Market and Economic Impact Analysis for a Potential New Meeting Facility in Pensacola, Florida

Presented to:

Visit Pensacola

Presented by:

Crossroads Consulting Services

Draft Report – December 2017

Crossroads CONSULTING SERVICES

DRAFT REPORT – SUBJECT TO CHANGE

December 2017

Mr. Steve Hayes, President
Visit Pensacola
1401 E. Gregory Street
Pensacola, FL 32502

Dear Mr. Hayes:

Crossroads Consulting Services LLC has completed its limited market and economic assessment related to the potential demand for a new meeting facility in Pensacola, Florida. This report summarizes our research and analysis conducted to date.

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

Although you have authorized reports to be sent electronically for your convenience, only the final hard copy report should be viewed as our work product.

We have enjoyed serving you on this engagement and look forward to the opportunity to provide you with continued services.

Sincerely,

DRAFT

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Project Background

Pensacola is the westernmost city in the Florida Panhandle and the county seat for Escambia County (County). The military and tourism industries have historically anchored the Greater Pensacola economy. The area is commonly known as the "Cradle of Naval Aviation" with the Pensacola Naval Air Station, National Flight Academy and Naval Aviation Museum situated along Pensacola Bay. The Pensacola Naval Air Station remains a major American Military base and is home to the museum as well as the famous precision jet aircraft flying team, the "Blue Angels". In addition to its rich military history, Pensacola is also known for its miles of white sand beaches along the Gulf of Mexico which drives visitation to the area.

Tourism is an important economic generator to Escambia County. Visit Pensacola is the destination marketing organization for the Pensacola Bay Area and is dedicated to positioning and promoting the Escambia County communities as world-class travel destinations.

In January of 2015, Visit Pensacola launched the Destination 2020 initiative designed to engage the public, governmental and civic leaders, and private sector stakeholders to determine the best methods by which to sustain and grow tourism as an economic engine for the community. These meetings and collaborative sessions resulted in the Destination 2020 Report which outlined specific strategies as a roadmap for the enhanced development of Escambia County's tourism industry. This report detailed the impact of tourism on visitor spending, jobs, sales tax revenues, and tourist development tax (TDT) revenues. A key challenge identified through this process was the lack of meeting space to attract groups, meetings, and convention business to the area.

While many goals were defined via the Destination 2020 effort, the most relevant to this analysis was the Asset and Product Development Goal which included the development of destination assets that attract visitors while contributing to the quality of life of community residents. The objective of creating public gathering spaces that increase marketability of the community included a tactic to build a new convention, conference, or multi-use indoor public center. Initial action items were to study the feasibility of a new meeting facility and identify target markets to utilize such a facility.

In 2015, Crossroads Consulting Services LLC (Crossroads) was retained to assist Escambia County in assessing the viability of enhancing existing assets and/or developing new sports facilities to meet the current and future demands of the local citizens and organizations as well as evaluating opportunities to enhance the sports tourism product with the objective of generating new activity and related economic and fiscal impacts.

This study, which was completed in February 2016, noted that specific market opportunities exist to grow and diversify sports tourism efforts in Escambia County with enhanced/new facilities. Research indicated a high level of potential demand for a new indoor sports facility that could host various sporting events including basketball, volleyball, futsal, judo, cheerleading, dance, gymnastics, and wrestling, among others.

As part of the community's on-going planning efforts, Visit Pensacola retained Crossroads to assess specific market and economic factors associated with the potential demand for new meeting space in Pensacola under two scenarios: 1) constructing a multi-use facility using the recommended space in the sports study completed in 2016 along with an additional meeting component; and 2) utilizing the existing space at the Bay Center. The analysis also comments on potential opportunities/synergies to co-locate with other existing/proposed projects.

Work Plan

Specific research tasks completed as part of this market analysis include, but were not limited to:

- Conducted interviews with various stakeholders including representatives from Visit Pensacola, Pensacola Sports, Tourist Development Council, area hoteliers, and existing facilities operators, among others.
- Analyzed select local market attributes including an inventory of existing and planned meeting facilities in the area.
- Analyzed key industry trends that may impact development of a new meeting facility.
- Obtained input from potential users of a new meeting facility.
- Analyzed data from select competitive/comparable facilities and their destinations.
- Developed a preliminary building program outlining space requirements.
- Developed an estimate of usage/event activity in terms of the number of events and attendance by major event type.
- Estimated the economic impacts in terms of spending, employment, and earnings and tax revenues associated with the proposed new meeting facility in Pensacola.

This analysis is non-site specific and does not include any architectural-related services (e.g., an environmental assessment, a noise analysis, or a transportation/traffic impact analysis). In addition, this study does not include any detailed programming, design planning services, site development/planning services or project cost budgeting/ phasing. These types of services are outside the scope of this engagement and would be studied/completed in a subsequent phase of work performed by other firms that specialize in providing these services.

Executive Summary

Local Market Conditions

General market conditions such as demographic/economic attributes, the vibrancy of the area immediately surrounding a facility, and overall destination appeal to both event planners/producers and attendees can all impact a facility's overall competitiveness within the broader marketplace. Depending on the scope and nature of the event, meeting facilities draw from both area residents and out-of-town attendees. For instance, local, civic-based events tend to draw from a relatively close geographic area while conventions/conferences can draw from a larger radius.

For purposes of this analysis, the primary market is defined as Escambia County and the secondary market is defined as the Pensacola Core Based Statistical Area (CBSA) or Metro Area which includes Escambia and Santa Rosa Counties. These market areas are not intended to directly correlate to potential demand but rather to illustrate the characteristics of the market within which the proposed new venue would operate.

Both the primary market and the secondary market are projected to experience relatively minimal growth in population from 2017 to 2022. The 2017 median household income is $45,200 in the primary market which is lower than that for the secondary market ($50,500) and the State of Florida ($50,600).

With approximately 15,700 employees, local government is the largest employer in the Metro Area followed by federal government, State government, and Baptist Health Care. The military is also a major contributor to the area's economy. Further, the area is home to several higher education institutions including Pensacola State College, University of West Florida, and Pensacola Christian College. These entities represent target markets for programming at a new meeting facility in Pensacola.

Pensacola is located just off Interstate 10 which runs east/west from Jacksonville to Los Angeles and provides direct access to several major metropolitan markets. Despite its highway accessibility, Pensacola's geographic location in the northwest portion of the State is challenging for certain groups such as State associations which prefer a location that is central to its membership base. That said, Pensacola is within 200 miles of Mobile, Panama City, Gulfport, Hattiesburg, Montgomery, New Orleans, Tallahassee and Columbus, Georgia which provides an opportunity to attract regional business.

Air access can be an important factor relative to attracting regional and national convention/meeting business. Pensacola is primarily serviced by the Pensacola International Airport (PNS), which is located approximately six miles from downtown. While PNS is a benefit, the relatively limited number of direct flights is a challenge in attracting certain events.

The diversity and supply of hotel rooms proximate to a meeting facility can play a role in attracting certain events that draw overnight attendees such as conventions and meetings. There are more than 7,800 hotel rooms in 84 hotels and approximately 2,500 condominium units dispersed throughout the market area which provide a variety of product and price points. Both occupancy rates and average daily rates have been trending upwards between 2013 and 2017. The summer is the busiest season for hotels in Pensacola.

Tourism is critical to both Pensacola and the State of Florida. In 2016, nearly 2.1 million visitors came to Escambia County which represented a 30% increase over 2015. In 2016, visitor spending in the County was estimated to be approximately $787.2 million, approximately 84% of which was attributable to overnight visitors.

The availability of cultural, recreational, retail and entertainment options is one factor that event planners/producers take into consideration when selecting a destination for their event and is important for periods when attendees are not at event-related functions. The supply of attractions is also an important consideration for attendees when deciding whether to bring additional family/friends and how long to stay. In addition to its beaches, Pensacola offers a variety of attractions including a vibrant downtown which makes it an appealing visitor destination.

Industry Trends

Potential demand associated with any new meeting facility is somewhat dependent on the specific target market segments it is anticipated to host as well as on the attributes of each respective industry. As such, it is beneficial to understand the national landscape for the convention and meetings industry.

Generally, on a national basis, the supply of exhibit and meeting space has increased in recent years while the demand for space has decreased which has created a gap and resulted in a buyer's market. This has caused facilities to compete on overall price and value to adapt to changing conditions. Facility users are placing an increasing demand on technology and innovation, client and attendee experience at a facility and the overall destination, and food and beverage. In addition, there has been a focus in the industry on elements such as a campus setting, flexible space, openness, sustainability, and safety. Ultimately, to set the stage for a new facility which can be competitive and successful in Pensacola it will be important to achieve meeting planners' expectations for both the facility as well as the overall destination and its ancillary amenities such as hotels, entertainment, and transportation.

Competitive Supply of Area Facilities

Pensacola has multiple facilities, including hotels, that can host convention and meeting activity. While some of these facilities would not directly compete with a new facility in Pensacola for conventions, conferences, tradeshows, and large meetings, they do serve as alternative locations.

The Pensacola Bay Center, Skopelos at New World, and the University of West Florida Conference Center and Ballroom host various conventions, tradeshows, conferences, meetings, and social functions. However, these facilities are not well-positioned to host attract visitor-based events that generate significant economic impact to the community based on their size, program elements, configuration, age, market focus, and date availability. The Bay Center's core competency is its ability to host live entertainment such as concerts, family shows, and sporting events. Its meeting package is not desirable to clients who require modern, functional exhibit, ballroom and meeting space with state-of-the art technology and specialty food service/catering.

The Hilton Pensacola Beach Gulf Front offers the largest amount of total meeting space (17,000 SF) and has a maximum banquet capacity of 400 people. The Pensacola Grand Hotel (formerly the Crowne Plaza) offers a total of 8,800 SF meeting space in downtown that can accommodate a maximum banquet capacity of 300.

Although several other facilities in Pensacola offer meeting space, they are not considered competitive or comparable to the proposed new meeting facility due to their amount/configuration/type of space and/or core market niche.

There are several regional facilities in Florida, Alabama and Georgia which also compete for conventions, conferences, tradeshows, and large meetings. On average, the regional facilities profiled in this analysis average 42,200 SF of total function space.

The competitive landscape of the market is continuing to change through facility renovation and expansion. The Gulf State Park in Gulf Shores, Alabama is re-building the Lodge which was destroyed by Hurricane Ivan. Current plans call for the Lodge at Gulf State Park, a Hilton Hotel to offer 350 hotel rooms, ballroom capacity for 1,500 people, and meeting facilities that can accommodate 1,000 people. This facility is scheduled to open in spring of 2018. The City of Gulf Shores is also planning to develop a 240-room full-service hotel, spa, and meeting facility on City property. Panama City Beach is currently evaluating a new indoor sports facility to complement a planned outdoor sports facility. Although one of the proposed options for this facility included a significant amount of meeting space, it is our understanding at the time of this report that this facility is not planning to include meeting space that could potentially compete with a new meeting facility in Pensacola. Based on information from secondary sources, a developer has submitted an application for a large site development of more than five acres to build a 310-room hotel tower and 41,600 SF of convention space on Panama City Beach. The facility is anticipated to offer amenities such as pools, a lazy river, decks, a luxury spa, and various food service facilities. In addition, the Emerald Coast Convention Center in Fort Walton Beach is exploring the merits of expansion.

The amount, configuration and type of space currently offered in the community do not appear to adequately meet anticipated future needs of multiple local user groups, event promoters/producers, and small to moderate convention/meeting planners.

Currently, meeting planners seeking to host an event in the Pensacola area are challenged to find a comprehensive facility and destination package that is consistent with current industry trends and offers modern patron amenities and desired destination attributes. As such, the proposed new meeting facility could potentially address a gap in the market.

Potential Demand Generators

To assist in assessing potential demand for a proposed new meeting facility, the macro population of events, historical meeting activity occurring in Pensacola, and lost business reports were analyzed. In addition, feedback was obtained from various stakeholders and potential users of the proposed meeting facility.

Relative to the potential universe of events that represent a target market for the proposed new meeting facility, Pensacola appears to be is in a strong position to further penetrate business-to-business and business-to-consumer exhibitions in the U.S. In 2015, Florida hosted 11% of these events which only ranked behind California and Texas, respectively. Florida also ranked 3rd among all states for events that utilize less than 25,000 net SF of space. More than one-half (51%) of the events held in Florida utilized less than 10,000 net SF of exhibit space.

The Medical and Health Care industry accounted for the highest number of events held in Florida followed by the business services and communication/information technology/science industries. These three industries accounted for 42% (545 events) of all events held in Florida and align with some of the largest employers in the Pensacola Metro Area as well as broader regional target markets including aerospace & defense, financial services, and cybersecurity.

Visit Pensacola tracks various data points including historical meeting activity and lost business information which is important to understand when evaluating the need for a new meeting facility. From FY 2015 through FY 2017, sports events averaged the most contracted rooms (7,200) followed by military reunions (5,900). Association business accounted for an average of 16 events and 2,000 contracted rooms during the profiled three fiscal years. Lost business data was analyzed for 27 events that could have occurred from 2012 to 2018. In aggregate, these events were estimated to account for approximately 62,400 room nights and could have attracted 43,000 attendees to Pensacola via 27 events. Common reasons for not meeting in Pensacola include the limited amount of total square footage available, total meeting space under one roof, hotel rooms in a single property; and number of breakout rooms.

In addition to the above analysis, electronic surveys were distributed to a variety of groups throughout Florida and the Southeast to obtain feedback on strengths, challenges and opportunities associated with the proposed meeting facility in Pensacola as well as their facility-specific and destination-related requirements. Results of the survey effort generally indicated support for a new meeting facility if it is adjacent to a full-service hotel and in close proximity to downtown amenities.

Direct feedback obtained from local stakeholders and user groups was supportive of development of a new meeting facility and was consistent with the industry trends and the survey responses from meeting planners with respect to the desired facility requirements and destination amenities.

Summary of Market Findings

The research conducted for this study suggests that market demand exists for development of a new meeting facility in Pensacola if it offers an adjacent full-service hotel and is downtown. It is important to note that the need for a proximate convention quality hotel and downtown amenities are significant factors and directly linked to the viability of a new meeting facility in Pensacola.

Research suggests that a new meeting facility in Pensacola could be developed under one of the following scenarios:

- A stand-alone facility that incorporates meeting, ballroom, and flexible space. The flexible space should be designed to be convertible and accommodate various functions including meeting and exhibits, based on event needs.
- A facility with meeting rooms and ballroom space that is incorporated into an indoor sport facility. The indoor court space could be designed to be used as supplemental exhibit space, based on event needs.

Under both scenarios outlined above, the concept is only viable from a market perspective if pursued in tandem with an adjacent hotel and within walking distance to downtown Pensacola, whether it is a stand-alone meeting facility or part of a shared indoor sports facility. A key factor from a building program perspective is designing the facility to accommodate the unique needs of user groups while maintaining maximum flexibility.

If the meeting facility is developed as part of a larger indoor sport facility, it is imperative that the meeting facility component be designed in a manner that is consistent with the programmatic needs and requirements of meeting planners and that it can function as a stand-alone component and have complete physical separation from the sports uses of a shared facility to maximize market demand opportunities. If these design and programmatic elements cannot be achieved in a shared facility, the meeting component will be negatively impacted in programming and usage.

