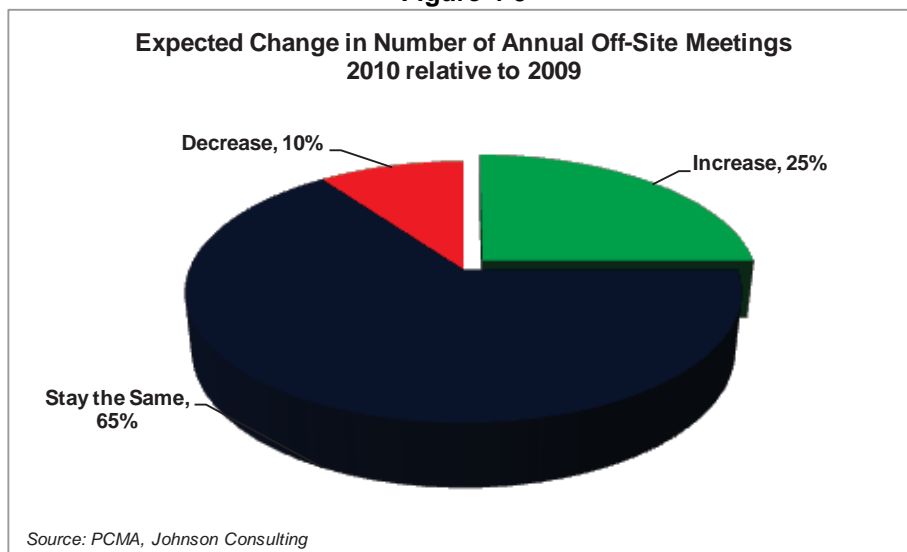
The impact on the global meetings industry was widespread - new hotel and meeting facility construction was delayed, and in many cases abandoned, corporations and associations dramatically reduced their meetings and events budgets, attendance levels fell sharply, and negative perceptions of the value of face-to-face meetings prevailed across governments, media and the general public.

As of June 2010, the National Convention Industry Council estimates that the value of the North American convention, trade show and meetings industry is \$130 billion. In 2009 the industry contracted by 15 percent in terms of the total amount of

exhibit space, while attendance fell by 10 percent. Event budgets decreased by 20 percent in 2009 and have remained flat through 2010.

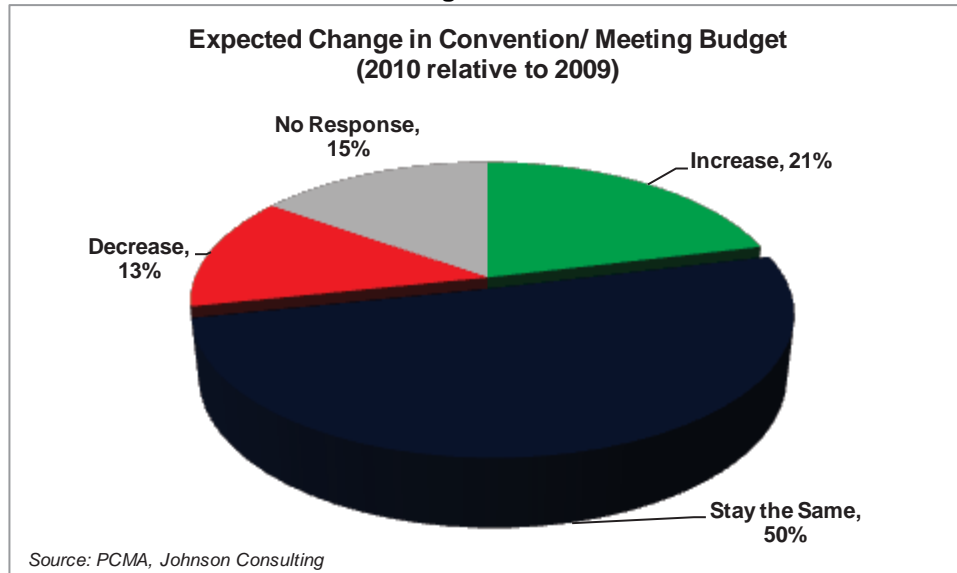
The figure below highlights the challenges that still face the North American convention industry in 2010. As shown, almost two-thirds of PCMA survey respondents expected the number of annual off-site meetings to remain unchanged in 2010, with 10 percent expecting a further decrease.

Figure 4-9



As shown in the following figure, 50 percent of respondents expected their budgets to remain unchanged in 2010 over 2009. A further 21 percent expected a decrease, although this is a significant improvement from recorded 2009 data when 33 percent of respondents saw a decrease in their operations budgets.

Figure 4-10



A recent survey of major global convention center executives, conducted by the International Association of Congress Centers (AIPC) and Red 7 Media, revealed that solid top-line revenue growth is expected by the centers in 2010, averaging 4.2 percent. This reflects slight projected growth in event bookings and attendance, and is also influenced by the fact that venues are continuing to expand and add new revenue streams to offset the impact of the economic downturn. Indeed, 61 percent of survey respondents have added new revenue streams in the last five years.

New sources of primary revenue include expanding or enhancing core exhibit space and meeting space rentals, adding technology services (wireless internet, high-tech meeting rooms, air conditioning, heating and lighting), enhancing food and beverage offerings, and providing more event services and rentals. Secondary revenue sources, which are far less common, include launching venue-owned events that are often entertainment-focused, enhancing signage and advertising, providing registration services, and offering more package service plans and event management services to clients.

The AIPC survey also revealed that construction in the global convention center market is continuing to boom, despite the broader economic downturn. Almost 60 percent of respondents had a new building or expansion project currently underway or completed in the last three years. Although the global economic climate may have slowed development, client demand and competitive pressure, including increasing investment by hotels in properties with quality exhibition and meeting space, continues to drive development in the industry.

In North America, 68 percent of survey respondents are currently considering an expansion, refurbishment or development project. This figure is lower than that recorded in Australia / New Zealand (80 percent) but higher than Europe (64 percent) and Asia (50 percent), with the focus of new projects in North America being primarily on expansions, rather than new buildings or refurbishments.

Outlook

Conditions in North America's convention and meetings industry have generally remained flat through 2010, although as the broader economy continues to stabilize, there are signs of improvement in the convention and meetings industry. As identified by Red 7 Media, key indicators of improvement in the industry include:

- Consumer spending – 70 percent of business events serve markets in which the products and services are ultimately purchased by consumers;
- Attendance vs. Exhibitors – attendance has performed better than exhibitor participation in 2009-2010, which is a good sign;
- Exhibitor spending – this will likely remain soft until 2011;
- Hotel rates – 2010 rates for rooms blocks have been level with, or lower, than 2009 rates but are expected to increase in 2011;
- Corporate events market – there is potentially significant pent-up demand, as 50 percent of major global convention center managers consider meetings to be the second strongest sector, after associations, for near-term growth, and;
- New events – a sure sign of recovery will appear when new shows outside of the medical and IT sectors, and not just limited to conventions, are launched.

In 2011, PCMA survey respondents expect a 24 percent increase in the number of meetings and a 38 percent increase in attendance over 2009 figures. Almost 90 percent of respondents (89 percent) were not planning to cancel any events through 2010-2011, compared to only 54 percent in 2009.

The emergence of positive indicators within the market, along with continued improvement in the broader economy, is expected to drive a recovery in North America's convention and meetings market. Industry forecasts indicate that the market will return to pre-recession levels by 2015.

Conclusion

There are literally millions of conventions, tradeshow, and meetings happening annually throughout North America and around the world. The number of associations is changing, as is the number of corporations, but meetings will continue to occur. Although 2009 was a down year and there may be a slight structural change in meeting format, and hence volume, the 2009 drop in demand was a short-term aberration, with signs of recovery appearing in 2010. Furthermore, the rationale for meetings and associations still exists and will continue to do so.

Billings is well suited to participate in the convention, conference, and meetings sector given its role as the largest city in Montana, a significant regional commerce hub, and the growing medical industry. The proposed conference center provides an opportunity for Billings to invest in long-term community infrastructure developments to diversify the economy away from dependency on any one sector alone. As this trends analysis indicates, there are major positive economic and fiscal impacts associated with conference and meeting events. In order to retain those impacts, grow market share, and as the industry and participation rebounds from the global recession, Billings needs to position itself to remain attractive and competitive.

V. INTERVIEW SUMMARY & NATIONAL COMPARABLE ANALYSIS

INTERVIEW SUMMARIES AND COMPARABLE FACILITIES ANALYSIS

This section presents a summary of feedback provided to Johnson Consulting through various interviews and meetings related to a new executive conference center in Billings. In addition, this section includes case-study profiles of a set of regional and national comparable facilities to provide an understanding of the potential opportunity for the proposed Center and corresponding operating profile.

Interview Summaries

During November 16th and 17th, 2010 representatives from Johnson Consulting and Lead Design, Inc. met with several representatives from the following categories:

- Area hotel sales and marketing staff
- Hotel management
- Montana State University – Billings
- City of Billings – City management and economics department
- Tourism and Economic Development officials

In addition, we discussed the renovations occurring at the MetraPark Event Venue. The points below summarize key interview points from the interviews, categorized by topic area.

Facility Concept and Location

- Billings has two class B facilities – MetraPark as well as the Holiday Inn Grand Montana, which offers a 30,000 sq ft expo hall. Except for the areas hotel meeting space, there really is no class A facility aimed at meetings and conferences that need more sophisticated offerings.
- The area from Minneapolis to Spokane is open territory and Billings can become a bigger hub serving this area. While Sioux Falls, Boise, and Fargo stake a claim for servicing this region as a hub, geographically Billings is the natural center for this area. A good high quality facility could add value to Billings positioning among its competitors.
- This is certainly demonstrated by the medical companies and concentrations that have evolved for the region, as well as the presence of Cabellas. The recognition by Cabellas of the hub nature of Billings was not recognized when they first launched. It is reported that the geography served by Cabellas actually warranted a larger facility.

- The absence of sales tax in Montana has hindered economic development. Bozeman, Missoula, and Billings have been unable to build conference and convention facilities due to the lack of resources. Boise and Spokane have held business that could be going to Montana cities.
- The presence of the University of Montana – Billings and the hospital corridor located downtown created hotel and meeting demand. Downtown is solid and healthy, but is at risk to suburban development. Downtown is the historic center of energy for the community and continued reinvestment to that end is needed.
- A facility that offers technology, a place where attendees can meet and then break out for food functions or general sessions is needed.

Demand Patterns

- The hotels in Billings are generally healthy. Those facilities that have meeting space achieve in excess of 50% of the total demand from the group meeting market; some have upwards of 70% of total demand from meetings.
- Billings is missing a convention center that offers quality, with the ability to serve meeting intense events and with the ability to serve the corporate market.
- There are sufficient places to host the social, military, educational, fraternal, agricultural and ethnic market events that require expo space and little to no meeting room space, but there are no corporate meeting venues to serve the significant demand caused by local and regional businesses. A venue that can serve the niche caused by training and education seminars and business-to-business conferences would benefit Billings greatly.
- A quality driven venue with the capability to host 1,200 people is needed.
- The Chamber's marketing effort is just emerging but needs more resources. They do fill event inquires, but are just beginning to maintain lost business records. There are many unaccommodated request for events in Billings.
- A major downtown hotel has more meetings because their average group size is 350 people, with 150 to 180 sleeping rooms. There is often attendee overflow to the adjacent hotels.
- In terms of seasonality, one hotel operation sees a conference center being very successful in attracting new incremental demand to Billings. It should also be very attractive to social business, if its ballroom space is large enough.
- In terms of demand, the following group meeting business could be expected, with an average attendance of 500 people and 200-250 room

nights. If the demand profile is larger, fewer events with the same impact may be achieved.

Table 5-1

Group Meeting Business by Month	
Month	# of Events
January	2-3
February	2-3
March	3-4
April	3-4
May	3-4
June	3-4
July	2-3
August	2-3
September	3-4
October	3-4
November	3-4
December	2-3
	25-35
<i>Source: CHJC</i>	

- Competitive cities are Spokane, Boise, Missoula, Cheyenne, and an array of smaller cities. Billings can be successful against these venues and destinations, if a quality facility was provided, and the city exerted its airport strength and gateway to the mountains.

Comparable Facilities Analysis

In order to understand the market opportunity for the proposed Executive Conference Center, Johnson Consulting has identified a number of comparable facilities, both regionally and nationally. The key operating characteristics of these facilities are provided in the following profiles, including:

- The size and character of facility program spaces;
- Recent and/ or planned expansions; and
- A demand and financial profile, including the number and type of events, and operating revenues and expenses, where available.

Information about event demand and the financial performance of the comparable facilities provides insight into the general parameters within which a new executive conference center in Billings can reasonably expect to operate.

The following table summarizes the comparable facilities identified as part of this analysis.

Table 5-1

Comparison of Key Characteristics of Comparable Facilities & Markets					
	Executive Conference Center	Boise Center	Wenatchee Convention Center	Salem Conference Center	Dixie Center
Location	Billings, MT	Boise, ID	Wenatchee, WA	Salem, OR	St. George, UT
Demographic Characteristics (2010)					
Population (within 50 mile radius)	169,772	693,486	191,457	2,339,621	180,866
Population (within 100 mile radius)	258,628	773,530	3,641,800	3,519,997	254,425
Median HH Income (within 50 mile radius)	\$63,218	\$66,167	\$59,817	\$71,138	\$63,987
Median HH Income (within 100 mile radius)	\$59,907	\$66,205	\$84,278	\$68,857	\$60,661
Function Space (SF)					
Exhibit & Meeting Space (SF)	50,000 (approx.)	45,000	50,000	30,000	46,500
Ballroom (SF)	Refer to Recommendations	24,426	10,080	11,400	13,205
Meeting Rooms (#)	Refer to Recommendations	20	14	14	21
Other	Refer to Recommendations	375-seat auditorium	-	-	178-seat auditorium
Adjoining Hotel	Crowne Plaza - 289 rooms	-	Coast Wenatchee Center Hotel - 147 rooms	Phoenix Grand Hotel - 193 rooms	Hilton Garden Inn - 150 rooms
Demand Schedule					
# Events (per annum)	Refer to Projections	224	586	n/a	155
Total Attendance (per annum)	Refer to Projections	179,823	171,202	n/a	162,202
Average Attendance per Event	Refer to Projections	803	292	n/a	3,244
Operations					
Revenue	Refer to Projections	\$2,155,461	\$1,333,692	\$2,117,741	\$3,650,517
Expenses	Refer to Projections	\$1,480,043	n/a	\$1,916,847	\$3,815,877
Net Operating Income (NOI)	Refer to Projections	\$675,418	n/a	\$200,894	(\$165,360)

* Refer to later Sections of this Report for Johnson Consulting's facility recommendations & demand projections
Source: Relevant Facilities, Demographics Now, Johnson Consulting

It is noted that it typically takes three to five years for a new facility to stabilize its operations. This reflects the time required for a new facility to get into a sales cycle within the events industry (ranging between 18 months and five years), and the need for direct market and support organizations, such as Convention and Visitors Bureaus, to refocus their event targeting and sales functions. It also takes time to identify opportunities to create and/ or grow events. If the project is built properly, not only will it take time to stabilize the project, but expansions and upgrades would occur over time.

Conference Centers

The following profiles relate to comparable conference center venues that display similar characteristics to those anticipated at a new executive conference center in Billings, with respect to locational attributes, program elements, and expected operations.

Boise Centre – Boise, Idaho



Situated in downtown Boise at The Grove Plaza, the Boise Centre is the largest convention facility in the state of Idaho. The Center, which opened in January 1990, is an operating entity of the Greater Boise Auditorium District (GBAD). The key role of the GBAD, which was founded in 1959, is to “build, operate, maintain, market and manage public auditoriums, exhibit halls, convention centers, sports arenas, and other similar facilities”, with a focus on promoting economic growth. Development of the Centre cost of \$10.6 million and was funded through a district hotel room tax, which is the only

source of funding available to the GBAD (current legislation allows a maximum of 5 percent to be collected).

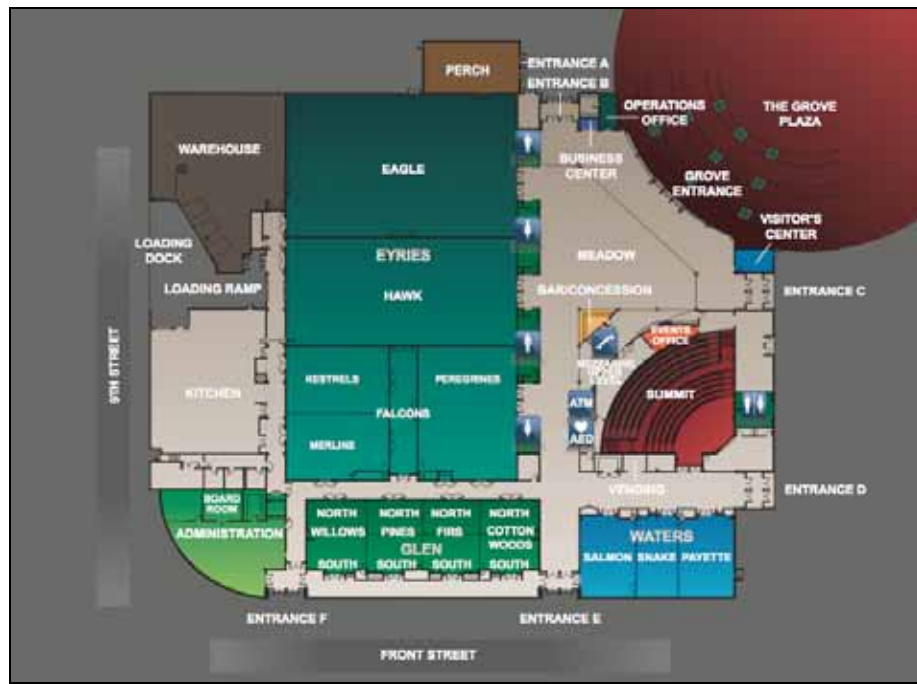
The Centre, which is located within walking distance of approximately 1,000 hotel rooms, along with a variety of restaurants, cinemas, museums, shopping, entertainment and attractions, incorporates 45,000 square feet of exhibition and meeting space as follows:

- The Eyries: 24,426 square foot ballroom with capacity for 1,800 guests (classroom), 2,900 (theater), 1,800 (banquet) and 141 (10' by 10') booths. The Eyries can be divided into 3 separate rooms as follows:

- Golden Eagle: 9,322 square feet with capacity for 740 guests (classroom), 1,160 (theater), 670 (banquet), and 51 (10' by 10') booths,
- Flying Hawk: 7,080 square feet with capacity for 550 guests (classroom), 780 (theater), 480 (banquet), and 40 (10' by 10') booths,
- Falcons: 8,024 square feet with capacity for 550 guests (classroom), 960 (theater), 570 (banquet), and 48 (10' by 10') booths. The Falcons is further divisible into 3 separate areas - Kestrels: 2,080 square feet, Merlins: 1,508 square feet, and Peregrines: 3,400 square feet,
- The Glen: 4,560 square feet with capacity for 330 guests (classroom), 460 (theater), 300 (banquet), and 20 (10' by 10') booths. The Glen can be divided into 8 smaller rooms of approximately 550 square feet each,
- The Waters: 3,354 square feet with capacity for 240 guests (classroom), 360 (theater), 240 (banquet), and 14 (10' by 10') booths. The Waters is divisible into 2 smaller spaces of 1,118 and 2,236 square feet,
- The Summit: 375-seat auditorium, and
- The Perch: 1,120 square feet with capacity for 60 guests (classroom), 80 (theater) and 60 (banquet),
- The Meadow: Glass enclosed lobby overlooking The Grove Plaza.

The following figure shows the floorplan of the Centre.

Figure 5-1



Demand Schedule

The Centre hosts on average 300 events annually, attracting just under 200,000 guests. 2009 was a down year due to the economic recession. Annual events include the Festival of Trees, Kid for a Night, Flower and Garden Show, and Chamber of Commerce Events.

The following table shows total events and attendance at the Centre in 2009, by event type.

Table 5-2

Boise Centre - Boise, Idaho Attendance FY 2009			
	# Events	Attendance Per Event	Total Attendance
Social/Banquets	106	280	30,079
Tradeshows	24	3,930	94,261
Conventions	25	860	21,447
Meetings	69	490	34,036
Total	224	-	179,823

Source: Feasibility Analysis - March 2010, GBAD, Johnson Consulting

Between 2003 and 2008 total events at the Centre increased steadily, peaking at 321 events and 195,300 attendees in 2008. The decline in events and attendance in 2009 is considered to reflect the broader economic downturn, with Centre management also stating that the 2009 Winter Special Olympics, which resulted in full facility usage and high levels of visitation over a 10 day period, was only recorded as a single event, thereby negatively impacting the total number of events. In addition, it is understood that the Centre has recently lost some events to the Stueckle Sky Center at Boise State University, which opened in August 2008.