Recommended Building Program

Based on the market research conducted for this study, the following table summarizes the preliminary conceptual building program for a new meeting facility in Pensacola:

Proposed New Meeting Facility in Pensacola Preliminary Concept Program			
Type of Space	**Range of Square Footage**		
Meeting	20,000	-	25,000
Ballroom	20,000	-	25,000
Pre-Function/Service Areas	50,000	-	60,000
Total Space	**90,000**	**-**	**110,000**

Pre-function space is typically located outside of exhibit, meeting or ballroom space and is generally an open space with natural light. These spaces should be aesthetically pleasing, highly functional and able to accommodate a variety of uses such as registration tables, gathering places before/after events, receptions/social events, event lounges, pop-up meetings, exhibits, etc. Pre-function space can also serve as a stand-alone event location depending on other activity occurring within the facility. Service areas include back-of-house support space.

In addition to the preliminary concept program, the following elements should be included:

- Flexible design to effectively accommodate simultaneous events
- State-of-the-art sound, lighting, and advanced technology infrastructure
- Pre-function and common spaces that have well-defined entrances, modern digital way-finding systems, and sufficient circulation capability
- A centralized kitchen to deliver a high-level of specialty catering
- Adequate support space including offices, storage, and restrooms
- Dedicated areas (e.g., loading docks) for users to conveniently move equipment, décor, and other items in and out of the facility
- Sufficient dedicated parking within easy walking distance of the facility
  - Preliminary research suggests a range of between 670 and 800 parking spaces based on industry standards; however, the number of required parking spaces will need to be further analyzed by parking, traffic, and transportation experts as the building program is finalized
- Dedicated exhibit space is not needed as part of the new building program but could be accommodated if needed by either coordinating use of the proposed indoor sports facility to utilize its flat floor/exhibit space or utilize the recommended ballroom space to accommodate small exhibit based events

It is further suggested that a new meeting facility in Pensacola be developed in a campus-like setting which allows event attendees to easily access the downtown Pensacola amenities such as restaurants, attractions and shops.

Also, if built, the new meeting facility in Pensacola should have a dedicated and strong management structure in place from inception of the planning phases of the project. The presence of a dedicated team with specific expertise in operating meeting and conference facilities will be a key success factor. If the meeting facility is incorporated into an indoor sports facility, it is recommended that the meeting facility management team is separate and distinct from the sports facility management team to help ensure that execution in planning and management of the meeting facility meets professional meeting planner standards.

Overall Summary

With respect to financial performance, it is important to recognize that similar meeting facilities realize an operating deficit. One of the primary reasons for developing these types of facilities is the economic activity that they can generate in terms of spending, employment, earnings, and tax revenues to local and state governments. These facilities typically attract events that draw residents as well as patrons from outside the immediate market area who spend money on hotels, restaurants, and other related services. In many instances, these net new benefits can outweigh any potential operating subsidy. Consequently, when evaluating the merits of these types of projects, it is important to consider all aspects of the costs and benefits including operating requirements, debt service and economic/fiscal benefits.

The following table summarizes key elements of the market and economic impact analysis for the proposed new meeting facility in a stabilized year of operation.

Summary of Key Elements - Proposed New Meeting Facility in Pensacola			
Category	**Range - Stabilized Year of Operations**		
Usage/Event Activity			
Number of Events	158	-	190
Total Usage Days	200	-	240
Total Attendee Days	59,100	-	74,000
Hotel Room Nights	14,800	-	18,000
Economic Impacts at the County Level			
Direct Spending	$5,987,000	-	$7,432,000
Indirect/Induced Spending	$3,084,000	-	$3,834,000
Total Spending	$9,071,000	-	$11,266,000
Total Jobs	110	-	140
Total Earnings	$3,010,000	-	$3,746,000
Fiscal Impacts			
Escambia County	$204,000	-	$250,000
State of Florida	$443,000	-	$548,000
Total	$647,000	-	$798,000

The proposed new meeting facility is estimated attract between 158 and 190 events that draw between 59,100 to 74,000 annually in a stabilized year of operation. The number of room nights generated from activities at the proposed new meeting facility is estimated to range from 14,800 to 18,000 annually. Direct spending related to on-going facility operations and attendee spending is estimated to range from $6.0 million to $7.4 million annually in the County that supports between 110 and 140 total jobs. Annual tax revenues generated from on-going operations of the proposed new meeting facility are estimated to range from $647,000 to $798,000.

Although not quantified in this analysis, costs associated with construction of the proposed new meeting facility would provide additional economic and fiscal impacts to the City, County, and State during the construction period.

The proposed new meeting facility may be able to realize some operating efficiencies if it can share staffing, administrative and/or maintenance costs with other facilities. However, it is important that the facility maintain a dedicated on-site staff with experience in operating similar meeting facilities.

If developed, the proposed new meeting facility could serve as an asset that attracts out-of-town attendees who generate economic activity to the local and State economies. However, based on the estimated event mix, utilization and financial operations for the proposed new meeting facility, a financing plan predicated on the use of facility-generated revenues would be tenuous. As such, multiple funding partners from both the public and private sectors will likely be required.

Potential Next Steps

A market and economic impact analysis is an initial step in any planning process. Potential next steps in the on-going planning associated with the proposed new meeting facility may include: approving the proposed general development concept including a potential phased approach to development; establishing a development strategy that can serve as a basis for an architectural/engineering firm to refine the building program and develop detailed cost estimates; identifying potential funding strategies; and working with various government agencies and business groups to attract private investment in the surrounding area.

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

The remainder of this report summarizes the key findings and conclusions from our research and analysis.

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LOCAL MARKET CONDITIONS

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

Depending on the scope and nature of the event, meeting facilities draw from both area residents and out-of-town attendees. For instance, local, civic-based events tend to draw from a relatively close geographic area while conventions/conferences can draw from a larger radius.

When choosing a location, event planners/producers typically consider several characteristics of a destination as important to the success of their event. The importance that event planners/producers place on these factors differs depending on the type of event. For instance, local events may place more importance on the accessibility of the venue to exhibitors and attendees from the surrounding communities. Convention/meeting planners may consider attributes such as air and/or highway accessibility, hotel room inventory, and/or the relative travel costs to be more important.

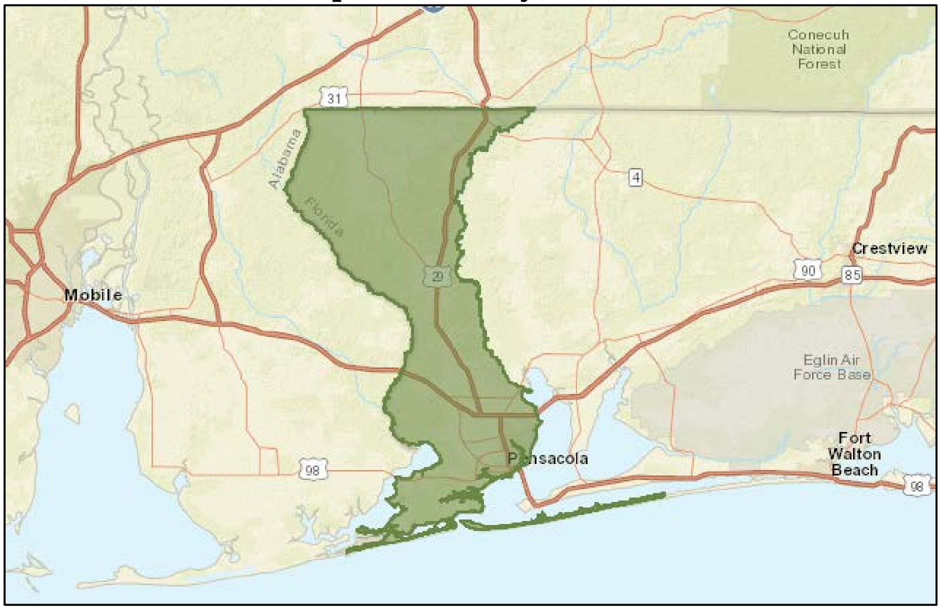
This section of the report profiles select market characteristics including demographic/economic statistics, area employment, accessibility, the hotel market, tourism statistics, and area attractions.

Demographic/Economic Statistics

Population serves as a base from which events at the proposed new meeting facility can draw attendance and other forms of support. Demographic statistics are provided by Esri: a Global market leader utilizing geographic information system (GIS) that visualize, question, analyze, and interpret data to understand relationships, patterns, and trends.

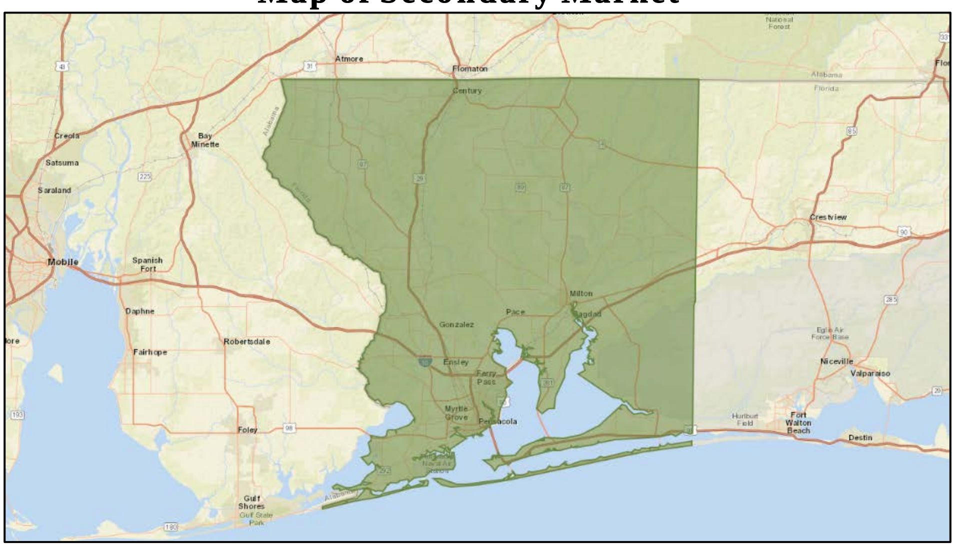
For purposes of this analysis, the primary market is defined as Escambia County and the secondary market is defined as the Pensacola Core Based Statistical Area (CBSA) or Metro Area which includes Escambia and Santa Rosa Counties. These market areas are not intended to directly correlate to potential demand but rather to illustrate the characteristics of the market within which the proposed new venue would operate. The primary and secondary markets are shown in the maps that follow.

Map of Primary Market



Source: Esri.

Map of Secondary Market



Source: Esri.

In 2017, the population of the primary and secondary markets is estimated to be 317,700 and 489,400, respectively. The population within these two market areas is projected to increase annually by 0.83% and 1.12%, respectively, from 2017 to 2022. These projected growth rates are slightly lower than for the State of Florida (1.36%).

The median age in the primary market is 38.4 years old which is younger than that for the secondary market (39.1 years old) and the State of Florida (42.2 years old), and consistent with that for the U.S. (38.2 years old).

Income offers a broad measurement of spending potential for a specific population because it indicates the general ability of individuals or households to purchase a variety of goods and services. The 2017 median household income is $45,200 in the primary market which is lower than that for the secondary market ($50,500) and the State of Florida ($50,600).

The table that follows summarizes the key demographic/economic characteristics of the primary and secondary markets as well as the State of Florida and U.S.

Summary of Key Demographic/Economic Characteristics				
	Geographic Area			
Category	Primary Market - Escambia County	Secondary Market - Metro Area	State of Florida	U.S.
Population Summary				
2000 Total Population	294,400	412,200	15,982,400	281,421,900
2010 Total Population	297,600	449,000	18,801,300	308,745,500
2017 Total Population	317,700	489,400	20,619,300	327,514,300
2022 Projection	331,100	517,400	22,062,400	341,323,600
2017-2022 Annual Rate	0.83%	1.12%	1.36%	0.83%
Median Age	**38.4**	**39.1**	**42.2**	**38.2**
2017 Median Household Income	**$45,200**	**$50,500**	**$50,600**	**$56,100**
2017 Average Household Income	**$62,300**	**$67,500**	**$72,600**	**$80,700**

Note: Metro Area is defined as the Pensacola-Ferry Pass-Brent, FL Metropolitan Statistical Area which consists of Escambia and Santa Rosa Counties.
Source: Esri.

Area Employment

The distribution of an area's employment by industry is a consideration when targeting various events at meeting facilities. For instance, a large services sector is typically a positive indicator for the number of corporate events being held in the area. The services sector typically has financial resources to host activities such as conventions, conferences, seminars, banquets, receptions, and other special events. In addition, employers may be members of professional/trade associations which can be instrumental in attracting conventions/tradeshows/meetings to Pensacola.

Employment data shown in the following table indicates that the workforce is primarily concentrated in trade/transportation/utilities, government, and education/health services. In aggregate, these industries comprise 52% of total jobs in Pensacola. Employment in the defense industry and non-uniformed workforce contributed more than 80,000 jobs in the area.

Metro Area - Non-Farm Employment by Industry		
Industry	**Total Jobs**	**% of Total**
Trade, Transportation & Utilities	33,400	19%
Government	29,400	17%
Education & Health Services	28,800	16%
Leisure & Hospitality	24,800	14%
Professional & Business Services	22,800	13%
Financial Activities	12,800	7%
Mining, Logging, & Construction	11,300	6%
Manufacturing	6,200	3%
Other Services	5,900	3%
Information	1,900	1%
Total	**177,300**	**100%**

Note: Sorted in descending order by total jobs as of April 2017

Source: U.S. Bureau of Labor Statistics.

The non-seasonally adjusted unemployment rate for the Metro Area was 3.4% in September 2017 which was lower than the U.S. (4.1%) during the same month.

With approximately 15,700 employees, local government is the largest employer in the Metro Area followed by federal government, State government, and Baptist Health Care.

Major Employers in the Metro Area (2016)	
Employer	**Employees**
Local Government	15,700
Federal Government	6,800
State Government	6,400
Baptist Health Care	5,571
Navy Federal Credit Union	5,325
Sacred Heart Health Systems	4,820
Gulf Power Company	1,774
West Florida Healthcare	1,200
Ascend (formerly Solutia, Inc.)	830
West Telemarketing	800

Note: Sorted in descending order by total employees.

Source: City of Pensacola.

The military is a major contributor to the area's economy. The U.S. Department of Defense (DoD) has a significant presence in Northwest Florida. The Greater Pensacola Region is home to Pensacola Naval Air Station (NAS), Saufley Field, Corry Station, and Whiting Field. Eglin Air Force Base and Hurlburt Field, which are in Okaloosa County, also positively impact the area economy.