Revenue & Expenses

The following table shows the revenue and expense statement for the Boise Center. It is noted that the only available data has been averaged over the four-year period from 2006-2009.

Table 5-3

Boise Centre - Boise, Idaho Revenue and Expense Statement	
	FY 2006-2009 (4-year average)
Revenues	
Room Rental	\$749,335
Food & Beverage	1,029,018
Audio/Visual Services	157,980
Other	219,128
Total Revenues	\$2,155,461
Expenses	
Advertising & Promotional	\$35,192
Facility	210,269
Human Resources	38,586
Insurance	32,754
Office	95,209
Payroll	837,668
Professional Fees	39,202
Travel & Parking	33,506
Utilities	152,354
Miscellaneous	4,522
Other	781
Total Expenses	\$1,480,043
Net Operations	\$675,418
<i>Source: Feasibility Analysis - March 2010, GBAD, Johnson Consulting</i>	

The Centre employs 26 full-time staff and 70 part-time staff.

Wenatchee Convention Center – Wenatchee, Washington



Wenatchee Convention Center is located in downtown Wenatchee, Washington. The Center, which opened in 1980, was funded through a \$2.6 million Economic Development Administration Grant. Since then, the Center has undergone a number of expansions and renovations including the addition of the Plaza and Fountain in 1989, creating the first outdoor amenities at the Center; 14,000 square feet of

meeting, pre-function and exhibit space in 1997, along with an 11,000 square foot renovation of the Center's meeting space; and an upgrade to the audio/visual presentation systems throughout the entire Center in 2007/2008.

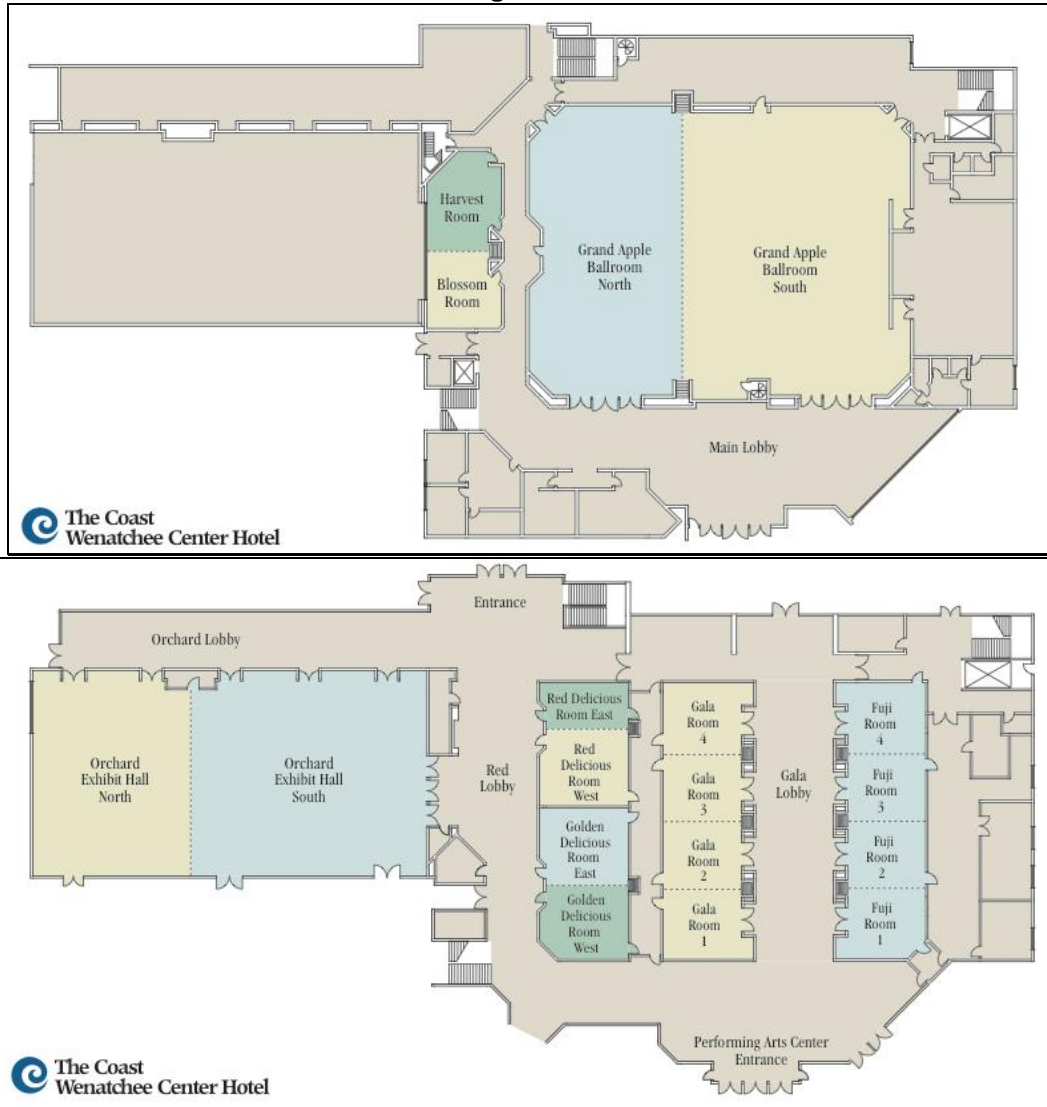
The Center is owned by the City of Wenatchee and operated by Coast Hotels Inc., which operates the adjoining 147-room Coast Wenatchee Center Hotel. The Hotel staff provides management services, including marketing, event planning, and catering.

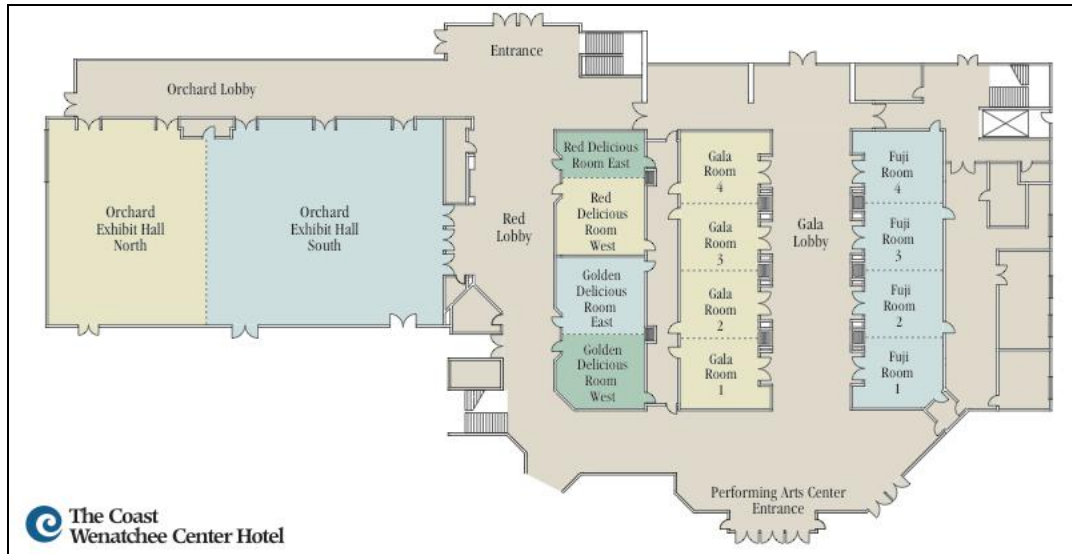
Facilities at the Center comprise 50,000 square feet of flexible space, accommodating up to 2,000 people as follows:

- Grand Apple Ballroom: 10,080 square feet with capacity for 1,200 guests (theater), 550 (classroom), 1,450 (reception), 800 (banquet), 60 (conference), and 65 (8' by 10') booths,
- Orchard Exhibit Hall: 7,560 square feet with capacity for 800 guests (theater), 350 (classroom), 800 (reception), 470 (banquet), and 50 (8' by 10') booths, and
- 14 meeting rooms ranging between 900 and 3,270 square feet, divisible into smaller spaces.

The following figure provides the floorplans of each of the three levels at the Center.

Figure 5-2





Demand Schedule

The following table shows the most recent demand data available from the Center.

Table 5-4

Wenatchee Convention Center - Wenatchee, Washington Attendance Most Recent Year			
	# Events	Attendance Per Event	Total Attendance
Convention & Tradeshow	37	1,450	53,830
Community Events	14	130	1,808
Banquets	23	220	4,996
Meetings	425	250	104,810
Meals	87	70	5,758
Total	586	-	171,202

Source: Wenatchee Convention Center, Johnson Consulting

Revenue & Expenses

The following table provides the most recent revenue statement for the Center.

Table 5-5

Wenatchee Convention Center - Wenatchee, Washington	
Revenue and Expense Statement	
	Most Recent Year
Revenues	
Food	\$978,882
Beverage	122,912
Space	188,484
Other	43,414
Total Revenues	\$1,333,692

Source: Wenatchee Convention Center, Johnson Consulting

Salem Conference Center – Salem, Oregon



The Salem Conference Center is a Class 'A' facility located in downtown Salem, Oregon. The Center opened in March 2005 and was developed through a public/private joint venture between the Urban Renewal Agency of the City of

Salem and VIPs Industries, who built a 193-room Class 'A' hotel (Phoenix Grand Hotel) adjoining the Center. The Center cost approximately \$28 million and was financed through the sale of urban renewal bonds and a \$7.2 million loan from the U.S. Department of Housing and Urban Development. The Center is owned by the Urban Renewal Agency of the City of Salem and managed by the adjoining hotel operator (Phoenix Inns).