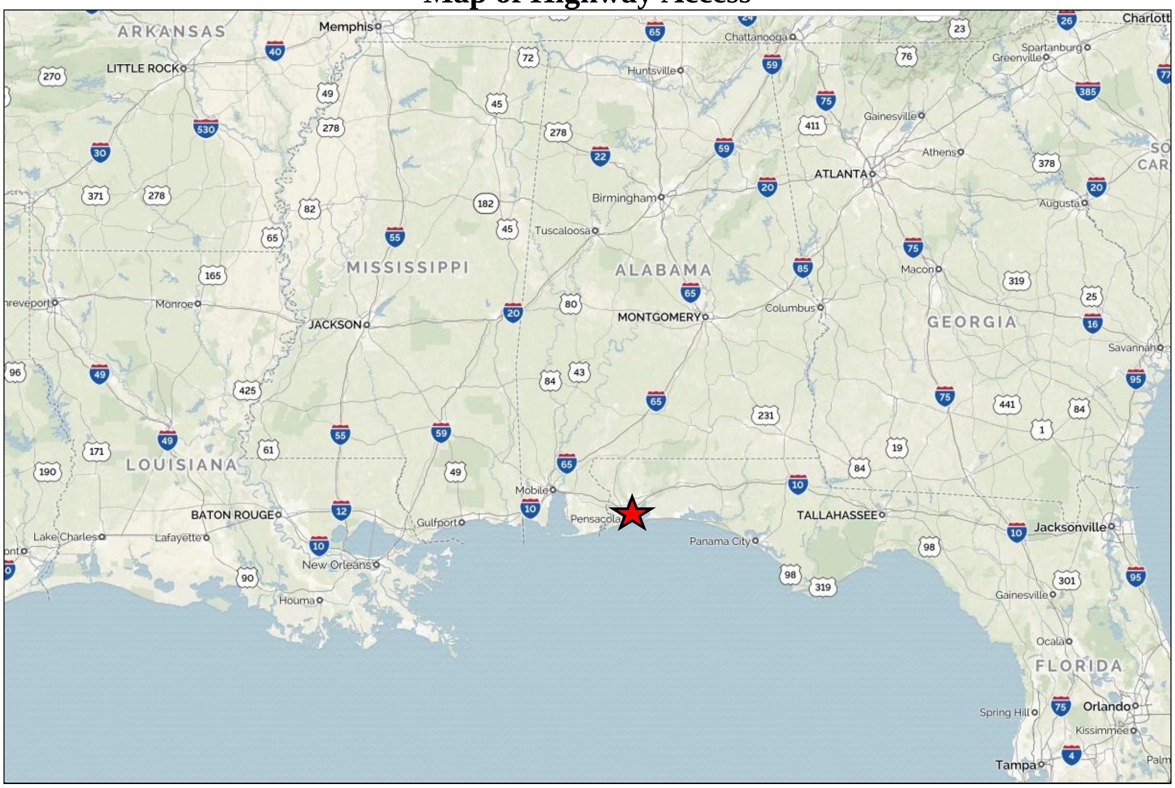
The area is also home to several higher education institutions including Pensacola State College, University of West Florida, and Pensacola Christian College. These institutions attract a significant number of students, staff, and faculty to the area. These institutions offer relatively limited meeting space to accommodate University-related activities and, as such, represent a target market for programming at a new meeting facility in Pensacola.

Accessibility

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

As shown in the following map, Pensacola is located just off Interstate 10 which runs east/west from Jacksonville to Los Angeles and provides direct access to several major metropolitan markets. Pensacola is within 200 miles of Mobile, Panama City, Gulfport, Hattiesburg, Montgomery, New Orleans, Tallahassee and Columbus, Georgia.

Map of Highway Access



Source: Mapquest.

Air access can be an important factor relative to attracting regional and national convention/meeting business. Pensacola is primarily serviced by the Pensacola International Airport (PNS), which is located approximately six miles from downtown. PNS has five major air carriers including American, Delta, Silver, Southwest, and United Airlines. In 2015, PNS had approximately 787,900 passenger enplanements which ranked 98th among all U.S. airports. The FAA defines passenger enplanements as domestic, territorial, and international passengers who board an aircraft in scheduled and non-scheduled service of aircraft.

Hotel Market

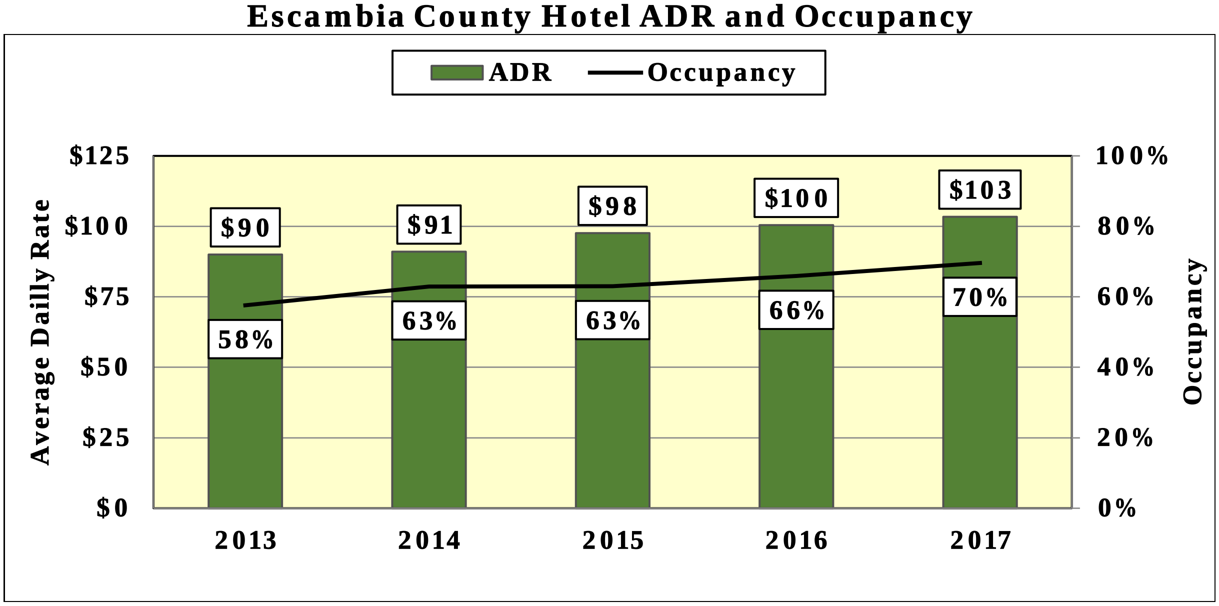
Supply

The diversity and supply of hotel rooms proximate to a meeting facility can play a role in attracting certain events that draw overnight attendees such as conventions and meetings. There are more than 7,800 hotel rooms in 84 hotels and approximately 2,500 condominium units dispersed throughout the market area. Many of these hotels are clustered into three primary areas: near the Airport, Downtown, and Pensacola Beach. In addition, there are three hotels that are currently under construction in downtown including the Holiday Express Downtown which is scheduled to open in Fall 2017 and an Aloft and Element which are slated to open in Summer 2018.

Demand

A meeting facility's ability to attract events that generate overnight stays is also impacted by the availability and affordability of hotels. The following graph illustrates historical trends in average daily rate (ADR) and occupancy rates for rooms in the County. From 2013 to 2017, the ADR has increased by 14%. Occupancy rates have also trended upwards – increasing by 12 points between 2013 and 2017.

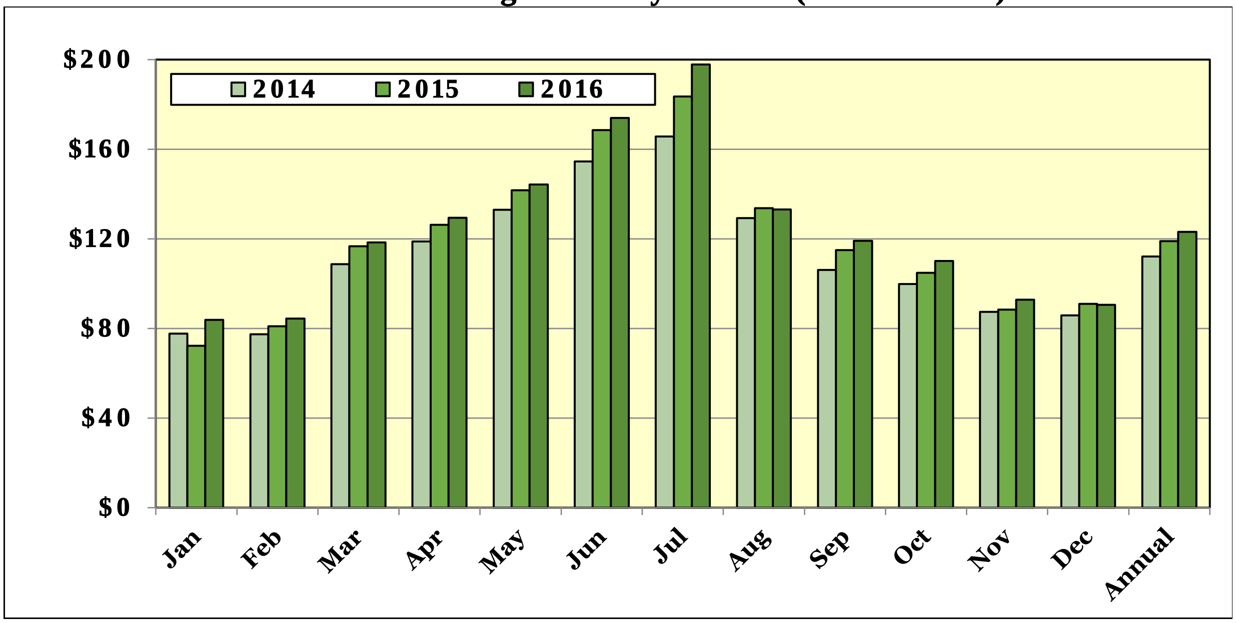
Escambia County Hotel ADR and Occupancy



Source: Visit Pensacola.

The following graphs illustrate the ADR and average occupancy by month for 2014 through 2016. July and June, respectively, had the highest ADR each of the profiled years.

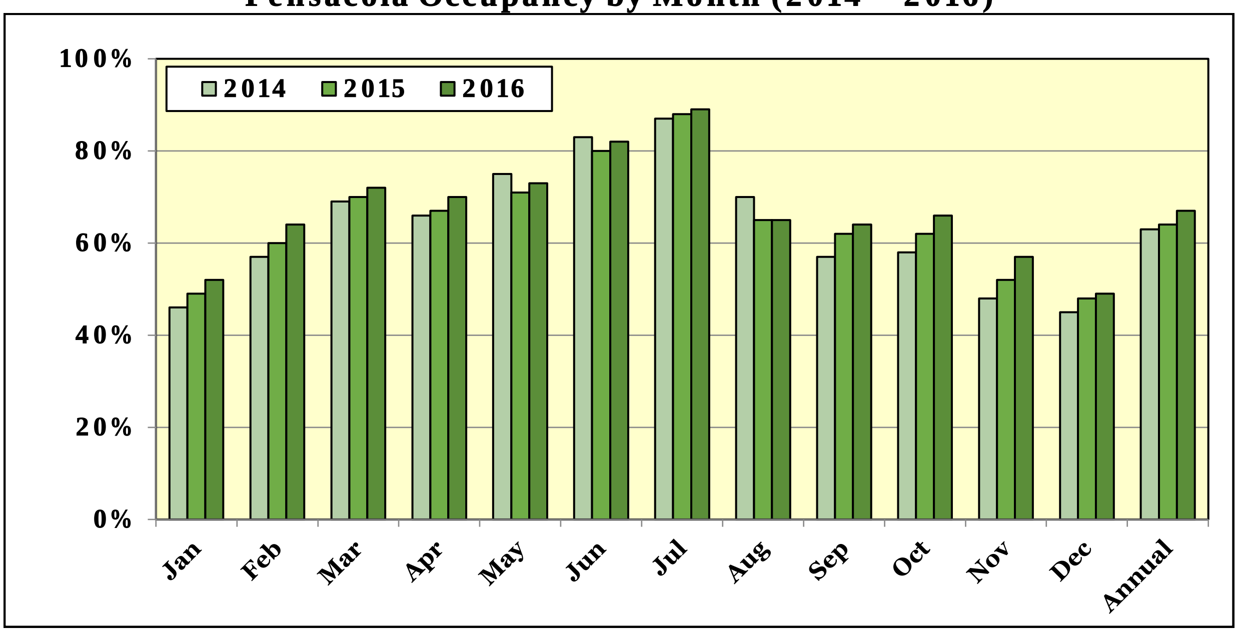
Pensacola Average ADR by Month (2014 - 2016)



Source: Visit Pensacola.

July and June, respectively, also had the highest occupancy during the profiled three-year period.

Pensacola Occupancy by Month (2014 – 2016)



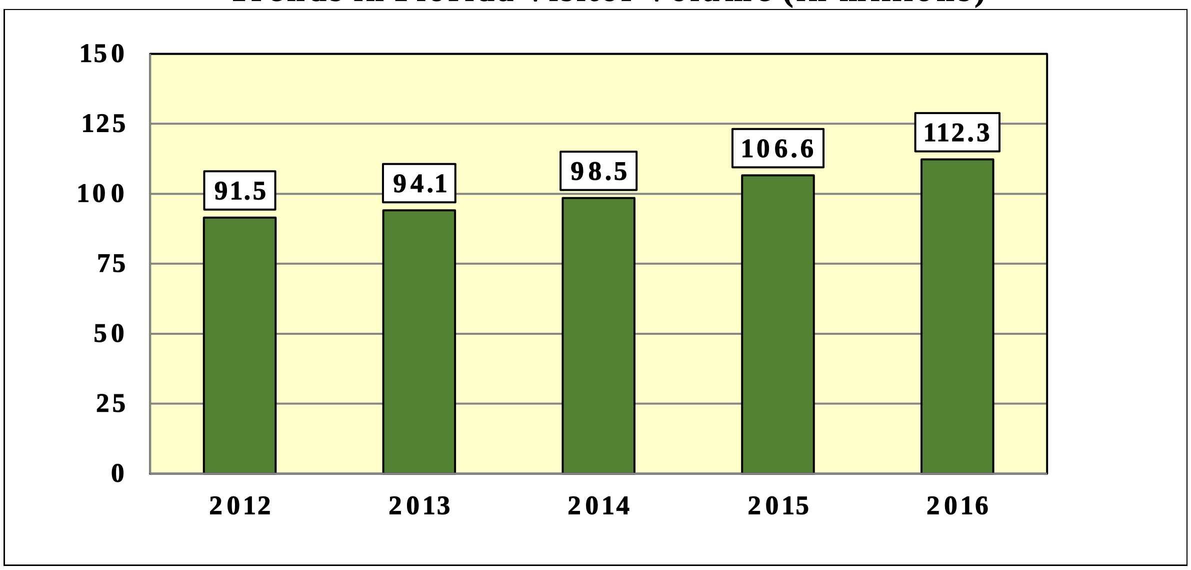
Source: Visit Pensacola.

Tourism Statistics

Tourism is essential to the State of Florida. In 2015, $108.8 billion of out-of-State visitor spending occurred, which was up 3.9% from 2014. According to Visit Florida, on average, visitors spend $300 million per day in Florida. In the past five years, spending is up $30 billion, which equates to an additional $2.4 billion in State and local tax revenues and over 192,000 new jobs across all industries.

Based on information provided by Visit Florida, the number of visitors to Florida has grown steadily over the past five years. During the last three years, the number of international visitors has slowly declined since 2013 due in part to decreasing number of Canadian and South American visitors. However, domestic visitor volume has more than compensated, increasing by 24% since 2013.

Trends in Florida Visitor Volume (in millions)



Note: Visitor Volume includes both domestic and international visitors.
Source: Visit Florida.

As with the State of Florida, tourism is extremely important to Escambia County. In 2016, nearly 2.1 million visitors came to Escambia County which was an increase of 30% over 2015. Visitors that stayed in paid lodging increased by 16% between 2015 and 2016.