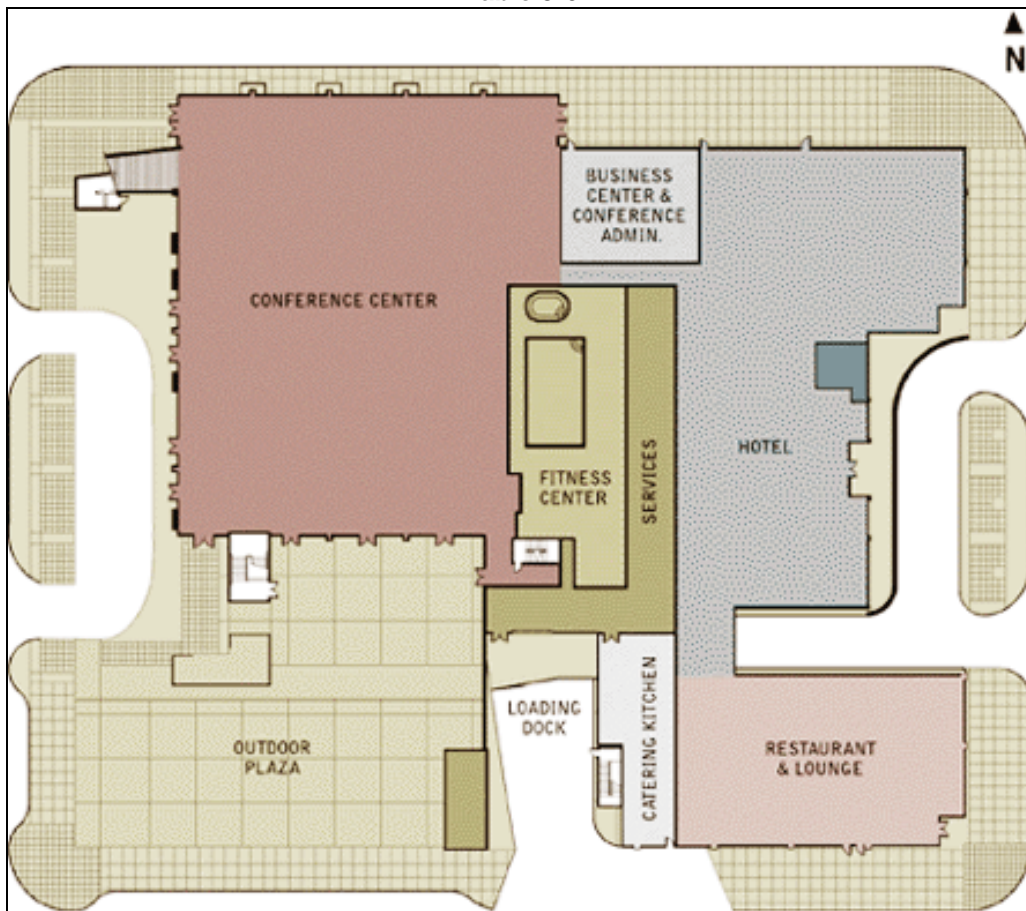
The Center comprises 30,000 square feet of meeting space, including 14 meeting rooms that can be configured for conventions, banquets, tradeshow or classroom activity for groups of between 10 and 1,500 people. Facilities at the Center include:

- Santiam River Room: 8,750 square feet with capacity for 1,200 guests (reception and theater), 650 (banquet), and 480 (classroom). The Room is divisible into six smaller spaces, ranging between 1,000 and 2,300 square feet,
- Willamette River Room: 11,400 square foot ballroom with capacity for 1,500 guests (reception and theater), 950 (banquet), and 600 (classroom). The Room is divisible into four smaller spaces ranging between 2,700 and 3,000 square feet,

- Croisan Creek Room: 3,240 square feet with capacity for 400 guests (reception and theater), 180 (banquet), and 150 (classroom). The Room is divisible into three smaller spaces of 1,080 square feet each, and
- Pringle Creek Room: 900 square feet with capacity for 100 guests (reception and theater), 50 (banquet), and 40 (classroom).

The following figure shows the floorplan of the Center.

Table 5-6



Demand Schedule

The following table shows the most recent demand data available from the Center.

Table 5-7

Salem Conference Center - Salem Orgon Expected Demand December 2010 - January 2011	
	# Events
Conventions/Tradeshows	3
Social/Banquets	4
Community Events	7
Meetings	28
Total	42
<i>Source: Salem Conference Center, Johnson Consulting</i>	

Revenue & Expenses

The following table provides the most recent revenue and expense statement for the Center.

Table 5-8

Salem Conference Center - Salem Orgon Revenue and Expense Statement	
	Most Recent 16-Month Period
Revenues	
Gross Revenue	\$2,651,357
Less: Cost of Goods Sold	(533,616)
Gross Profit	\$2,117,741
Expenses	
Expenses	\$1,916,847
Net Operations	\$200,894
Other Income (Expense)	
Marketing Reimbursement	\$193,199
Marketing Costs	(234,740)
Net Marketing Costs	(\$41,541)
Interest Income	\$1,249
Net Other Income (Expense)	(\$40,292)
Change in Net Assets	\$160,602
Contributed Capital	\$205,269
Net Assets (End of Period)	\$365,871
<i>Source: Salem Conference Center, Johnson Consulting</i>	

The economic impact of the Center is estimated to be between \$4 million and \$6 million, annually, with attendees at the Center estimated to generate between \$1.4 million and \$2.0 million in new spending, annually.

Dixie Center – St. George, Utah

The Dixie Center is located immediately to the south of downtown St. George, approximately 120 miles to the northwest of Las Vegas and 300 miles to the south of Salt Lake City, on Interstate Highway 15. The Center, which opened in 1998 and was renovated in 2006, is a year-round facility that is owned and operated by Washington County and the City of St. George. The County is responsible for marketing the Center, while the City is responsible for operations, with both entities providing 'in kind' services. The Center was funded through bonds, with debt service paid by both the County and the City. Ongoing funding for the Center is provided by the Transient Room Tax, along with an additional annual subsidy of \$550,000 for operational costs.

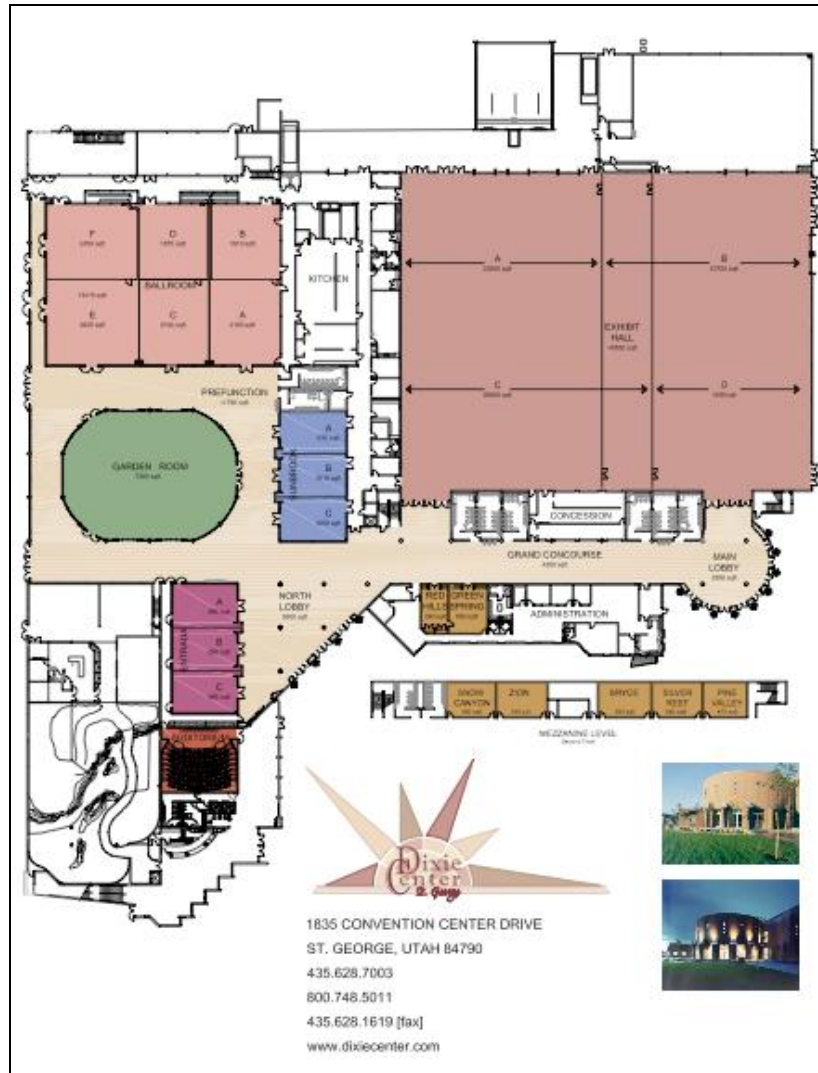
The Center comprises a 46,500 square foot Exhibit Hall, and 32,000 square feet of flexible meeting space across 21 rooms ranging in size between 185 and 13,205 (Ballroom) square feet. Facilities at the Center include:

- Exhibit Hall: 46,500 square feet of column-free space with capacity for 5,277 guests (reception), 3,456 (banquet), 6,785 (theater), 3,392 (classroom) and 240 (10' by 10') booths, and featuring nine mini-suites. The Hall is divisible into four smaller areas, ranging between 18,050 and 28,500 square feet, and is used for tradeshow, large meetings, banquets, concerts and special events,
- Ballroom: 13,205 square feet with capacity for 1,554 guests (reception), 978 (banquet), 1,886 (theater), 735 (classroom), and 60 (10' by 10') booths. The Ballroom can be divided into six smaller meeting rooms, ranging between 1,848 and 2,805 square feet,
- Garden Room: 7,078 square feet with capacity for 833 guests (reception), 472 (banquet), 900 (theater), 394 (classroom), and 40 (10' by 10') exhibit booths. The Room is used primarily for receptions and banquets,
- Entrada Room: 2,970 square feet with capacity for 353 guests (reception), 192 (banquet), 423 (theater), 165 (classroom), and 16 (10' by 10') booths. The Room is divisible into three separate spaces of 990 square feet,
- Sunbrook Room: 3,000 square feet with capacity for 353 guests (reception), 192 (banquet), 428 (theater), 166 (classroom), and 16 (10' by 10') exhibits. The Room is divisible into three separate spaces ranging between 975 and 1,050 square feet,

- Auditorium: 1,170 square feet with seating capacity for 178 guests,
- Board Rooms: 2 rooms of 650 square feet and 390 square feet, with capacity for 17 and 12 guests, respectively.

The following figure provides the floorplan of the Center.

Figure 5-3



Demand Schedule

The following table shows the most recent demand data available from the Center.

Table 5-9

Dixie Center - St. George, Utah Attendance 2009			
	# Events	Attendance Per Event	Total Attendance
Non-Resident Meetings/Events	50	3,244	162,202
Resident Mettings/Events	105	n/a	n/a
Total	155	3,244	162,202
<i>Source: Dixie Center, Johnson Consulting</i>			

Revenue & Expenses

The following table provides the most recent revenue and expense statement for the Center.