Number of Visitors to Escambia County			
	2014	2015	2016
Stayed in Paid Lodging	1,168,300	1,155,100	1,343,900
Non-Lodging Visitors	635,200	434,900	729,500
Total Visitors	**1,803,500**	**1,590,000**	**2,073,400**

Note: Numbers rounded to nearest hundred.
Source: Visit Pensacola.

Visitor spending in Escambia County increased by 13% from 2014 to 2015 and 16% from 2015 to 2016. In 2016, visitor spending in the County was estimated to be approximately $787.2 million, approximately 84% of which was attributable to overnight visitors.

Visitor Spending in Escambia County			
	2014	2015	2016
Overnight Visitor Spending	$477,269,000	$588,696,000	$659,524,000
Day Visitor Spending	$122,305,000	$88,380,000	$127,663,000
Total Visitor Spending	**$599,574,000**	**$677,076,000**	**$787,187,000**

Note: Numbers rounded to nearest thousand.

Source: Visit Pensacola.

Mobile, Alabama and Atlanta, Georgia have been the top two visitor origins to Escambia County during the past three years. In 2016, three of the origin cities (Mobile, Ft. Walton Beach and Gulfport) are located less than 140 miles from Pensacola. Six of the top 10 cities are more than three hours away which generally correlates to visitors staying in lodging.

Top 10 Visitor Origins		
2014	2015	2016
Mobile, AL	Mobile, AL	Mobile, AL
Atlanta, GA	Atlanta, GA	Atlanta, GA
New Orleans, LA	Detroit, MI	Ft. Walton Beach-Destin, FL
Birmingham, AL	New Orleans, LA	New Orleans, LA
Dallas-Ft. Worth, TX	Birmingham, AL	Houston, TX
Nashville, TN	Nashville, TN	Washington-Baltimore
Baton Route, LA	Dallas, TX	Nashville, TN
Houston, TX	Gulfport-Biloxi, MS	Birmingham, AL
Tallahassee, FL	Baton Rouge, LA	Dallas, TX
Gulfport-Biloxi, MS	St. Louis, MO	Gulfport-Biloxi, MS

Source: Visit Pensacola.

Attractions

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

Area attractions include, but are not limited to, the following:

- Big Lagoon State Park
- Center for Fine and Performing Arts
- Community Maritime Park
- Gulf Breeze Zoo
- Historic Pensacola Village
- National Naval Aviation Museum
- Pensacola Children's Museum
- Pensacola Lighthouse

These attractions together with the abundance of beaches makes Pensacola and Escambia County an appealing visitor destination. In addition, Downtown Pensacola offers a variety of cultural activities, various restaurants and entertainment options, all of which can be attractive to visitors.

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OVERVIEW OF KEY INDUSTRY TRENDS

Potential demand associated with any new meeting facility is somewhat dependent on the specific target market segments it is anticipated to host as well as on the attributes of each respective industry. Given that the meeting facility is envisioned to host a variety of event activity, this section outlines key trends in the convention, meeting, and exhibition industries. This analysis is based on information provided by secondary sources including, but not limited to, Professional Convention Management Association (PCMA), Center for Exhibition Industry Research (CEIR), Meeting Professionals International (MPI), Tradeshow Executive, International Association of Conference Centers (IACC), the Destination Marketing Association International (DMAI), and IBIS*World*.

Event Types

The convention/meeting/exhibition industry is generally comprised of several types of events with varying space requirements. The following table presents a definition of each event type, typical space requirements, attendee origin, and an example of each type.

Key Event Type Attributes				
Event Type	**General Event Definition**	**Space Requirements**	**Attendee Origin**	**Example**
Conventions	Associations, professional groups and membership organizations meeting to exchange information and, in some instances, sell products	Exhibit space, meeting rooms and ballroom	Primarily non-local	Pensacola Comic Con
Conferences	Associations, professional groups, membership organizations, educational institutions, and private companies meeting to exchange information or to conduct training sessions	Meeting rooms and ballroom	Depends on scope - can be non-local or local	Department of Defense Conference
Tradeshows	Associations, professional groups, membership organizations and private groups meeting for business-to-business sales	Exhibit space, some meeting rooms	Depends on scope - can be non-local or local	Restaurant Supply Show
Consumer/Public Shows	Public, ticketed events to market and sell goods and services to consumers	Exhibit space	Primarily local	Home and Garden Show
Assemblies	Large groups that tend to be social, military, educational, religious or fraternal (SMERF) in nature to exchange information	Exhibit space or areas with fixed seating	Depends on scope - can be non-local or local	National Science Assembly
Meetings	Corporate meetings, training seminars, exams, etc. to exchange information, obtain training, and other similar functions	Meeting rooms and ballroom	Primarily local	Firefighter Testing
Banquets/Receptions	Banquets, receptions, birthday parties, weddings, corporate awards ceremonies, social functions, etc.	Ballroom	Primarily local	Wedding Reception

Key Decision Factors

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

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

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

Supply

The U.S. convention/meetings market has experienced tremendous growth in the supply of space over the past two decades. In many markets, multiple facilities can accommodate meeting planners' needs strictly in terms of the amount of space required. While supply growth has slowed, new space has recently been developed and/or is being contemplated creating a more competitive environment. In many instances, facilities are constructing or re-purposing existing space into multi-purpose, flex space that can be used as exhibit, meeting, or ballroom space to provide more flexibility and accommodate changing trends.

Demand

While the supply of exhibition and meeting space has experienced significant growth over the past decade, demand has been less aggressive. In fact, overall economic conditions have led to a larger gap between the supply of and demand for space. The result has been a buyer's market in recent years with larger convention centers vying for more moderately sized events and hotels aggressively marketing their function space.

The following table summarizes industry data provided by the CEIR 2017 Index Report which tracks annual changes in several industry metrics: net square feet (SF) used for exhibitions; total number of exhibitors and attendees; and industry revenues.

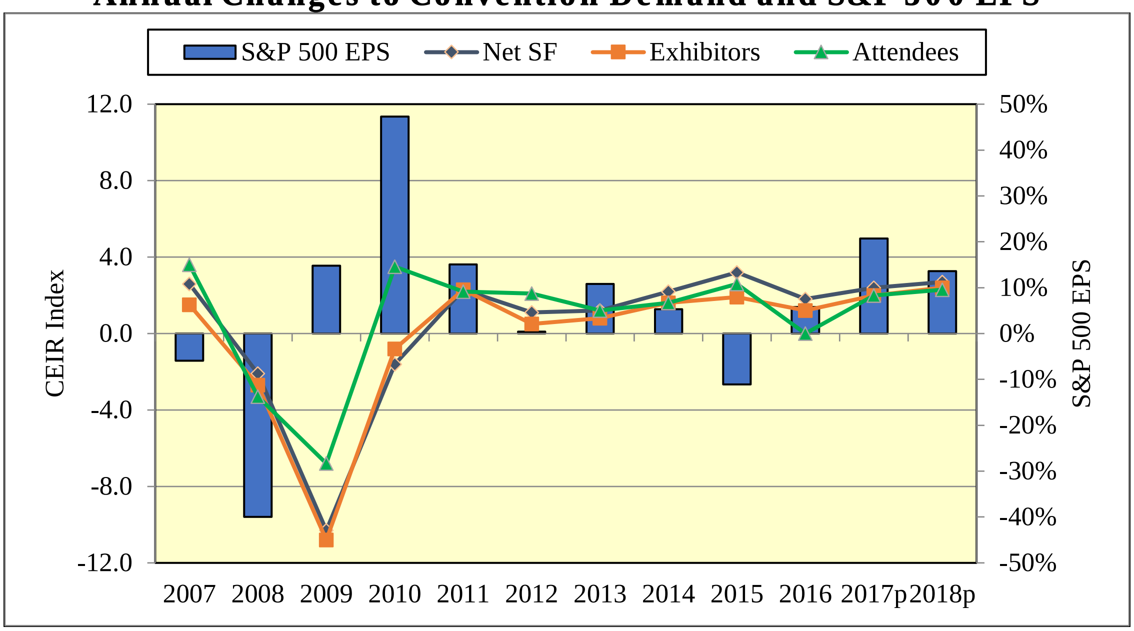
Year-On-Year Percent Change of the Metrics and CEIR Index													
Metric	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017p	2018p	2019p	CAGR, 2000-2016
Net SF	2.6	-2.1	-10.3	-1.6	2.3	1.1	1.2	2.2	3.2	1.8	2.4	2.7	2.9	0.2
Exhibitors	1.5	-2.7	-10.8	-0.8	2.3	0.5	0.8	1.6	1.9	1.2	2.0	2.4	2.4	-0.7
Attendees	3.6	-3.3	-6.8	3.5	2.2	2.1	1.2	1.6	2.6	0.0	2.0	2.3	2.4	0.2
Real Revenues[1]	5.1	-3.7	-11.8	-5.7	2.5	2.2	1.8	2.6	5.5	1.8	3.0	3.6	4.0	0.1
Total	3.2	-2.9	-9.9	-1.2	2.3	1.5	1.2	2.0	3.3	1.2	2.4	2.8	3.0	0.0

Notes: 1 Inflation adjusted revenues, adjusted for CPI for all urban consumers.
p denotes Projected.
Source: CEIR.

In 2016, the total index increased by 1.2%, which was 2.1 points lower than the increase in 2015. All metrics increased in 2016, except for attendees which remained stagnant. Net SF and real revenues had the highest metrics of 1.8 in 2016. Despite attendance staying stagnant in 2016, the number of attendees has trended upward since the end of the recent recession and at 33.2 million, slightly exceeded the previous decade high in 2015. The strengthening job market helped attendee numbers and, as a leading indicator of the exhibition industry, bodes well for business in the coming years.

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

Annual Changes to Convention Demand and S&P 500 EPS



Note: p denotes projected.
Sources: CEIR; Standard & Poor's.

Negative S&P EPS precedes periods of decreases in the number of exhibitors and similarly, periods of positive economic and industry growth, as measured by EPS, is followed by a growth in the convention and meeting industry with a substantive lag period. Of note, S&P earnings began to experience growth in 2009 whereas the convention and meetings industry lagged 12 to 18 months behind the broader economy as many conventions/meetings are planned years in advance. As measured by S&P earnings, overall economic conditions increased in 2016 and are expected to increase again by 20.7% in 2017. Along with the S&P projected earnings increase, the convention industry conditions are also projected to increase in 2017.

In addition, CEIR tracks the exhibition industry by sector. As shown in the table that follows, the medical and healthcare industry represents the highest number of exhibition events which, despite the overall economic conditions, managed to sustain a minor increase during the profiled period. Other sectors experiencing average annual growth between 2000 and 2016 include the machinery and finished business outputs; government sector; sporting goods, travel and amusement; transportation; discretionary consumer goods and services; raw materials and science; and communications and information technology.

Although many industry sectors experienced positive growth between 2000 and 2016, the overall exhibition industry was flat during this time. In 2016, the food and building, construction, home and repair sectors experienced the highest growth rates, 5.8% and 5.2%, respectively.

CEIR Industry Wide Growth by Sector			
Sector	**% of Exhibitions**	**2016 Growth Rate**	**CAGR 2000-2016**
Machinery and Finished Business Outputs	1.8%	-4.5%	3.3%
Government	5.1%	4.6%	1.6%
Sports Goods, Travel and Amusement	5.1%	2.5%	1.6%
Medical and Health Care	21.1%	2.5%	0.7%
Transportation	4.6%	3.4%	0.5%
Discretionary Consumer Goods and Services	4.3%	4.3%	0.4%
Raw Materials and Science	9.2%	-7.3%	0.3%
Communications and Information Technology	11.1%	2.3%	0.1%
Building, Construction, Home and Repair	3.4%	5.2%	0.0%
Food	4.0%	5.8%	-0.3%
Consumer Goods and Retail Trade	4.6%	0.8%	-1.1%
Financial, Legal and Real Estate	7.4%	2.8%	-1.3%
Business Services	9.1%	0.4%	-1.4%
Education	9.2%	-1.1%	-1.5%
Overall Exhibition Industry	**100.0%**	**1.2%**	**0.0%**

Note: Sorted in descending order by CAGR 2000-2016 growth.
Source: CEIR.

CEIR also projects future changes given broader economic and segment-specific factors. Economic and job growth should continue to drive expansion in the exhibition industry. As shown in the following table, building, construction, home and repair; communications and information technology; transportation; and food are projected to experience the greatest growth over the next several years. CEIR projects the current positive momentum should sustain continued industry growth through 2019.

CEIR Index Projections by Sector				
Sector	**2017p**	**2018p**	**2019p**	**Average**
Building, Construction, Home and Repair	4.4%	4.4%	3.9%	4.2%
Communications and Information Technology	3.3%	4.1%	4.2%	3.9%
Transportation	3.1%	3.8%	4.1%	3.7%
Food	3.7%	3.5%	3.8%	3.7%
Machinery and Finished Business Outputs	2.9%	3.6%	3.8%	3.4%
Financial, Legal and Real Estate	2.9%	3.5%	3.8%	3.4%
Discretionary Consumer Goods and Services	2.8%	3.0%	3.5%	3.1%
Sports Goods, Travel and Amusement	2.9%	3.3%	3.0%	3.1%
Medical and Health Care	2.1%	2.6%	2.8%	2.5%
Business Services	1.3%	2.0%	2.2%	1.8%
Raw Materials and Science	1.5%	1.9%	2.1%	1.8%
Consumer Goods and Retail Trade	1.6%	1.7%	2.0%	1.8%
Government	1.7%	1.5%	1.5%	1.6%
Education	0.3%	0.8%	0.9%	0.7%
Overall Exhibition Industry	**2.4%**	**2.8%**	**3.0%**	**2.7%**

Note: Sorted in descending order by average projected growth.
Source: CEIR.

Key Meeting Trends

MPI conducts a quarterly *Meetings Outlook* survey to gather key facts and comments on meeting industry trends. Several metrics project positive economic and industry growth that should bode well for the meetings market:

- Survey respondents project that the market is going to continue to grow, possibly at an increasing rate, with demand slightly outpacing growth in supply.
- More than half (56%) of survey respondents indicate favorable business conditions and a stable business environment.
- When asked about their projected budget/spending over the next year, 55% of people responded favorably
- More than half of respondents (52%) estimate an increase in both live and virtual attendance at future events. The expected growth rates are 1.6% and 2.4%, respectively.

Other trends noted by survey respondents include the following:

- Sponsorships are becoming increasingly important with an emphasis on creating new types of sponsorship packages.
- A host facility's contingency plans, for both security/emergency issues as well as internet or technology failures, continue to be a key factor in site selection for meeting planners.
- Audio/visual providers are an integral factor of the success of meetings and events of all sizes.
  - Meeting professionals are seeking to incorporate smartphones and other technology into audio/visual productions to make the most of attendees' focus on their devices.
  - However, audio/visual costs are rising and becoming a more significant budget item.
- Meeting planners are continuing to search for alternatives that do not require physical travel to events.

<u>Facility Trends</u>

Access Intelligence, an information and marketing company that provides business intelligence, conducted a survey of leading convention center managers in North America and around the world in 2016 and 2017. The following trends are based on the results of that survey as well as other programmatic trends throughout the industry.