Table 5-10

Dixie Center - St. George, Utah Revenue and Expense Statement			
	2008 Revenue	2009 Budget	2009 YTD (Dec)
Revenues			
Exhibit Hall	\$229,477	\$213,200	\$203,325
Meeting Rooms	171,376	164,200	207,096
Equip. Rentals	375,136	384,500	330,767
Food Service	289,324	321,300	240,258
Other Revenue	77,475	77,000	68,758
<i>Contributions & Transfers</i>			
Interest - PTIF Accts.	\$72,738	\$65,000	\$16,753
Payments from County	1,570,706	1,643,200	1,506,267
Payments from City	864,285	890,600	298,273
Fund Balance App. (LOC)	\$0	\$61,500	\$0
Total Revenues	\$3,650,517	\$3,820,500	\$2,871,496
Expenses			
Salary & Wages	\$132,243	\$142,600	\$124,982
Employee Benefits	56,820	61,300	52,995
St George	833,415	775,000	693,447
Marketing & Travel	6,174	8,800	6,635
Office Supplies/Misc	19,371	20,000	15,553
Postage	994	3,000	1,135
Reimburse Exp	6,441	7,000	5,249
Bldg Maintenance	60,015	70,000	49,242
Custodial Service	19,970	19,000	21,585
Bank / Credit Card Fees	2,979	2,000	1,637
Contract Services	24,305	42,000	33,335
Fleet Service	1,067	4,000	472
Fuel	366	3,000	2,051
Special Supplies	16,472	17,000	15,338
Telephone	18,695	20,000	11,781
Utilities	241,613	202,000	160,680
Prof. Service	14,762	10,500	13,700
Inmates	33,106	33,000	23,935
Training	1,863	3,000	2,008
Advertising	4,539	4,700	7,962
Print & Production	560	4,500	1,582
Uniform	1,926	3,500	2,023
Insurance	30,000	32,000	29,884
Miscellaneous			487
Capital Projects	22,305	116,500	80,969
Equipment Purchase	142,735	26,200	28,553
Contingent Exp.	0	125,000	0
Bad Debt	0	0	100
Budget Adjustment	0	65,900	0
<i>Bond Expenses</i>			
Principal on Bonds	\$1,124,000	\$1,064,000	\$1,067,000
Interest on Bonds	964,230	920,000	878,817
Bond Expenses	6,246	15,000	44,227
Contingent	28,666	0	0
Total Expenses	\$3,815,877	\$3,820,500	\$3,377,362
Net Operating Income	(\$165,360)	\$0	(\$505,867)

Source: Dixie Center, Johnson Consulting

The Center employs 16 staff, and has one representative from each of Washington County and the City of St. George,

Conclusions

Each of the facilities profiled above were developed in response to a community's desire to generate significant benefits for the local and regional economies. Although there is significant variation in the size, orientation and role that each of these facilities play in their communities, each facility demonstrates how a conference or events center can become a powerful catalyst to stimulate the economy, grow and support the local hotel community, and provide a valuable asset for local residents and businesses.

The proposed executive conference center in Billings presents a unique opportunity to capitalize on a number of key characteristics of the location and the local economy, including:

- A lack of meeting space and convention facilities in the surrounding local and regional areas;
- The role of Billings as a regional hub for an area spanning a 500 mile radius;
- Easy access to the proposed site, via the established highway network, and close proximity to Billings Logan International Airport;
- Close proximity to an established hotel inventory, and adjacency to Crowne Plaza Hotel; and
- Strong community interest in developing the new executive conference center.

These factors, along with many others, provide a strong case for the development of a new executive conference center in Billings. Johnson Consulting is of the opinion that the proposed Center, if targeted and marketed appropriately, has the potential to become a real focal point within the community, taking advantage of the absence of meeting facilities throughout the broader region.

VI. DEMAND & FINANCIAL PROJECTIONS

DEMAND AND OPERATING PROJECTIONS

Proposed Facility Program

The proposed Conference Center is proposed to offer 20,000 square feet of retail space and 6,292 square feet of registration space on its first level fronting along Montana Avenue, bisected by N. 27th Street. A second level has 3,700 square feet of escalator and mechanical space on the third level 20,886 square foot ballroom, platform and prefunction area is added at the corner of N. 27th Street and Montana Avenue, with a Sky Plaza and enclosed walkway leading to the parking garage. A fourth level offers a second grand ballroom/exhibit hall of 24,355 square feet, over the third floor junior ballroom.

The intent is to leverage development of the new parking deck at this location north of the conference center.

This would then create an urban package integrating the facilities at the Crowne Plaza, the soon to be opened Northern Hotel and the parking deck and the new conference center. Within the package, an outstanding combination of ballrooms and breakout space would exist. The next phase of work needed is design review, but for analysis purposes, we estimate that the following new conference facilities would be available:

- 17,000 square foot main ballroom
- 13,000 square foot junior ballroom
- 5,000 square foot of break out space
- A swing room called the "Empire Room", which can be configured out of the proposed parking deck
- All the space in the Crowne Plaza
- All the space in the Northern Hotel

Our demand and financial analysis analyzes bullets one through four above. It is however, our considered opinion that the downtown Billings market could support a larger exhibit hall, say of 50,000 square feet. A smaller, conference-focused venue, as outlined above, risks missing out on a small fraction of the market that requires larger, integrated, and higher-end venues for their events. The City may someday wish to have a larger exhibit hall offering, and as such, it is recommended that, if a

larger exhibit space is not sought at this stage, that prudent planning be undertaken now so that an expansion may be pursued in the future.

The market focus for the proposed center is to increase the total volume of convention, meeting, and social activity hosted in the Billings area, which will require an aggressive sales and marketing program to attract or develop new events.

Site Observations

The following figures summarize the four site options currently being explored for the proposed Conference Center, as prepared by Land Design Inc., and provide a brief description of the various submarkets.

It is our experience that, in markets like Billings, downtown locations are usually more attractive, because they offer greater walkability and urbanity than suburban locations. In addition, the established university and hospital markets in Billings are expected to be significant demand generators, with a downtown Conference Center being ideally located to leverage this demand.

Located in the heart of downtown Billings just 1.3 miles north northwest of Interstate 90, 2 miles southwest of Logan International Airport and 1.5 miles southwest of the Metra Park Facilities.



Highlighted in red, this site has approximately 18 hotels (pink) and approximately 26 restaurants/bars (blue) all located within a mile of the site. The site is also located at the 'crossroads' of 27th Street, Montana Ave. and 1st Ave. North, the main arterial roads into downtown Billings and it's historic district. The Heritage Trail (orange line) passes directly through the site and as a result, makes access to the site by foot or bike very easy.

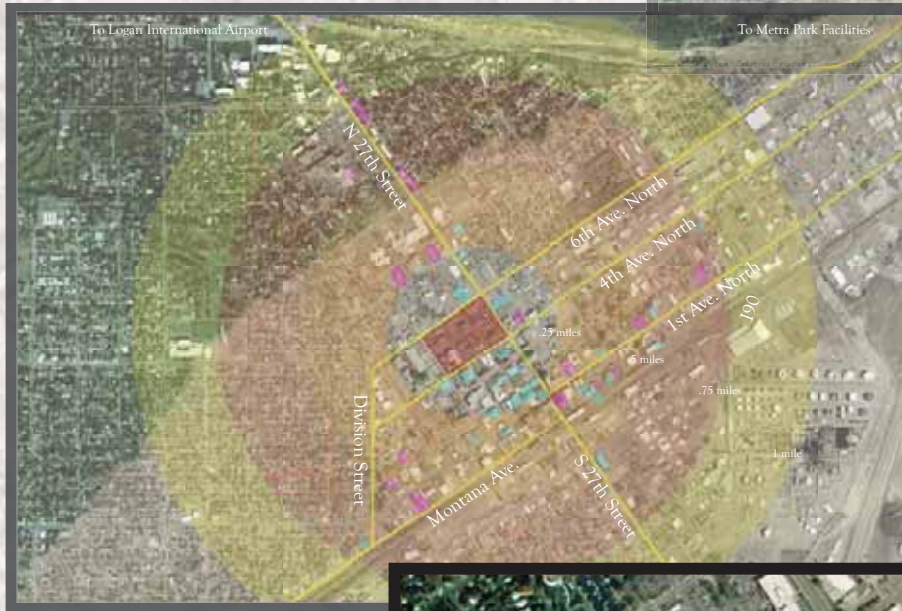
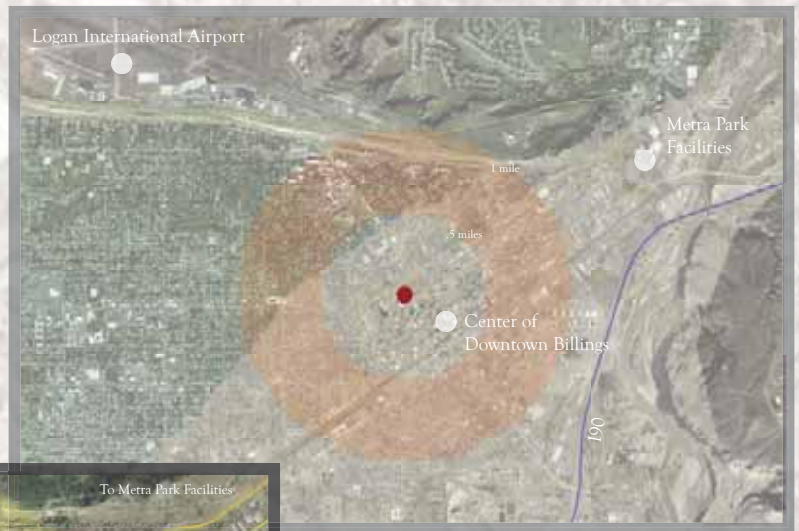
This site is comprised of several blocks bound by 1st Ave. North to the north, 29th Street to the west, 27th Street to the east, and Montana Ave. to the south. Immediately surrounding the site are several hotels, restaurants/bars, casinos, US Post Office, banks, retail, fitness center, Sky Point, Western Heritage Center, Historic Billings Train Depot, and municipal buildings.



The Downtown Billings location is located in the heart of downtown Billings which has many amenities located within easy walking distance. The Heritage Trail passes directly through the site and gives people the option of walking or biking to the many hotels and restaurants located within the one mile radius of the site. Also, located within the one mile radius are many other amenities including museums, retail, parks, historic buildings, baseball stadium, theaters, and municipal buildings.