- In North America, pre-function spaces, meeting rooms, and technology infrastructure or services are considered the venue areas most in need of investment.
- To appeal to broader facility audiences, convention facilities are constructing or re-purposing existing space into multi-purpose, flex space that can be used as exhibit, meeting, or ballroom space to provide more flexibility and accommodate different types of clients and events.
- Changes to event formats and client requirements include:
  - Different education and meeting room formats
  - More informal and casual meeting spaces
  - Flexibility in terms of space usage and faster room change-overs
  - More use of pre-function space
  - Focus on attendee networking

- Facility users are requiring more technology and using more bandwidth. In addition, meeting planners are focusing on data security and interactive technology such as conference apps and live event streaming.
- Innovation is becoming an increasingly important factor for many facilities/organizations in the following areas:
  - Telecommunications and technology services
  - Client, attendee, and exhibitor on-site/in-venue experience
  - Food and beverage services
- A continued focus on sustainability efforts.
- Safety concerns are the top trend in 2017 – meeting planners and attendees need to feel safe at the venue as well as in the city
- Campus-style districts around convention facilities is now a major consideration for development that includes hotels, dining, and entertainment within walking distance. A well-defined campus allows attendees to move between the meeting facility and local eateries, entertainment, and hotels more easily and makes a destination more attractive to event planners. Surrounding neighborhoods are also becoming energized to create a welcoming environment filled with nightlife and other diversions for attendees.
- Parking is an increasingly important factor for some facilities that are considered "drive-in" destinations, particularly when hosting trade/consumer shows that primarily draw local attendees.
- When asked to describe the physical characteristics of an ideal meeting venue, meeting planners most frequently cited the following: open, flexible, bright, natural light and comfortable.

The next section provides an overview of the competitive supply of facilities in the local and regional markets that frame the meeting space competitive landscape.

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COMPETITIVE SUPPLY OF AREA FACILITIES

It is our understanding that one of the primary objectives of a new meeting facility in Pensacola would be to host events that attract out-of-town attendees that generate economic activity to the area. There are several convention/meeting/banquet facilities in the area. While some of these facilities would not directly compete with a new facility in Pensacola for conventions, conferences, tradeshows, and large meetings, they do serve as alternative locations. As such, it is useful to profile the supply of existing and planned facilities in the area.

Facility size, program elements, configuration, age, market focus, and date availability are factors that impact how competitive or complementary facilities are to a new meeting facility in Pensacola. While this section provides an overview of select area facilities that may offer elements similar in nature to those at the proposed new meeting facility, it is not meant to be an exhaustive inventory of all facilities.

Local Meeting Facilities

This section profiles local facilities that offer a minimum of 8,000 SF of meeting space. The SF only represents indoor meeting spaces although some of these facilities offer outdoor space that they market as meeting space.

Pensacola Bay Center

The Bay Center is the primary events and entertainment facility in Pensacola. The facility is home to the Pensacola Ice Flyers of the Southern Professional Hockey League and hosts various other activity such as concerts, family shows, entertainment events, meetings, banquets, and assemblies/ graduations among others.

The arena floor offers 20,000 SF of space. In addition, there is approximately 12,000 SF of meeting space that can be divided into a total of 12 rooms. Other than the arena floor, the largest space available is 3,200 SF which can accommodate approximately 300 people for receptions. Several user groups commented that the overall type and configuration of space is not desirable for their groups.

As a point of reference, the Bay Center hosted nearly 460 events that drew approximately 348,600 attendees in Fiscal Year (FY) 2016. Meetings accounted for 360+ events (or 79% of the total) that averaged approximately 55 people as most of these are local in nature. The facility also hosted seven consumer/public shows and four banquets. Assemblies accounted for the largest portion (35%) of total attendance followed by the Ice Flyers (26%). The Bay Center hosted 12 concerts in addition to various sports and entertainment events such as family shows.

Skopelos at New World

New World Inn is a 15-room boutique hotel which was a former box factory in Pensacola. In 2016, Skopelos Restaurant opened at New World. Skopelos at New World offers over 25,000 SF of total meeting space - its largest room has 10,000 SF. This facility hosts a significant amount of local business including meetings, galas, weddings, banquets, socials functions, etc. The maximum banquet capacity is 700.

University of West Florida Conference Center and Ballroom

The Conference Center and Ballroom is located on the campus of the University of West Florida. This facility has over 16,000 of meeting space including the 7,900 SF ballroom which can accommodate a maximum of 300 people for banquets. Much of programming at this venue is University-related which leaves relatively limited date availability for outside business.

Hotels

Relative to hotel properties, the Hilton Pensacola Beach Gulf Front offers the largest amount of total meeting space (17,000 SF). This property has a maximum banquet capacity of 400 people. The Pensacola Grand Hotel (formerly the Crowne Plaza) offers a total of 8,800 SF in downtown. Its largest space can accommodate a maximum banquet capacity of 300.

Hotels with exhibit/meeting space have a competitive advantage over many convention and meeting facilities because they control all major components of an event (i.e., meet, eat, and sleep) under one roof. Since the hotel is the primary beneficiary of all revenue streams, it can negotiate packages as it sees fit in any or all areas to attract business. For instance, a hotel can offer meeting and/or exhibit space for free or at a deeply discounted rate because it would still receive revenue from the rooms and food service, which is often more profitable. In addition, some privately operated hotels offer entertainment (e.g., a headliner act for a banquet) as part of their overall package to attract meeting planners.

Other Facilities

Although several other facilities in Pensacola offer meeting space such as the Pensacola Bayfront Stadium and Community Maritime Park, the Lost Key Golf Course and Clubhouse, the Pensacola Saenger Theatre, the National Flight Academy, and the Historic Pensacola Village and Museum of Commerce, they are not considered competitive or comparable to the proposed new meeting facility due to their amount/configuration/type of space and/or core market niche.

Stakeholder discussions indicated that there are currently plans to convert a portion of the Sun Trust Tower to a conference center with 4,000 SF for meetings and events on the first floor to host community planning, town halls or meetings and it could also be converted into event space to host weddings and galas. It is envisioned that this space could potentially accommodate 300 to 400 people and be split into three separate rooms.

Regional Meeting Facilities

This following table summarizes the physical program of profiled regional meeting facilities that typically compete for conventions, conferences, tradeshows, and meetings. The profiled regional meeting facilities average 42,200 SF of total function space.

Profiled Regional Meeting Facilities - Building Program Attributes					
Facility	**Location**	**Exhibit Hall SF**	**Ballroom SF**	**Meeting Room SF**	**Total Function SF**
Mobile Convention Center	Mobile, AL	100,000	15,500	25,860	141,360
Foley Events Center*	Foley, AL				90,000
Donald Tucker Civic Center (FSU)	Tallahassee, FL	35,000		16,000	51,000
Sandestin Golf & Beach Resort	Miramar Beach, FL	12,600	28,760	7,640	49,000
Grand Hotel Marriott Resort, Golf Club and Spa	Point Clear, AL		14,750	19,310	34,060
University of South Alabama Mitchell Center	Mobile, AL	18,080		11,150	29,230
Emerald Coast Convention Center	Fort Walton Beach, FL		21,000	4,500	25,500
Renaissance Mobile Riverview Plaza Hotel	Mobile, AL		14,840	10,370	25,210
Sheraton Bay Point Resort	Panama City Beach, FL		19,440	4,490	23,930
Perdido Beach Resort	Orange Beach, AL	7,990	8,380	5,900	22,270
Boardwalk Beach Resort Hotel & Convention Center	Panama City Beach, FL		15,000	5,000	20,000
Rainwater Conference Center	Valdosta, GA		11,100	8,000	19,100
Orange Beach Event Center at the Wharf	Orange Beach, AL	18,000			18,000
Average		**31,900**	**16,500**	**10,700**	**42,200**
Median		**18,040**	**15,000**	**8,000**	**25,500**

Notes: * Foley Events Center is scheduled to open in September 2017 and did not provide breakdown of total Function SF.
Facilities are sorted in descending order by Total Function SF.
Total Function SF excludes pre-function, concourse, outdoor and lobby spaces.
Sources: Individual facilities; secondary research.

The pages that follow provide a brief description of the profiled regional meeting facilities.

Mobile Convention Center – Mobile, AL

The Mobile Convention Center is on the waterfront and has over 141,000 SF of total function space including 41,000 SF of ballroom and meeting space. The Convention Center hosts hundreds of events per year ranging from boat shows, weddings, private parties to association meetings. The 373-room Renaissance Mobile Riverview Plaza Hotel is connected directly to the Convention Center and has approximately 25,000 SF of ballroom and meeting space.

Donald Tucker Civic Center – Tallahassee, FL

The Donald Tucker Civic Center, located on the campus of Florida State University, is a multi-purpose indoor arena with approximately 51,000 SF of total function space. The Exhibition Hall offers 35,000 SF that can be used for trade shows, banquets, and meetings. The Civic Center also has approximately 16,000 SF of meeting space that can be divided into six rooms.

Sandestin Golf & Beach Resort – Miramar Beach, FL

The Sandestin Golf & Beach Resort is located on 2,400 acres in Miramar Beach, Florida. This facility has approximately 49,000 SF of total function space including 12,600 SF of exhibit space, 28,800 SF of ballroom space and 7,600 SF of meeting space.

Grand Hotel Marriott Resort, Golf Club and Spa, Point Clear, AL

The Grand Hotel Marriott Resort, Golf Club and Spa in Point Clear, Alabama is approximately 25 miles from Gulf Shores Beach. The Resort, which is situated on 550 acres on Mobile Bay, has over 34,000 SF of ballroom and meeting space.

University of South Alabama Mitchell Center – Mobile, AL

The University of South Alabama's Mitchell Center in Mobile opened in 1999. This multi-purpose facility offers approximately 18,000 SF of exhibit space and 11,150 SF of meeting space that can be divided into five meeting rooms.

Emerald Coast Convention Center – Fort Walton Beach, FL

Located in Fort Walton Beach, the Emerald Coast Convention Center provides a total of 35,000 SF of multi-use space. This facility includes the 21,000 SF, column-free Emerald Grand Ballroom and eight meeting rooms that range from 450 SF to 1,575 SF. Owned by Okaloosa County, the facility hosts tradeshows, conferences, regional association meetings, and entertainment events. The County is contemplating adding 50,000 SF of exhibit space along with a pedestrian walkway with retail and restaurant amenities.

Sheraton Bay Point Resort – Panama City, FL

The 320-room Sheraton Bay Point Resort on Panama City Beach underwent a $30M renovation in 2016. The Resort offers approximately 24,000 SF of ballroom and meeting space which can be divided into 22 rooms.

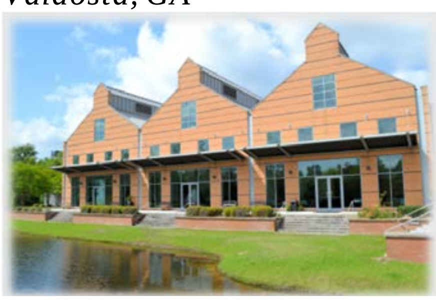
Perdido Beach Resort – Orange Beach, AL

The Perdido Beach Resort in Orange Beach, Alabama has 344 guest rooms and approximately 8,000 SF of exhibit space, 5,990 SF of newly renovated ballroom space and 6,000 SF of meeting space.

Boardwalk Beach Resort Hotel and Convention Center – Panama City Beach, FL

The Boardwalk Beach Resort Hotel and Convention Center has 15,000 SF of Ballroom space and 5,000 SF of meeting space. The Convention Center has hosted gymnastics events, business meetings, weddings and twice a year hosts an indoor motorcycle mall.

Rainwater Conference Center - Valdosta, GA



The Rainwater Conference Center in Valdosta, Georgia opened in 2000. The facility has over 19,000 SF of ballroom and meeting space with nine meeting rooms. The Conference Center hosts business meetings, weddings, family reunions and parties.

Orange Beach Event Center at the Wharf – Orange Beach, AL

The Orange Beach Event Center has approximately 18,000 SF of exhibit space which can be divided into five spaces. The facility typically hosts large meetings, exhibits, and banquets for up to 1,000 guests and receptions for up to 2,000 guests.

Proposed/Planned Regional Meeting Facilities

The competitive landscape of the market is continuing to change through facility renovation and expansion. The Gulf State Park in Gulf Shores, Alabama is re-building the Lodge which was destroyed by Hurricane Ivan. The newly re-built facility will be called "The Lodge at Gulf State Park, a Hilton Hotel" and will offer 350 hotel rooms. In addition to guest rooms, the new facility is anticipated to offer ballroom space with a capacity of 1,500 and meeting facilities that can accommodate 1,000 people. This facility is scheduled to open in spring of 2018. Based on reports related to the funding of this project, it is estimated that $141 million will be used to rebuild the Lodge, all of which is coming from either BP settlement funds for the Deepwater Horizon oil spill or from BP grant monies. It is anticipated that there will be no debt or bonds associated with the project. The City of Gulf Shores is also planning to develop a 240-room full-service hotel, spa, and meeting facility on City property.

Panama City Beach is currently evaluating a new indoor sports facility to complement a planned outdoor sports facility. Although one of the proposed options for this facility included a significant amount of meeting space, it is our understanding at the time of this report that this facility is not planning to include meeting space that could potentially compete with a new meeting facility in Pensacola.

Based on information from secondary sources, a developer has submitted an application for a large site development of more than five acres to build a 310-room hotel tower and 41,600 SF of convention space on Panama City Beach. The facility is anticipated to offer amenities such as pools, a lazy river, decks, a luxury spa, and various food service facilities.

In addition, the Emerald Coast Convention Center in Fort Walton Beach is exploring the merits of expanding its exhibit space by 50,000 SF.

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POTENTIAL DEMAND GENERATORS

This section summarizes research from both primary and secondary sources including a macro level population of events, a summary of the historical meeting activity in Pensacola, as well as feedback obtained from various stakeholders and potential users of the proposed meeting facility in Pensacola.

Breadth of Potential Exhibition Events

CEIR's latest census report, which was released in 2015, provides information about exhibitions that took place in 2014. It catalogued approximately 11,400 business-to-business and business-to-consumer exhibitions in the U.S. in 14 industry sectors. These events comprised 461 million net SF, 81 million attendees, and 1.7 million exhibitors. These broader metrices illustrate the breadth of the industry including the potential universe of events that represent a target market for a new meeting facility in Pensacola.

The following table shows the top states is terms of total number of events held according to the CEIR Exhibition Census 2015. Florida hosted approximately 11% of exhibition events in the U.S. and ranked behind only California and Texas.

Top 5 States - Number of Events			
Rank	**State**	**Number**	**% of Total**
1	California	1,485	13%
2	Texas	1,316	12%
3	**Florida**	**1,304**	**11%**
4	Nevada	938	8%
5	New York	546	5%

Source: CEIR.

Florida also ranked 3rd among all states for events that utilize less than 25,000 net SF of space.

Number of Events Under 25,000 Net SF			
Rank	**State**	**Number**	**% of Total**
1	California	1,104	13%
2	Texas	966	12%
3	**Florida**	**962**	**11%**
4	Nevada	645	8%
5	Georgia	346	4%

Source: CEIR.

As shown in the following table, 51% of the events held in Florida utilized less than 10,000 net SF of exhibit space, which is 10 percentage points higher than that for the U.S.