DOWNTOWN BILLINGS BILLINGS, MONTANA

Located on the north side of downtown Billings just .25 miles north of the heart of downtown Billings, 1.6 miles north northwest of Interstate 90 , 1.8 miles southwest of Logan International Airport and 1.5 miles southwest of the Metra Park Facilities.



Highlighted in red, this site has approximately 18 hotels (pink) and approximately 26 restaurants/bars (blue) all located within a mile of the site. The site is located at the crossroads of N 27th Street, 4th Ave. North and 6th Ave. North. The Heritage Trail (orange line) passes directly through the site, making access by foot or bike available and easy.

This site is comprised of several blocks bound by 6th Ave. North to the north, N 30th Street to the west, N 27th Street to the east and 4th Ave. North to the south. Immediately surrounding the site are several hotels, restaurants/bars, casinos, baseball stadium, hospitals, healthcare centers, banks, retail, fitness center, Sky Point and municipal buildings.



This site located on the northside of Downtown Billings has many amenities within a one mile radius and due to the Heritage Trail, that runs through the site, gives easy pedestrian access to these amenities. Some amenities include hotels, restaurants, retail, medical corridor, baseball stadium, Sky Point, and municipal buildings.

DOWNTOWN BILLINGS NORTH BILLINGS, MONTANA

Located on the south side of Billings right off Interstate 90 and just 3 miles southwest of Downtown Billings, 4 miles south of Logan International Airport and 5 miles southwest of the Metra Park Facilities.



Highlighted in red, this site has approximately 16 hotels (pink) and approximately 18 restaurants/bars (blue) all located within a mile of the site. The site is located at exit 446 on the south side of Interstate 90. The Heritage Trail (orange line) travels along Midland Rd., Frontage Rd. and Muldowney Ln. allowing for access to the site by foot or bike.

This site is comprised of an area south of Midland Rd. and east of Muldowney Ln., currently on site is the Holiday Inn Grand Montana. Immediately surrounding the site are several hotels, restaurants/bars, casinos, retail, Big Splash Water Park and the Billings Hotel and Convention Center.



The Holiday Inn Grand Montana site is conveniently located on Interstate 90 allowing for easy vehicular access for out-of-town travelers. While the site has access to the Heritage Trail, pedestrian access is difficult due to the trails' adjacency to vehicular streets. However, this site does not have quite the same number of hotels and restaurants located within the one mile radius that the downtown location provides. Some amenities that are close by include the Big Splash Water Park and the Billings Hotel and Convention Center.

HOLIDAY INN GRAND MONTANA BILLINGS, MONTANA

Located on the east side of Billings on the Yellowstone River and just 3 miles east of Logan International Airport, 1 mile from Interstate 90 and 1.6 miles northeast of Downtown Billings.



Highlighted in red, this site has approximately 4 hotels (pink) and approximately 9 restaurants/bars (blue) all located within a mile of the site. The site is located on Exposition Dr. at the crossroads of Main Street, Old US Hwy 87 and 1st Ave. North. The Heritage Trail (orange line) makes access to the site by foot or bike possible for the surrounding areas although Exposition Dr. and Main Street create large barriers for pedestrian travel.



This site is comprised of an area west of the Yellowstone River, east of Exposition Dr., north of Old US Hwy 87 and south of Main Street. Currently Existing on the site is the Rimrock Auto Arena, Expo Center, Grandstands/Horse Track, Montana Pavilion and multiple barns. Immediately surrounding the site are several hotels, restaurants/bars, casinos, retail, Yellowstone River and Swords Park.



The Metra Park Facilities are located along the Yellowstone River and the Heritage Trail. The trail allows for pedestrian travel to surrounding amenities which include Swords Park, hotels, restaurants, retail, and the Yellowstone River. Although this site does not have the number of amenities that the downtown sites provide, it is relatively close to the downtown area and can be accessed by the Heritage Trail.

METRA PARK FACILITIES BILLINGS, MONTANA

Demand Projections

Table 6-1 summarizes the projected event schedule for the Center by event type.

Table 6-1

Proposed Billings Executive Conference Center Projected Demand for Major Events*										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Exhibit Events										
Conventions/ Trade Shows	15	16	17	18	19	19	19	19	19	19
Consumer Shows/ Specialty Expos	20	21	22	23	24	24	24	24	24	24
Subtotal	35	37	39	41	43	43	43	43	43	43
Non-Exhibit Events										
Meeting and Seminars	125	129	133	137	140	140	140	140	140	140
Banquets	40	42	43	44	45	45	45	45	45	45
Concerts and Entertainment	5	6	6	7	7	7	7	7	7	7
Other/Civic Events	15	17	18	19	20	20	20	20	20	20
Subtotal	185	194	200	207	212	212	212	212	212	212
Total Events	220	231	239	248	255	255	255	255	255	255
Total Event Days	330	350	360	370	390	390	390	390	390	390

* May not include a multitude of incidental events (e.g., board meetings).
Source: Johnson Consulting

In the first year of operation, the Center is projected to host 220 events, which will account for 330 event days. Billings has multiple hotel properties which are available to service the projected demand, and that the urban core of Billings can be used as a sales/marketing tool, we believe the higher event total is warranted as this location presents greater appeal for convention and meeting planners who value access to lodging and entertainment products.

The exhibition hall is projected to host 35 events, including 15 conventions or trade shows and 20 consumer shows or specialty expos. Another 185 non-exhibit events are projected for the Center's ballroom and meeting space. This includes a total of 125 meetings, 40 banquets, 5 concerts and entertainment events, and 15 "other" or civic events. A narrative description of each event category appears in the paragraphs below.

The total number of events is expected to increase as the facility establishes itself, becomes a destination for rotating regional trade shows and state association meetings, and develops events such as local consumer shows. In Year 5, the Center is projected to host 255 events. The total number of event days, including multiple show days, also increases, from 330 in Year 1 to 390 in Year 5 and thereafter.

As indicated previously, the recommended downtown location for the Center is expected to add the facility's appeal and help grow event demand.

Table 6-2 summarizes the projected average attendance at the Center. Total attendance is projected to increase with increases in the number of events, as listed in Table 6-1. In addition, average event attendance is projected to increase slightly over time.

Table 6-2

Proposed Billings Executive Conference Center Estimated Average Attendance										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Exhibit Events										
Conventions/ Trade Shows	900	920	990	1,020	1,020	1,040	1,050	1,070	1,090	1,110
Consumer Shows/ Specialty Expos	930	980	1,030	1,030	1,060	1,080	1,100	1,110	1,130	1,150
Non-Exhibit Events										
Meeting and Seminars:										
Corporate Meetings	280	290	310	320	320	330	350	350	360	370
SMERF Meetings	310	320	330	350	360	370	380	390	400	410
Government/ Association-Related Trainings	270	280	290	300	310	320	330	340	350	360
Banquets	370	390	410	420	430	440	450	460	470	480
Concerts and Entertainment	1,000	1,050	1,100	1,130	1,160	1,170	1,190	1,210	1,230	1,260
Other/Civic Events	850	880	950	960	980	1,000	1,020	1,040	1,060	1,070
Average Growth Rate	na	5.0%	5.0%	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Source: Johnson Consulting

Each category of events is described below.

- *Conventions/ Trade Shows* – are generally held by associations, professional groups, or membership organizations. The Center's 17,000-square foot exhibit hall is projected to host 15 conventions and trade shows with an average attendance of approximately 900 per event in Year 1, increasing to 1,020 per event in Year 5 and over 1,110 per event in Year 10. Total convention attendance is projected to be approximately 13,500 in Year 1, and increase to 19,300 in Year 5 and 21,100 in Year 10. Depending on market strategy, the average size could be smaller, and if that is the case, more events could be accommodated. Total attendance would remain about the same.
- *Consumer Shows/ Specialty Expos* – The Empire Room provides an opportunity for small festivals, craft shows, motorcycle, or home and garden shows. These events typically draw a large number of attendees, but these attendees are local in their point of origin. In Year 1, 20 consumer shows/specialty expos are projected to have an average attendance of close to 930 per event. Average attendance is expected to increase to 1,060 per event in Year 5 and 1,150 in Year 10. Total consumer show/ specialty expo

attendance is projected to be approximately 18,500 in Year 1, and increase to 25,400 in Year 5 and 27,600 in Year 10.

- *Meetings and Seminars* – include training seminars, professional and technical conferences, management retreats, and meetings by SMERF organizations and corporations. In Year 1, 125 such events are projected to occur in the Center’s ballroom and meeting space, including 38 corporate meetings, 25 SMERF meetings, and 63 government/ association-related trainings. Average attendance is projected to be 280 per event for corporate and government/ association-related meetings, and 310 per event for SMERF meetings in Year 1. Total meeting and seminar attendance in Year 1 is projected to be approximately 10,500 from corporate meetings, 7,700 from SMERF meetings, and 16,800 from government/ association-related meetings, totaling 35,000. Total meeting and seminar attendance is projected to increase to 45,400 in Year 5 and 52,400 in Year 10.
- *Banquets* – are general events that use a facility’s ballroom or meeting space, but also frequently feature catered meals in the form of gatherings such as luncheons and award dinners. There are 40 banquets/social events projected for Year 1, with an average attendance of approximately 370 people. By Year 5, average attendance is expected to increase to approximately 430, and further increasing to 480 in Year 10. Total banquet attendance is projected to be approximately 14,800 in Year 1, and increase to 19,500 in Year 5 and 21,700 in Year 10.
- *Concerts and Entertainment Events* – include festivals, touring concerts, smaller family shows such as the puppet festivals, and other similar events. The events that would consider the Center are likely to be events that could be accommodated with temporary staging and seating in the 17,000 square foot exhibit hall or 13,000 square foot ballroom. When the facility opens, 5 concerts and entertainment events are projected, with an average attendance of 1,000.
- *Other Events* – are events that do not fit into the other categories, as well as community uses such as local schools’ graduations, proms, dance recitals, and other similar events. There are 15 such events projected in Year 1, with an average attendance of approximately 850. Average attendance is expected to increase to 980 by Year 5 and 1,070 by Year 10. Total event attendance is projected to be approximately 12,800 in Year 1, and increase to 19,600 in Year 5 and 21,400 in Year 10.

Table 6-3 summarizes the projected total annual attendance at the convention center by event type.

Table 6-3

Proposed Billings Executive Conference Center Projected Attendance										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Exhibit Events										
Conventions/ Trade Shows	13,500	14,700	16,800	18,400	19,300	19,700	20,000	20,400	20,700	21,100
Consumer Shows/ Specialty Expos	18,500	20,500	22,600	23,800	25,400	25,800	26,300	26,700	27,200	27,600
Subtotal	32,000	35,200	39,400	42,200	44,700	45,500	46,300	47,100	47,900	48,700
Non-Exhibit Events										
Meeting and Seminars										
Corporate Meetings	10,500	11,200	12,200	13,000	13,600	14,000	14,500	14,900	15,300	15,700
SMERF Meetings	7,700	8,200	9,000	9,500	10,000	10,300	10,600	10,900	11,200	11,500
Government/ Association-Related Trainings	16,800	18,000	19,500	20,700	21,800	22,500	23,100	23,800	24,500	25,200
Banquets	14,800	16,200	17,600	18,500	19,500	19,900	20,400	20,800	21,300	21,700
Concerts and Entertainment	5,000	6,300	6,600	7,900	8,100	8,200	8,300	8,500	8,600	8,800
Other/Civic Events	12,800	15,000	17,100	18,200	19,600	20,000	20,400	20,700	21,100	21,400
Subtotal	67,600	74,900	82,000	87,800	92,600	94,900	97,300	99,600	102,000	104,300
Total Attendance	99,600	110,100	121,400	130,000	137,300	140,400	143,600	146,700	149,900	153,000
Est. Room Nights Generated	20,248	21,784	24,616	26,632	27,056	27,536	28,016	28,600	29,240	29,800

Source: Johnson Consulting

As the table shows, total attendance is projected to be approximately 99,600 in Year 1, including 32,000 attendees from the exhibit hall events and 67,600 from the non-exhibit events. In Year 5, attendance is projected to increase to 137,300, with a further increase to 153,000 in Year 10.

The projected demand of the Center will generate room nights in Billings area hotels and motels. Table 6-4 summarizes the projected annual number of room nights from the Center's demand. The estimate is based on assumptions of length of overnight stay and percentage of attendees who are from out of town and require lodging as shown in the first two columns of the table.

Table 6-4

Proposed Billings Executive Conference Center Projected Number of Room Nights Generated												
	Length of Overnight Stay*	% Non- Local**	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Exhibit Events												
Conventions/ Trade Shows	1.7	60%	13,520	14,560	16,800	18,400	18,320	18,560	18,880	19,200	19,520	19,840
Consumer Shows/ Specialty Expos	0.9	5%	800	800	800	720	800	800	800	800	800	880
Subtotal			14,320	15,360	17,600	19,120	19,120	19,360	19,680	20,000	20,320	20,720
Non Exhibit Events												
Meeting and Seminars	0.8	20%	5,360	5,760	6,320	6,720	7,120	7,360	7,520	7,680	8,000	8,160
Banquets	0.8	2%	184	192	216	216	240	240	240	256	256	256
Concerts and Entertainment	0.9	2%	64	72	80	96	96	96	96	104	104	104
Other/Civic Events	0.6	5%	320	400	400	480	480	480	480	560	560	560
Subtotal			5,928	6,424	7,016	7,512	7,936	8,176	8,336	8,600	8,920	9,080
Total			20,248	21,784	24,616	26,632	27,056	27,536	28,016	28,600	29,240	29,800

**In number of nights.*

***Indicates the percentage of event attendees who are from out of town AND require lodging and choose to stay in the Billings area.*

Source: Johnson Consulting

As the table shows, approximately 20,248 room nights are projected in Year 1, with the majority of the room nights attributable to exhibit hall-based events. In Year 5, the number of room nights is projected to increase to approximately 27,056, and further increasing to over 29,800 in Year 10.

Given Billings's geographic location and the lack of alternative, high quality convention/conference space in Montana and the broader region, we anticipate this facility will host more consumer shows than is typical for facilities such as this. As such, the room night production from consumer shows is also slightly higher as a proportion of overall room nights. However, this figure is expected to be comparatively static over time. Conversely, the room night production from conventions and meetings is expected to accelerate over time, as the facility establishes its reputation and attracts more volume in these event categories. As this occurs, the proportion of room nights generated in each category will shift.

Convention/ Conference Center Operating Projection

Table 6-5 presents the projected operating statement for the Center's first ten years of operation. The projection uses inflated dollars and accrual-based accounting, wherein revenues are recognized when they are earned and expenses are recognized when they are incurred. Revenues include all revenues of the Center that can be used for operations. Expenses are categorized into two groups: 1) *Direct operating expenses*, which are expenses related directly to the operation and demand of the facility that vary depending on the volume of activity, and 2) *Indirect expenses*, which are incurred regardless of the level of activity at the facility. All revenues and expenses are inflated at a 2.5 percent annual rate.

Table 6-5

Proposed Billings Executive Conference Center Projected Operating Proforma (in \$000's, Inflated)										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenues										
Space Rental	\$230	\$249	\$272	\$290	\$307	\$315	\$323	\$331	\$339	\$347
Equipment Rental	129	139	151	161	170	174	179	183	188	192
Event Services	92	100	109	116	123	126	129	132	136	139
Food and Beverage Services (Net)	551	612	691	758	817	859	902	947	994	1,043
Advertising Revenues (Net)	34	35	36	37	38	38	39	40	41	42
Other	141	155	172	186	198	206	214	223	232	241
Total Revenues	\$1,177	\$1,289	\$1,430	\$1,546	\$1,653	\$1,719	\$1,787	\$1,857	\$1,930	\$2,005
Operating Expenses										
Direct Expenses										
Contract Services	\$88	\$95	\$105	\$112	\$119	\$122	\$125	\$128	\$132	\$135
Utilities	79	85	94	100	106	109	112	115	117	120
Building Maintenance and Repair	44	48	53	56	60	61	63	64	66	67
Supplies	13	14	15	16	17	17	18	18	19	19
Insurance	91	104	117	129	139	146	153	160	168	176
Other Direct Expenses	43	47	52	56	60	62	64	66	68	71
Subtotal	\$358	\$393	\$436	\$469	\$502	\$518	\$535	\$552	\$570	\$588
Indirect Expenses										
General and Administrative	\$80	\$82	\$84	\$86	\$88	\$91	\$93	\$95	\$97	\$100
Wages and Salaries	423	434	445	456	511	524	537	550	564	578
Employee Benefits	127	130	133	137	153	157	161	165	169	174
Advertising and Promotion	100	103	105	108	110	113	116	119	122	125
Other Expenses	63	65	67	68	75	77	79	81	83	85
Subtotal	\$794	\$813	\$834	\$854	\$938	\$962	\$986	\$1,010	\$1,036	\$1,062
Total Operating Expenses	\$1,152	\$1,206	\$1,270	\$1,323	\$1,440	\$1,480	\$1,521	\$1,562	\$1,606	\$1,650
Net Operating Income (Deficit)	\$25	\$83	\$160	\$223	\$213	\$239	\$266	\$295	\$324	\$355
Management Fee	\$110	\$114	\$118	\$121	\$125	\$127	\$129	\$131	\$133	\$135
Reserve for Replacement	\$59	\$64	\$71	\$77	\$83	\$86	\$89	\$93	\$96	\$100
Net Income (Deficit)										
Before Other Charges	(\$144)	(\$95)	(\$30)	\$24	\$6	\$26	\$48	\$71	\$95	\$119

Source: Johnson Consulting

As shown in the table, in the first year of operation, the convention center is projected to generate revenues of \$1.17 million and incur approximately \$1.15 million in operating expenses. After management fee and reserve for replacement, the Center's net deficit is projected to be \$144,000 in Year 1. In Year 5, the Center's net profit is projected to be \$6,000; and further stabilizing to \$119,000 in Year 10.

The assumptions and methodology used to estimate the financial performance of the facility is described in the following subsections.

Operating Revenues

The following text describes the individual line items listed in Table 6-5.

- *Space Rentals* – include the temporary rental of exhibition space, the ballroom and meeting rooms, and other facilities for events. Assumptions of rental revenue per square foot are based on comparable facilities. Gross square foot days (GSFD) are the number of square feet of occupied space multiplied by the total number of event days. Table 6-6 summarizes the projected rental rates for event spaces and equipment, as well as the ratio of event services revenue to rental revenue.

Table 6-6

Proposed Billings Executive Conference Center Rental Revenue Assumptions		
	Unit	Rate
Space Rental Rate		
Conventions/ Trade Shows	per GSFD	\$0.05
Consumer Shows/ Specialty Expos	per GSFD	\$0.06
Meeting and Seminars	per GSFD	\$0.03
Banquets	per GSFD	\$0.03
Concerts and Entertainment	per event	\$3,000
Other/Civic Events	per GSFD	\$0.05
Equipment Rental Rate	per thousand GSFD	\$27.50
Event Services	% of rental revenue	40%
<i>Source: Johnson Consulting</i>		

The projections assume rental rates of \$0.05 per GSFD for conventions, trade shows, and other/ civic events, \$0.06 per GSFD for consumer shows and specialty expose, \$0.03 per GSFD for meetings, seminars, and banquets, and \$3,000 per event for concerts and entertainment events.

Revenue from space rental at the convention center is projected to be \$273,000 in Year 1. Rental revenue is expected to increase to approximately \$431,000 in Year 5, and to \$487,000 in Year 10.

- *Equipment Rental* - includes the rental of furniture, audio/visual, and other equipment. In this analysis, the projections assume an effective rate of \$27.50 per thousand GSFDs. Revenue from equipment rental at the convention center is projected to be approximately \$129,000 in Year 1. Equipment rental revenue is expected to increase to approximately \$170,000 in Year 5, and to \$192,000 in Year 10.
- *Event Services* - include revenue from services and reimbursements for labor provided to exhibitors, concert promoters, and other facility users. Facilities charge its users for a range of services, including electrical, cleaning, telephone, Internet, decorating, audio-visual, and security services. The facility will receive revenue from the provision of these services, either through direct charges for services provided by facility staff, or through shared revenues from services provided by third-party vendors. The costs of temporary labor for stagehands, police, ushers and paramedics, and others, are also recovered from facility tenants.

The projection assumes that event services and cost recovery revenue amounts to 40 percent of space rental revenue. Thus, as facility demand and rental revenue increase, the revenue derived from event services and cost recovery grows accordingly. Revenue from event services is projected to be \$92,000 in Year 1, and increase to \$123,000 in Year 5 and \$139,000 in Year 10.

- *Food and Beverage Services (Net)* - are based on event attendance, and reflect net sales that the Center will generate through its events in concessions, catered meals, and other services such as coffee break services for meetings. Assumptions about food service are critical to understand. We present F&B on a net basis, assuming that exclusive, preferred or adjacent hotels provide food service and the building gets a commission on all food service sold.