	United States					
Net SF of Exhibit Space	3,000-9,999	10,000-24,999	25,000-49,999	50,000-99,999	100,000+	All
Number of Events	4,631	2,964	1,635	1,144	1,053	11,427
Percentage of Events	41%	26%	14%	10%	9%	100%
Average Net SF	5,476	15,321	34,201	67,708	244,139	40,352

	Florida					
Net SF of Exhibit Space	3,000-9,999	10,000-24,999	25,000-49,999	50,000-99,999	100,000+	All
Number of Events	661	301	154	88	100	1,304
Percentage of Events	51%	23%	12%	7%	8%	100%
Average Net SF	5,513	15,169	34,524	69,022	251,396	34,330

Source: CEIR.

The following table profiles events held in Florida and the U.S. by industry. As shown, the Medical and Health Care industry accounted for the highest number of events held in Florida, which is consistent with the broader U.S. market. The business services and communication/information technology/science industries also accounted for a significant number of events in Florida. These three industries comprised 42% (545 events) of all events in Florida and 36% of events in the U.S. and align with some of the largest employers in the Metro Area as well as Northwest Florida Forward's target markets including aerospace & defense, financial services, and cybersecurity. These industries, among others, represent a potential market focus for a new meeting facility in Pensacola.

Total Events by Industry	U.S.		Florida	
Industry Category	Number	%	Number	%
Medical and Health Care	2,017	18%	261	20%
Business Services	1,048	9%	154	12%
Communication, Inf. Technology and Science	1,053	9%	130	10%
Sporting Goods, Travel, and Amusement	982	9%	108	8%
Financial, Legal, and Real Estate	607	5%	101	8%
Discretionary Consumer Services	993	9%	86	7%
Consumer Goods	818	7%	77	6%
Education	857	7%	75	6%
Nature Resources and Agriculture	831	7%	74	6%
Transportation	538	5%	66	5%
Home and Repair	574	5%	62	5%
Government, Public and Non-Profit Services	555	5%	46	4%
Food	393	3%	45	3%
Industrial/Heavy Mach. & Finished Business Inputs	161	1%	19	1%
Total	**11,427**	**100%**	**1,304**	**100%**

Source: CEIR.

Historical Meeting Activity in Pensacola

Visit Pensacola tracks contracted rooms by event types for events held at area facilities. This data was analyzed for FY 2015 through FY 2017. As shown in the following table, sports events averaged the most contracted rooms during the profiled period (7,200) followed by military reunions (5,900). In addition, sports events accounted for eight of the 10 largest area events in terms of contracted rooms. On average, military reunions accounted for the most events (104) over the last three fiscal years followed by family reunions (102). Association business accounted for an average of 16 events and 2,000 contracted rooms during the last three fiscal years.

Visit Pensacola Contracted Rooms by Event Type (FY 2015 - FY 2017)				
Event Type	**FY 2015**	**FY 2016**	**FY 2017**	**Three-Year Average**
Contracted Rooms				
Sports	12,100	4,800	4,600	7,200
Military Reunions	7,200	5,800	4,800	5,900
Family Reunion	2,400	2,200	3,500	2,700
Religious	4,600	1,200	1,200	2,300
Wedding	3,300	1,700	1,400	2,100
Association	1,200	1,800	2,900	2,000
Educational	1,700	1,900	1,400	1,600
All Other	8,400	7,900	7,100	6,660
Total	**40,900**	**27,300**	**26,900**	**31,700**
Events				
Sports	15	16	5	12
Military Reunions	39	35	30	35
Family Reunion	28	29	45	34
Religious	10	8	7	8
Wedding	43	26	16	28
Association	23	21	9	18
Educational	14	19	15	16
All Other	33	46	50	40
Total	**205**	**200**	**177**	**194**
Average Number of Contracted Rooms per Event				
Sports	810	300	920	600
Military Reunions	180	170	160	170
Family Reunion	90	80	80	80
Religious	460	150	170	280
Wedding	80	70	90	70
Association	50	90	320	110
Educational	120	100	90	100
All Other	250	170	140	170

Notes: All Other includes event types with less than 1,500 average Contracted Rooms.
Sorted in descending order by Three-Year Average of Contracted Rooms (excluding All Other)
Fiscal Year represents June through May.

Source: Visit Pensacola.

Lost Business

Visit Pensacola also tracks lost business including events that are too large for area facilities. Data was analyzed for 27 events that could have occurred from 2012 to 2018. In aggregate, these events were estimated to account for approximately 62,400 room nights, including the Isagenix 2018 Celebration which could have potentially generated 24,000 rooms and 15,000 attendees. In aggregate, these 27 events could have attracted approximately 43,000 attendees to Pensacola.

The most common reasons cited for not coming to Pensacola include:

- Not enough total square footage available
- Not enough total meeting space under one roof
- Not enough room space in a single hotel
- Not enough breakout rooms

Input from Potential Users

The following section summarizes feedback from potential users of a meeting space in Pensacola that was obtained from electronic surveys that were distributed to past, existing, and potential future users of meeting space in Pensacola as well as from meetings with stakeholders.

Survey Results

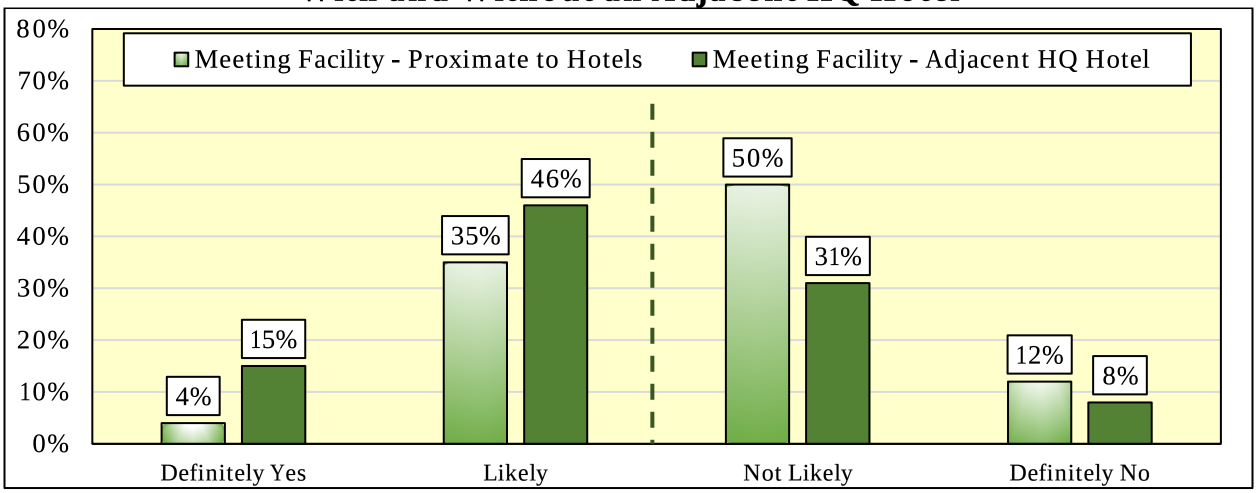
In addition, electronic surveys were distributed to a variety of groups which include associations with conventions, meeting planners and conference organizers, major corporations based in Florida and the Southeast and exhibition/tradeshow producers to identify potential unmet demand and gauge their perspective on strengths, challenges and opportunities associated with the proposed meeting facility in Pensacola; their interest level in holding their events at the proposed meeting facility under different scenarios; as well as their facility-specific and destination-related requirements. Because similar development projects typically take several years to come to fruition, the survey also obtained feedback on meeting planners/event organizers anticipated long-term needs. A total of 56 surveys were received, which equated to a response rate of approximately 15%. This section summarizes the feedback obtained from the survey process.

Destination Package

Only 14% of survey respondents have met in the Pensacola area while 41% had held their event within 200 miles of Pensacola. Meeting planners/event organizers were asked how likely they would be to host (or continue hosting) their event in Pensacola under two scenarios.

As illustrated in the following graph, only 39% responded "Definitely Yes" and "Likely" if a new meeting facility was built close to hotels compared to 61% if a new meeting facility was built with an adjacent headquarters hotel.

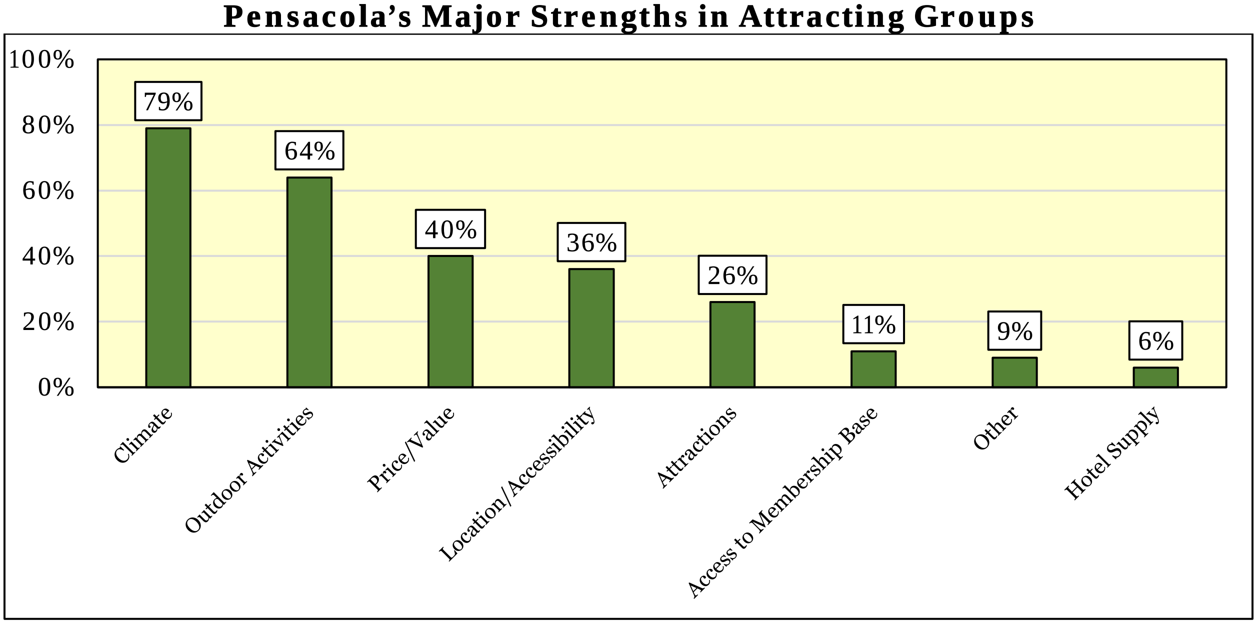
Likelihood of Hosting Events in Pensacola – Meeting Facility With and Without an Adjacent HQ Hotel



Of those groups that have not held their events within 200 miles of Pensacola, approximately 69% expressed an interest in hosting events at a new meeting facility in Pensacola with an adjacent headquarters hotel.

Survey respondents considered climate (79%) and outdoor activities such as golf, beaches, etc. (64%) as Pensacola's major strengths in attracting groups.

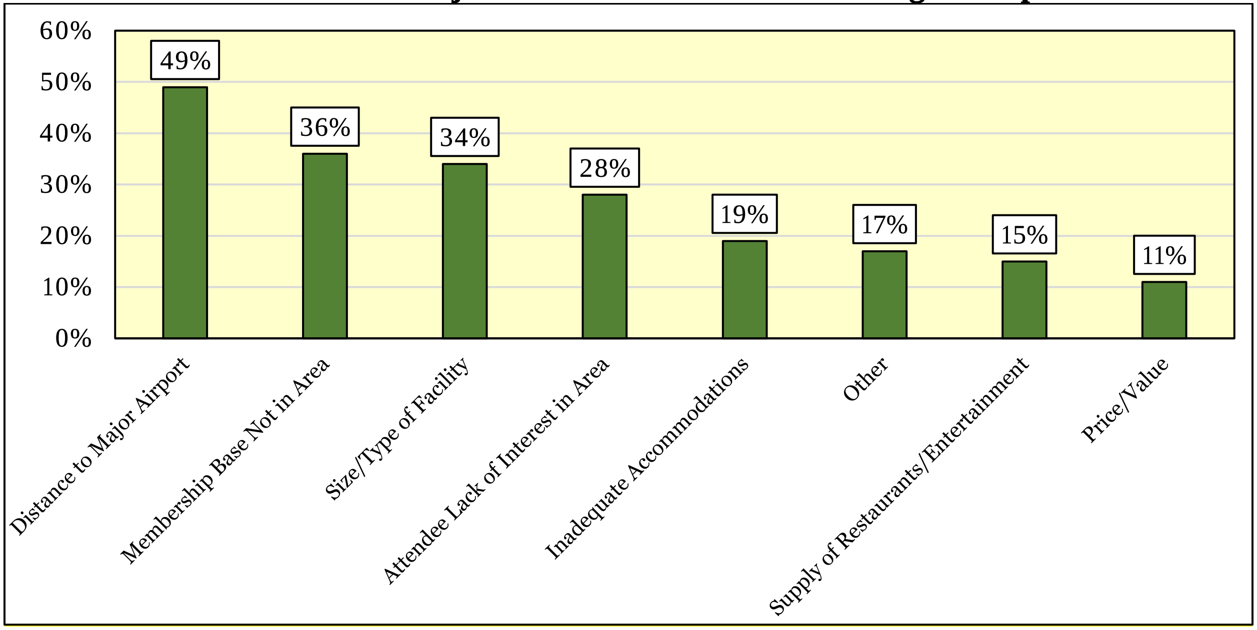
Pensacola's Major Strengths in Attracting Groups



Note: Respondents could select more than one answer to this question.

Survey respondents cited distance from major airport (49%), lack of membership base in the area (36%), size/type of facility (34%), and attendees not interested in area (28%) as Pensacola's major weakness in attracting groups. While Pensacola is home to the Pensacola International Airport, many meeting planners do not consider it a major airport because of its relatively limited number of non-stop, direct flights. Attendees not interested in the area includes a lack of familiarity with Pensacola and its geographic location within the State. Inadequate accommodations include the total hotel supply, the types of properties (i.e., full service vs. economy), the lack of availability during desired dates. The "Other" category includes Pensacola's perception as a Spring Break destination and a general lack of awareness/knowledge of the destination.

Pensacola's Major Weaknesses in Attracting Groups



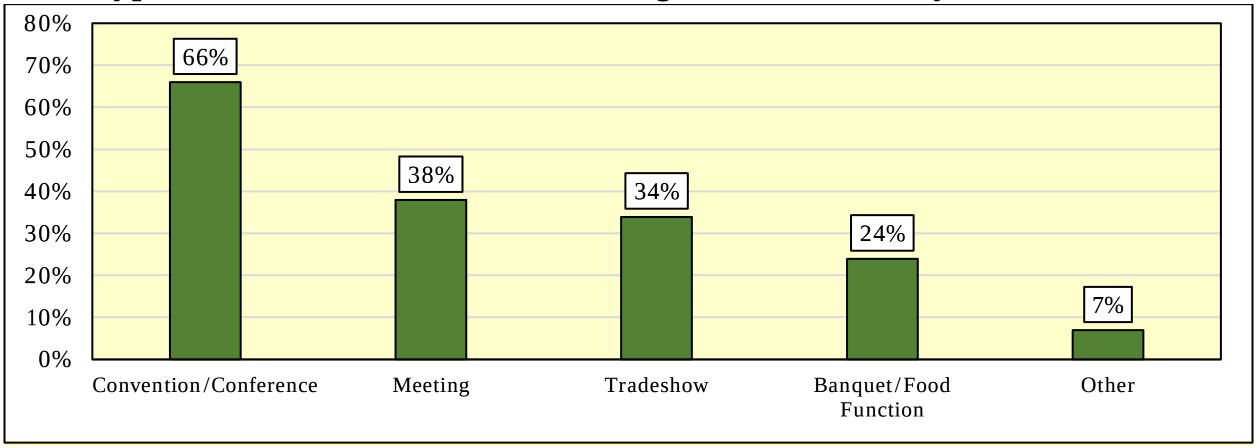
Note: Respondents could select more than one answer to this question.