The projections are based on per capita food and beverage revenues, estimated to reflect an expectation of the quality in the facility. Table 6-7 shows the assumptions for per capita food and beverage revenue, in current price levels.

Table 6-7

Proposed Billings Executive Conference Center Food and Beverage Revenue Assumptions		
	Unit	Rate
F&B Revenue (Gross)		
Conventions/ Trade Shows	per attendee per day	\$12.00
Consumer Shows/ Specialty Expos	per attendee per day	\$2.00
Meeting and Seminars	per attendee per day	\$25.00
Banquets	per attendee per day	\$25.00
Concerts and Entertainment	per attendee per day	\$4.00
Other/Civic Events	per attendee per day	\$1.50
Source: Johnson Consulting		

As the basis for the analysis, net food and beverage sales to facility are expected to be 40 percent of concessions sales (e.g., at conventions, trade shows, consumer shows, specialty expos, concerts, and entertainment events), and 30 percent of catered meals sales (e.g., at meetings and banquets).

As shown in Table 6-5, in Year 1, net food and beverage sales are projected to be \$551,000 and increase to \$817,000 in Year 5 and \$1,043,000 in Year 10. If food service is not executed properly, or if political or policy pressures are exerted to affect food service approach, money to the building could be materially affected and the operating performance of the center could worsen from that projected.

- **Advertising Revenue** – the convention center’s design is expected to include opportunities for signage in several strategic locations in the exhibition hall, concourses, and other areas, which would allow the facility to generate advertising revenue. Typically, advertising revenues are split between a facility owner and a private manager or a marketing firm that actually sells the spaces. The projections assume that 85 percent of advertising revenues are retained by the facility, net of a 15 percent commission. The total value of advertising and sponsorship inventory in the Center is projected to be \$50,000, and of this amount, 80 is assumed to be sold each year. Net Advertising revenue retained by the facility is projected to be \$34,000 in Year 1, and this amount is inflated in future years of the projection.
- **Other Revenues** – other revenues includes any revenue from other sources that do not fit into previous categories. Examples include vending commissions, interest, income from a coat check booth, or net parking revenues. The projection estimates that Other Revenue will amount to approximately 12 percent of total revenues, translating into \$141,000 in Year 1, and increase to \$198,000 in Year 5 and \$241,000 in Year 10.

- **Total Revenue** – Total revenue is projected to be \$1.1 million in Year 1. In Year 5, Total Revenue is projected to increase to \$1.6 million, and increase to \$2.0 million in Year 10.

Direct Expenses

Direct expenses are those that fluctuate based on the usage of the convention center. These expenses are contract services; utilities; building maintenance and repair; supplies; insurance; and other direct expenses. Table 6-8 shows a summary of the assumptions utilized for projections of direct operating expenses.

Table 6-8

Proposed Billings Executive Conference Center Direct Expense Assumptions		
Line Item	Units	Base
Contract Services	per thousand GSFD	\$28.00
Utilities	per thousand GSFD	\$25.00
Building Maintenance and Repair	per thousand GSFD	\$14.00
Supplies	per thousand GSFD	\$4.00
Insurance	per attendee	\$0.92
Other Direct Expenses	% of direct expenses	12%
<i>Source: Johnson Consulting</i>		

- **Contract Services** – depend on the level of facility utilization and are calculated based on the number of rented square foot days in the exhibition hall. Contract services include cleaning, security, and electrical services. In Year 1, this expense is projected to be \$88,000, and is projected to increase to \$119,000 in Year 5, and \$135,000 in Year 10.
- **Utilities** - reflect the facility's utility cost and are based on the volume of activity in the Center. The projections assume a rate of \$25.00 per thousand GSFD from exhibit hall events. Utilities expense is projected to be \$79,000 in Year 1 and increase to \$106,000 in Year 5, and \$120,000 in Year 10.
- **Building Maintenance and Repair** – reflects unscheduled maintenance associated with particular events occurring in the exhibit hall. Consequently, the projected amounts are calculated based on the square foot days of facility use for exhibit hall events. Building maintenance and repair expense is projected to be \$44,000 in Year 1, and increase to \$60,000 in Year 5 and \$67,000 in Year 10.
- **Supplies** – expense is estimated based on the volume of activity in the exhibition hall. Supplies expense is projected to be \$13,000 in Year 1 and

increases year-to-year based on facility use, reaching \$17,000 in Year 5 and \$19,000 in Year 10.

- **Insurance** – this projected expense is based on the premiums paid by facilities that are similar to the planned convention/ conference center in Billings, on a per-attendee basis. Insurance expense is projected to be \$91,000 in Year 1, and increase to \$139,000 in Year 5 and \$176,000 in Year 10.
- **Other Direct Expenses** - expenses categorized as "other" include miscellaneous expenses, dues and subscriptions, and transportation. These expenses are estimated as 12 percent of total direct expenses and are projected to be \$43,000 in Year 1, and increase to \$60,000 in Year 5 and \$71,000 in Year 10.
- **Total Direct Expenses** – based on the assumptions discussed above, total direct expenses are projected to be \$358,000 in Year 1, and increase to \$502,000 in Year 5, and \$588,000 in Year 10.

Indirect Expenses

Indirect expenses are those that do not vary based on the level of events or attendance of the facility. These expenses are management fees; wages and salaries; employee benefits; advertising and promotion; general and administrative; and other unallocated expenses. Table 6-9 summarizes of the assumptions utilized for projections of indirect operating expenses.

Table 6-9

Proposed Billings Executive Conference Center Indirect Expense Assumptions		
Line Item	Units	Base
General and Administrative	per year	\$80,000
Wages and Salaries	See Salary Table	--
Employee Benefits	% of Salaries	30%
Advertising and Promotion	per year	\$100,000
Other Expenses	% of indirect expenses	8%
*Does not include CVB marketing dollars.		
Source: Johnson Consulting		

- **General and Administrative** – expenses are related to expenditures for staff training, travel, registrations and memberships, printing, postage, and other expenses. Based on the experience of similar facilities, general and administrative expense is projected to be \$80,000 in Year 1. This amount is then inflated throughout the course of the projections.

- *Wages and Salaries* - Table 6-10 summarizes the assumptions relating to the facility's staffing.

Table 6-10

Proposed Billings Executive Conference Center Base Salary Expenses			
	Number of Staff	Salary per Staff Member	Total Salary
Manager	1	\$85,000	\$85,000
Assistant Manager/Sales Manager	1	55,000	55,000
Event Manager	2	50,000	100,000
Operations Manager	1	55,000	55,000
Engineer	1	39,800	39,800
Labor Pool	3	37,800	113,400
Clerical and Receptionist	1	25,000	25,000
Total	10		\$473,200

Source: Johnson Consulting

The projections assume that a staff of nine full-time equivalent employees would be hired to work at the facility, as shown in Table 6-10, and this number is expected to increase to ten in Year 4. Ultimately, these employees may become employees of the selected management company. Total wages and salaries expense is projected to be approximately \$423,000 in Year 1, and \$511,000 in Year 5, and \$578,000 in Year 10. Payroll is another expense that is highly dependent on "Owner Decisions". We have assumed a working relationship with the hotel, where some overhead, event coordination and security is borne by that property, for the benefit of having these facilities built near it. If a stand-alone operation were considered, a 50% increase in payroll could be incurred.

- *Employee Benefits* – are estimated as a percent of Wages and Salaries expense. Employee benefits include workers' compensation, taxes, health and life insurance, vacation, and pension benefits. Benefits are assumed to be 30 percent of wages and salaries expense each year. Total benefits expense is projected to be approximately \$127,000 in Year 1, and increase to \$153,000 in Year 5, and \$174,000 in Year 10.
- *Advertising and Promotion* – reflects the expense incurred by the facility for marketing activities such as the purchase of media space and production of marketing materials and brochures. Much of the expense related to the

production and printing of materials will be part of the facility's pre-opening budget, which is not projected in this report. As a result, the facility's Advertising and Promotion expense will be relatively low. Advertising and marketing expenditures are projected to be \$100,000 in Year 1, and are inflated thereafter.

- *Other Expenses* – are small expenses that are not considered general and administrative, such as uniforms, tools and equipment, food, and gasoline. Other expenses are projected to be amount to eight percent of total indirect operating expenses, which translates to \$63,000 in Year 1, \$75,000 in Year 5, and \$85,000 in Year 10.
- *Total Indirect Operating Expenses* - based on the assumptions discussed above, total indirect operating expenses is projected to be approximately \$794,000 in Year 1, and increase to \$938,000 in Year 5, and \$1 million in Year 10.
- *Total Operating Expenses* – are projected to be \$1.1 million in Year 1. In Year 5, this amount is projected to increase to \$1.4 million, and further increasing to \$1.6 million in Year 10.
- *Net Operating Income (Deficit)* – after consideration of all operating revenues and expenses, the facility is projected to experience a Net Profit of \$25,000 in Year 1. While this amount increase as the facility moves toward stabilization, it should be anticipated that the facility will begin earning profit in Year 4 continue to operate with positive cash flow.
- *Management Fee* – As is currently planned, Johnson Consulting assumes that a private management firm will be contracted to operate the new Center. The actual management fee paid by the facility could be calculated in a number of different ways, including incentives based on the facility's operating and financial performance. It is anticipated that the Center will pay to its management company a base fee of approximately \$100,000 per year, plus incentive fee of three percent of total revenues. Based on this formula, the projected management fee is \$110,000 in Year 1 and increases to \$125,000 in Year 5 and \$135,000 in Year 10.
- *Reserve for Replacement* – Generally, a facility will make annual contributions to a reserve for replacement account, which would fund capital projects such as roof replacement or new carpeting. For the Billings Center, this amount is calculated as five percent of facility revenues.
- *Net Income (Deficit) Before Other Charges* – after considerations of all expenses, management fees, and reserve for replacements, the Center's Net Operating Deficit Before Other Charges is projected to be \$144,000. This

deficit is projected to turn a profit of \$6,000 in Year 5, and \$119,000 in Year 10.

Conclusion

The preceding projection is in scale with comparable operations, from both a demand and operating statement perspective. There are a myriad of policy, management and operating decisions to be made from this point forward. Many of these are material and could affect demand and financial performance. Having worked on several such facilities around the nation, we are certain, that if an adjacent hotel is commissioned to operate the venue and if food service is properly executed, this projection is fair and reasonable. The City can also help in the economics. As it envisions parking deck operations, consideration could be given to security and utility costs staying with the deck operation, to improve the economic cosmetics of the Conference Center.