The following results represent those respondents who expressed strong interest in hosting events at a new meeting facility in Pensacola with an adjacent headquarters hotel.

Event Attributes

Conventions/conferences (66%) were the most common event type survey respondents would host at a new meeting facility in Pensacola which is positive as these event types typically generate overnight room nights and economic impact.

Type of Event Interested in Hosting at a New Facility in Pensacola



Note: Respondents could select more than one answer to this question.

Most survey respondents (61%) represent national events and 13% each represent local, State, and regional (multi-state) events. October (29%) was the most common month when survey respondents host their events followed by March (19%). November and December were the least common months to host events.

Total event length averaged 5.1 days including 3.6 event days and 1.5 move-in/move-out days.

On average, survey respondents estimated that their events attract approximately 2,800 delegates and 3,100 total attendees including exhibitors and spouses/other travel party members. As a point of reference, the median number of delegates is 900 and total attendees is 1,000.

More than one-half (52%) of respondents anticipate that their attendance will increase over the next five years and (40%) estimate that their attendance will remain the same. Only 8% anticipate that their attendance will decrease.

Facility Requirements

The amount of exhibit space that survey respondents required had a large variance and averaged 65,000 SF. On average, groups required 17,000 SF of meeting space and 10,000 SF of banquet space. Events averaged 550 people for a banquet. Less than one-half (48%) of survey respondents require an auditorium/theater component. For those groups that do, the average seating capacity was 900.

Approximately 52% of respondents anticipate that the space needs for their current event will increase over the next five years and 43% anticipate that their space needs will remain the same and 4% estimated that their space needs will decrease.

Infrastructure Requirements

Approximately 68% of the respondents indicated that they were not willing to use more than one facility within proximity for their event space.

Survey respondents estimated that 66% of their attendees would stay overnight in a hotel, motel, condominium, or other rental accommodation. Respondents indicated the maximum price per room, per night that attendees would be willing to pay was an average of $183 with an average of 1.6 persons per room. Approximately 89% typically utilize a full-service hotel property and the remaining 11% typically utilize a limited service property. None of the respondents selected an economy/budget hotel.

Nearly three-quarters (74%) of survey respondents indicated that walking 2 to 3 blocks from the potential meeting facility to amenities such as accommodations and restaurants is an acceptable distance.

When asked to rank the importance of various destination attributes in terms of attracting their event, survey respondents ranked proximity to a hotel/motel, cost/value, and proximity to entertainment/restaurants as most important.

Importance in Attracting Events				
Destination Attribute	**Extremely Important**	**Somewhat Important**	**Not Important**	**Not at all Important**
Proximity to a Hotel/Motel	79%	21%	0%	0%
Cost/Value of the Destination	63%	37%	0%	0%
Near Entertainment/Restaurants	32%	63%	5%	0%
Near Airport	37%	53%	11%	0%
Interstate Access	21%	53%	16%	11%
Family-Friendly Environment	16%	42%	32%	11%
Near Beach	11%	47%	37%	5%

Approximately 84% of respondents indicated the ability to use a shuttle service to/from the facility, area hotels, restaurants and entertainment establishments would positively impact their decision to utilize the proposed meeting space.

General Observations from Stakeholders

In addition to electronic surveys, input was derived from discussions with representatives from Visit Pensacola, Pensacola Sports, hoteliers, facility managers, civic organizations as well as potential user groups. The purpose of stakeholder discussions was to obtain feedback regarding the current state of meeting space in Pensacola and to assess each group's existing and anticipated future needs for meeting space in Pensacola. The summary that follows provides a high-level overview of the feedback received.

- Nearly all stakeholders stated there is demand for a new dedicated meeting facility in Pensacola that can accommodate conventions/ conferences as well as meetings and social functions. Several commented that they currently host their event outside of the Pensacola market due to size and/or date availability.
- Stakeholders noted that the Bay Center offers inferior meeting space and related amenities such as technology for many conventions/conferences/meetings other than local groups which is further supported by the Bay Center's historical event activity. The 22,000 SF arena floor is too large for some groups and while it is possible to utilize pipe and drape to create a smaller space, this option does not always provide the desired event ambiance and can be expensive for the event producer. In addition, it is difficult to host simultaneous events based on the type and configuration of the space including the lack of pre-function space and sound bleeding issues during concurrent events.
- Stakeholders commented that other venues in the Pensacola area (e.g., New World Landing, Sanders Beach, etc.) lack the appropriate sizing to accommodate more than 300 people for a banquet; offer low ceilings and bad acoustics; do not have the ability to host medium to large simultaneous meetings; and/or lack sufficient parking.
- Stakeholders commented that the amount of meeting/conference space at area colleges/universities is relatively limited. In addition, hotels with large amounts of quality meeting/ballroom space such as the Hilton Pensacola Beach Gulf Front are already hosting a significant amount of business which can require planning a year or more in advance to book a single meeting space. This limited date availability can make it difficult to attract new meetings or conferences, particularly those that have a shorter-term booking window. A new, dedicated meeting facility could help relieve this pressure and increase market opportunities for more business.
- Some stakeholders mentioned that hotels on the beach are too far removed from downtown Pensacola's amenities such as restaurants, nightlife and other attractions and can be difficult to access because of traffic congestion moving between the mainland and the beach area.
- Stakeholders noted that any new facility should be multi-purpose and capable of hosting multiple event types. The new facility should offer divisible, flexible space that is easily convertible from one event type to the next. The facility should also have adequate parking to accommodate local and regional attendees.
- Stakeholders further indicated that any new meeting facility in Pensacola should be state-of-the-art in its technology offerings and capabilities. Specifically, the facility should have the ability to live stream and host video conferences as well as host virtual demonstrations, immersive meetings and live technology competitions occurring simultaneously in meeting rooms and that can be observed from a larger room at the same facility.

- Stakeholders commented that any new meeting facility should be located within easy walking distance to a hotel and other amenities such as restaurants, entertainment options, and attractions.
- Based on market attributes such as the employment base and higher learning institutions, stakeholder noted that there appear to be multiple targeted market niches for Pensacola to pursue such as technology, cyber-security, aerospace, education, healthcare/ medical, corporate, and military. As a point of reference, the University of West Florida was recently designated to be one of 10 hubs in the United States in Cyber-Security for the Southeast U.S.
- Stakeholders commented that Pensacola offers the largest, most developed downtown among cities in the panhandle and is current thriving with 400 new residences scheduled to come online along Main Street and three new hotels projected to open near downtown Pensacola in the next 24 months.
- Stakeholders mentioned that a new meeting facility could assist in increasing occupancy rates in shoulder seasons and on weekdays which is largely driven by corporate business as opposed to leisure business.
- Stakeholders noted that any new meeting facility would need to be aggressively marketed by entities such as Visit Pensacola and Visit Florida.
- Stakeholder discussions frequently speculated about whether it was possible to combine a sports facility with a new meeting facility and whether weekends could be programmed with sport and public activities and weekdays programmed with business meetings, conferences and local meetings and events. Many noted that the possibility of a multi-use facility to house sporting events and out of town meetings and local events should be entertained for the Pensacola market.

In general, stakeholder feedback was consistent with industry trends and the survey responses from meeting planners with respect to the desired facility requirements for a new meeting facility. The next section summarizes key market findings as well as next steps in the study process.

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SUMMARY OF MARKET FINDINGS

Previous sections of this report discussed various supply and demand factors that may influence the type and amount of event activity at a proposed new meeting facility in Pensacola including select market attributes, industry trends, supply of area facilities, and potential demand generators.

The research conducted for this study suggests that market demand exists for development of a new meeting facility in Pensacola if it offers an adjacent full-service hotel and is downtown. It is important to note that the need for a proximate convention quality hotel and downtown amenities are significant factors and directly linked to the viability of a new meeting facility in Pensacola.

Research suggests that a new meeting facility in Pensacola could be developed under one of the following scenarios:

- A stand-alone facility that incorporates meeting, ballroom, and flexible space. The flexible space should be designed to be convertible and accommodate various functions including meeting and exhibits, based on event needs.
- A facility with meeting rooms and ballroom space that is incorporated into an indoor sport facility. The indoor court space could be designed to be used as supplemental exhibit space, based on event needs.

Under both scenarios outlined above, the concept is only viable from a market perspective if pursued in tandem with an adjacent hotel and within walking distance to downtown Pensacola, whether it is a stand-alone meeting facility or part of a shared indoor sports facility. A key factor from a building program perspective is designing the facility to accommodate the unique needs of user groups while maintaining maximum flexibility.

If the meeting facility is developed as part of a larger indoor sport facility, it is imperative that the meeting facility component be designed in a manner that is consistent with the programmatic needs and requirements of meeting planners and that it can function as a stand-alone component and have complete physical separation from the sports uses of a shared facility to maximize market demand opportunities. If these design and programmatic elements cannot be achieved in a shared facility, the meeting component will be negatively impacted in programming and usage.

Based on the previous Community Recreation and Sports Tourism Needs study completed in 2016 as well as the research conducted for this study including feedback from meeting planners/event producers and other area stakeholders, the existing Bay Center has challenges to attracting visitor-based events that generate economic impact to Pensacola and Escambia County. Factors such as the facility's age, configuration, physical condition, and lack of patron amenities relative to the competitive landscape negatively impacts its market opportunities for conventions/tradeshows/conferences and large meetings, particularly for regional and national association and corporate business.

Relative to this segment of the market, the Bay Center primarily accommodates local meetings and functions by default due to the limited supply of space. It is difficult for the existing Bay Center to adequately address the competitive demands of association and corporate meeting planners. The Bay Center's core competency lies in its ability to host live entertainment such as concerts, family shows and sporting events. Its meeting package is not desirable to clients who require modern, functional exhibit, ballroom and meeting space with state-of-the art technology, specialty food service/catering, and/or access to downtown amenities.

Program Recommendations

This section of the report summarizes program recommendations. It is important to recognize that constructing a new meeting facility by itself is not a singular solution to making Pensacola more marketable and competitive for convention/meeting activity that draws out-of-town visitors. For Pensacola to position itself as a solid convention/meeting destination, a multi-faceted approach to development will need to occur which will require buy-in and support from multiple public and private stakeholders. Any new meeting facility will need to consider site considerations in terms of physical placement as well as flexible, functional and state-of-the-art design elements, destination and hospitality infrastructure, sales and marketing strategies, and sound management and operational practices.

Building Program

Market research conducted for this analysis suggests that constructing a new meeting facility with the following building program elements and patron amenities would enhance Pensacola's marketability for attracting a diverse set of business:

- 20,000 SF to 25,000 SF of dedicated, flexible, modern meeting space
- 20,000 SF to 25,000 SF of column-free, divisible ballroom space with 25' to 30' ceiling heights that have multiple hang-points
- 50,000 SF to 60,000 SF of pre-function/service area space with dedicated flex space
  - Pre-function space is typically located outside of exhibit, meeting or ballroom space and is generally an open space with natural light
  - These spaces should be aesthetically pleasing, highly functional and able to accommodate a variety of uses such as registration tables, gathering places before/after events, receptions/social events, event lounges, pop-up meetings, exhibits, etc.
  - Pre-function space can also serve as a stand-alone event location depending on other activity occurring within the facility
  - Service areas include back-of-house support space

- Flexible design to effectively accommodate simultaneous events
- State-of-the-art sound, lighting, and advanced technology infrastructure such as live-streaming, significant bandwidth, and Wi-Fi capabilities
- Pre-function and common spaces that have well-defined entrances, modern digital way-finding systems, and sufficient circulation capability
- A centralized kitchen with the capability to support a high-level of specialty catering and easily service all space at the facility via service corridors for the discreet movement of food and beverage
- Adequate support space including offices, storage, and restrooms
- Dedicated areas (e.g., loading docks) for users to conveniently move equipment, décor, and other items in and out of the facility
  - These areas should be shielded from client view and easily assessible for back-of-house deliveries such as those to the kitchen
- Sufficient dedicated parking within easy walking distance of the facility
  - Preliminary research suggests a range of between 670 and 800 parking spaces based on industry standards; however, the number of required parking spaces will need to be further analyzed by parking, traffic, and transportation experts as the building program is finalized

Research indicates that a new meeting facility in Pensacola does not need to offer dedicated exhibit hall space as part of its space program. If an event requires exhibit space, the meeting facility could do one of the following:

- Coordinate the use of the proposed indoor sports facility to utilize its flat floor/exhibit space
- Utilize the recommended ballroom space in conjunction with pre-function/flex space to accommodate small exhibit or flat-floor based events

The following table summarizes the general recommended square footage for the meeting and ballroom space as well as the pre-function and support space.

Proposed New Meeting Facility in Pensacola Preliminary Concept Program			
Type of Space	**Range of Square Footage**		
Meeting	20,000	-	25,000
Ballroom	20,000	-	25,000
Pre-Function/Service Areas	50,000	-	60,000
Total Space	**90,000**	**-**	**110,000**

This preliminary concept program would need to be further refined in a detailed program statement if plans for a new meeting facility continue to move forward.

Destination and Hospitality Amenities

As previously mentioned, market research, particularly meeting planner feedback, indicates that a new meeting facility in Pensacola should be co-located adjacent to a convention quality headquarters hotel and be within walking distance of downtown. Ideally this hotel would be full-service and could potentially offer additional meeting and ballroom space for groups to utilize. In addition, creating a campus-like setting around the new meeting facility which allows event attendees to easily access the downtown Pensacola amenities such as restaurants, attractions and shops will make the destination more attractive to meeting planners/event producers. Depending on the site location, offering a shuttle service to/from the facility may be required to positively impact event planners' decision to meet at a new meeting facility in Pensacola.

Management & Operational Considerations

If built, the new meeting facility in Pensacola should have a dedicated and strong management structure in place from inception. There are a variety of potential management and operational options which can be considered for a new meeting facility of the nature proposed for Pensacola. While the governance structure of a new entity is important to establish and administer policy and maintain accountability for the venue, the day-to-day management of the facility will be important to establishing the venue's long-term success.

The management approach impacts every aspect of the facility's operations including sales and marketing efforts, booking policies and strategies, customer service, operating policies and strategies, financial management, and the overall efficiency of the facility. Successful marketing and sales functions are critical and, as such, should be tightly managed and controlled to help ensure appropriate management of the facility's schedule, booking priorities and negotiation of rates as these roles directly impact utilization, financial performance and economic impact of the facility.

Specific Considerations for a Meeting Facility Attached to an Indoor Sports Facility

If co-locating a new meeting facility with an indoor sports facility is the option that is pursued, it will be important that the attendees at each facility each have their own sense of place. When marketing a co-located facility, it will be important to make sure that sales efforts can adequately convey that the facility management at each component understands the importance of this and can adequately meet their respective client expectations– whether that is for an association meeting planner who expects specialty catering and advanced technologies or a sports client who expects a variety of concession offerings, spectator seating and tournament support space.

Depending on the ownership and operating structure, it may be possible to share support spaces which could minimize both construction costs and operational expenses. The following factors are illustrative only and are meant to assist in outlining some areas which can be helpful to create a sense of place for each venue's clientele:

- *Marketing Program* – Marketing efforts to regional and national meeting planners are significantly different than those for sporting events. While both are equally important to the success of a co-located facility, resources should be directed at ensuring high-level professional marketing programs by appropriate professionals to each group.
- *Facility Entrances* – It will be important for a co-located facility to have separate and distinct entrances which limits co-mingling of attendees at each of the respective facilities.
- *Sound Barriers* – This is an important area of concern for meeting planners. There should be adequate physical sound barriers built that effectively prevent noise bleed between the two respective facilities.
- *Digital Signage/Wayfinding Systems* – To support the need to keep meeting facility and sports facility attendees in their contracted venues, a well-developed wayfinding system which utilizes digital signage should be developed. In addition, consideration should be given to different design and color schemes to assist in identifying the two separate venues for attendees.
- *Kitchen Capabilities* – In a co-location scenario, the kitchen facilities could potentially be centrally located and shared by the two facilities as long as the capability exists to produce a wide range of food and beverage services. The kitchen will need to be able to execute multiple and diverse events ranging from a concessions program to a high-end sit down black-tie dinner.
- *Loading Docks/Service Corridors* – Similar to the kitchen space, these areas could potentially be shared between the meeting facility and the sports facility but would need to be managed by policies and regulations that meet the needs of both groups, especially when spaces are being utilized simultaneously.

Utilization Estimate

Based on input from the client group, several assumptions were used to develop estimates of event activity for the proposed new meeting facility in Pensacola. It should be noted that these assumptions are preliminary and will continue to be refined as decisions related to the building program and other operating characteristics evolve.

General Assumptions

- The building program previously outlined in this report is constructed and offers the required infrastructure and amenities to support the facility.
- The facility is designed specifically to accommodate the unique aspects of target market segments.
- The proposed new meeting facility is operated in a first-class manner by an experienced and professional management team with established connections in the meeting, convention, and exhibition industries.

- The mission statement and booking policy will appropriately support the facility's operating objectives.
- The facility will be aggressively marketed by established tourism agencies at the local and State levels, such as Visit Pensacola, particularly for convention/ conference activity.
- A high level of quality customer service is provided.
- The site location is adequate in terms of visibility, ingress/egress, parking, safety, and other similar factors.
- The facility is constructed near sufficient supporting infrastructure (i.e., hotel rooms, restaurants, retail, entertainment, vehicular access, etc.).
- No other similar, competitive/comparable facilities are built in the region.
- No major economic fluctuations or acts of nature occur that could adversely impact the project.

Usage Assumptions

The hypothetical estimate of usage/event activity was developed from the research previously summarized in the market analysis including input from the client group, market attributes, historical activity in the community, input from area stakeholders and other potential demand generators, information on comparable facilities as well as other research.

Event activity at new facilities typically experiences a "ramp up" period to a stabilized level of activity which occurs for several reasons. For instance, some groups that book their event years in advance may not want to risk that a facility's construction is delayed and not completed in time for their event. In addition, some groups may choose to let management "fine tune" its operations before hosting an event at the proposed new meeting facility. The length of time for new venues to reach stabilized operations varies but typically ranges from three to five years.

Overall utilization at any facility is typically dependent on multiple factors (e.g., market size; accessibility; nearby amenities; size, configuration and quality of the facilities offered; effectiveness of the management team in booking the facility; date availability; cost, etc.) and is rarely consistent. As such, estimated utilization represents a stabilized year of operation.

Event types used in the analysis are defined as follows:

- *Conventions/tradeshows/conferences* include associations, professional groups, government, and other organizations (social, military, educational, religious, fraternal, etc.) that meet to exchange information and, in some instances, sell products.
- *Consumer/public shows* are public, ticketed events to market and sell goods and services to consumers. These events typically only require exhibit space. Examples include a home and garden show, electronics show, or travel expo.

- *Meetings* include corporate meetings, training sessions, seminars, etc.
- *Banquets/social functions* include weddings, galas, receptions, corporate award ceremonies, proms, holiday parties, etc.
- *Civic/community events* include political rallies, fundraisers, special events.

The following table summarizes the estimated usage/event activity for the proposed new meeting facility in Pensacola. It is anticipated that the proposed new meeting facility will be able to attract incremental new business that draws out-of-town attendees as well as better accommodate the needs of residents/businesses/organizations. It is meant to be complementary to, not competitive with, existing venues. The facility's operating strategy, building program elements, location, and supply/availability of existing facilities in the market will impact the type and amount of event usage. Programming activity levels at the facility will be impacted by the amount and type of space, date availability as well as the prioritization of bookings by management.

Proposed New Meeting Facility in Pensacola - Estimated Range of Event Activity									
Event Type	Total Events			Average Use Days	Total Usage Days			Total Attendee Days		
Conventions/tradeshows/conferences	24	-	28	2.5	60	-	70	21,600	-	25,200
Consumer/public shows	6	-	8	2.0	12	-	16	15,000	-	20,000
Meetings/seminars	84	-	96	1.0	84	-	96	5,000	-	5,800
Banquets/social functions	36	-	48	1.0	36	-	48	13,500	-	18,000
Civic/community events	8	-	10	1.0	8	-	10	4,000	-	5,000
Grand Total	**158**	**-**	**190**		**200**	**-**	**240**	**59,100**	**-**	**74,000**

Note: Total use days include event days and move-in/move-out days.

For conventions/tradeshows/conferences, an attendee day is defined as total attendance multiplied by the event length. For example, a three-day convention/conference with 200 attendees equates to 600 attendee days which reflects that the same attendees return to the event each of the three days. Conversely, attendee days associated with other events are assumed to be equal to attendance for the event as these are primarily events occurring for one day only. Total attendee days at a proposed new meeting facility in Pensacola is estimated to range from approximately 59,100 to 74,000 annually in a stabilized year of operation. The number of room nights generated from activities at the proposed new meeting facility is estimated to range from approximately 15,000 to 17,500 annually solely from the activities of this proposed space.

Comparable Indoor Sports/Meeting Facilities

As a point of reference, this section profiles indoor facilities similar to that being considered in Escambia County that host meeting and expo activity in addition to sporting events to expand their booking opportunities with a variety of event types. This sample represents facilities specifically designed to accommodate sports tourism events that also serve a dual function as a meeting room/conference facility capable of hosting a variety of non-sporting events.

These complexes often utilize their flat, open floor space to accommodate events such as conventions, exhibitions, and trade shows. These events can help to fill open dates when the facility is not booked by tournaments, camps/clinics, leagues, and another sporting related event activity.

It is important to offer supporting spaces such as meeting or multi-purpose rooms to meet the needs of sports tournaments. These spaces may include multi-purpose flexible space, such as meeting rooms, to accommodate tournament promoter offices or a tournament central area. Weigh-ins before wrestling matches, or team rooms for large basketball or volleyball tournaments. In addition, these smaller spaces can be rented out throughout the year for events such as corporate meetings, birthday parties and family reunions.

Spooky Nook Sports was opened in 2013 in Manheim Pennsylvania. The facility, which is one of the largest indoor sports facilities in the U.S., was constructed in the former Armstrong Distribution Center and offers more than 700,000 SF under one roof.

Spooky Nook Sports offers more than 100,000 SF of meeting and event space utilizing 19 meeting and event spaces, including its indoor turf and court space to accommodate conventions, tradeshows, meetings, and other special events. In order to support its diverse event activity, Spooky Nook Sports also offers an on-site restaurant and a 130-room independently branded hotel. The hotel's atrium offers an additional 11,250 SF meeting/event space.

LakePoint Sporting Community in Cartersville, Georgia offers both indoor and outdoor spaces to accommodate a wide variety of sporting activity. The Champions Center, the complex's primary indoor facility, offers a 125,000 SF floor that is used to host sporting events as well as various conventions and expos. This floor space is complemented by nine (9), 400 SF meeting rooms. These rooms can be rented separately, or several can be combined to accommodate larger groups in one space. The meeting rooms are typically rented out for local chamber meetings or corporate meetings but are also used to support large sporting events and to host birthday parties. The Champions Center offers four (4) different food service points. In addition, the LakePoint Sporting Community campus offers three (3) on-site hotels.

The Round Rock Sports Center in Texas also hosts a variety of non-sporting events. According to management, the facility's 47,000 SF main floor is rented 5-10 per year for special events including gun shows, weddings, and cake shows among others. The facility also offers three (3), flexible 800 SF multi-purpose meeting rooms. The rooms are used to complement the flat floor space during large sporting and non-sporting events, as well as to host small meetings throughout the year.

Many indoor sports facilities throughout the U.S. are located adjacent or proximate to hotels to accommodate event attendees for tournaments, camps, and special events. As previously mentioned, Spooky Nook Sports includes a 130-room hotel as part of its facility and LakePoint Sporting Community offers three on-site hotels.

A variety of these types of facilities are located proximate to conference or convention centers. Rocky Top Sports Center in Tennessee is located approximately six miles from the Gatlinburg Convention Center. These two facilities are regularly marketed together to portray Gatlinburg as a resort destination. The Boo Williams Sportsplex in Hampton, Virginia and the Orlando Sports Center are each located less than five miles from their respective convention centers. A prime example of these types of facilities being co-located is the Myrtle Beach Sports Center in South Carolina. This facility was intentionally planned and constructed next to the Myrtle Beach Convention Center and located within walking distance of the popular beach.

In summary, the concept of combining a sports facility and a meeting facility is not unique. As described, traditional indoor sports facilities are expanding their opportunities to grow their event mix and numbers by offering meeting rooms and/or flexible space to attract non-sporting event activity and fill the events calendar.

This activity offers additional programming that increases the opportunity of driving economic impact to a market and provides an opportunity for local events that would not normally utilize the facility. A variety of indoor sports venues utilize their main open span floors as well as additional rooms/spaces to support non-sporting events. In addition, there are a variety of examples of these types of facilities being located proximate to hotels, large meeting facilities and other prominent attractions.

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ECONOMIC AND FISCAL IMPACT ANALYSIS

The local and State economies would benefit from operations of the proposed new meeting facility in many ways including such tangible and intangible benefits as:

- Enhancing the overall quality of life and livability to the area, particularly for area residents.
- Providing an enhanced entertainment option for both residents and visitors that hosts diverse event activity.
- Enhancing the area's image as a destination by increasing its amenities.
- Serving as a catalyst for additional growth and new business in the area.
- Generating additional economic activity and enhanced fiscal revenues.

Each of these benefits is important in assessing the impacts that the proposed new meeting facility may have on the local and State economies. While the value of many of these benefits is difficult to measure, the economic activity generated can be quantified. As such, this analysis estimates the economic and fiscal impacts associated with the on-going operations of the proposed new meeting facility.

General Methodology Overview

This analysis estimates the economic benefits generated in the State from the on-going operations of the proposed new meeting facility including facility operations as well as spending by attendees on items such as lodging, restaurants, retail, entertainment/ recreation, and transportation. This initial measure of economic activity reflects analysis of primary and secondary sources that are deemed to be reliable but accuracy cannot be guaranteed.

Once the amount for direct spending is quantified, a calculated multiplier is applied to generate the indirect and induced effects. The sum of direct, indirect, and induced effects equals total economic impact which is expressed in terms of spending (output), employment (jobs), and personal earnings. This analysis also estimates the fiscal impacts (i.e., tax revenues) generated from on-going operations of the proposed new meeting facility.

The number of events and attendance, event mix, origin of attendees (e.g., local versus out-of-town), facility financial operations, industry trends, economic conditions, direct spending categories used, per person spending amounts, distribution of spending, multipliers, and specific taxes quantified are all variables that influence the economic and fiscal impact estimates. Amounts depicted in this analysis are presented in 2017 dollars, reflect a stabilized year of operation, and assume taxes continue at the current rates.

Methodology - Economic Impact Analysis

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

Direct Spending

Estimating direct spending is the first step in calculating economic impact. Direct spending represents the initial change in spending that occurs as a direct result of operations of proposed new meeting facility. Direct spending occurs both inside and outside of the facility. Based on available data, attendees were categorized into daytripper and overnight visitors and allocated different spending numbers.

Indirect/Induced Impacts

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

Multiplier Effect

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

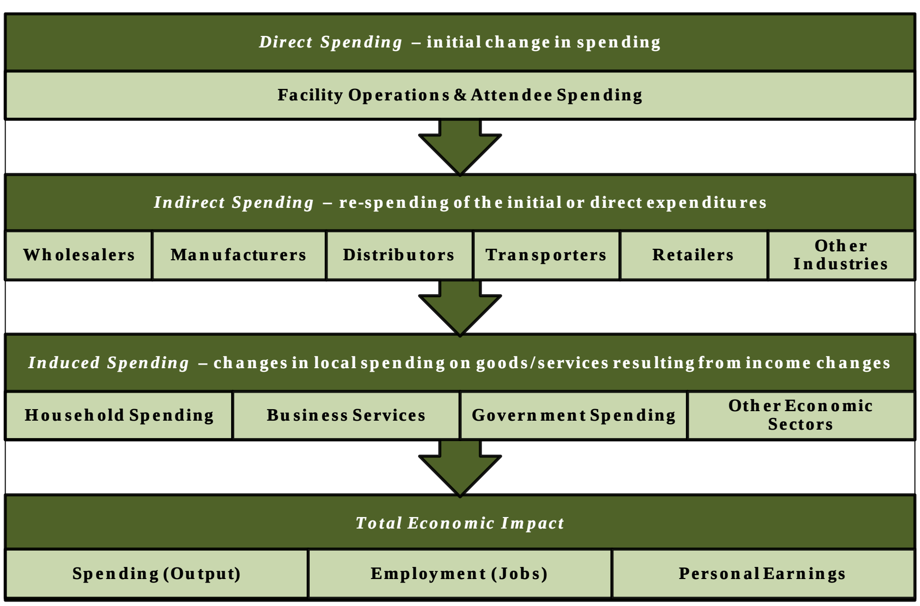
Once the direct spending amounts are assigned to a logical category, the IMPLAN model estimates the economic multiplier effects for each type of direct new spending attracted to or retained in the area resulting from operations of the proposed new arena. The multipliers used in this analysis reflect IMPLAN's latest available economic data for transactions.

<u>Total Economic Impact</u>

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

- *Spending* (output) represents the total direct and indirect/induced spending effects generated by on-going operations of the proposed new meeting facility. This calculation measures the total dollar change in spending (output) that occurs in the local economy for each dollar of output delivered to final demand.
- *Employment* (jobs) represents the number of full and part-time jobs supported by on-going operations of the proposed new meeting facility. The employment multiplier measures the total change in the number of jobs supported in the local economy for each additional $1.0 million of output delivered to final demand.
- *Personal Earnings* represent the wages and salaries earned by employees of businesses associated with or impacted by on-going operations of the proposed new meeting facility. In other words, the multiplier measures the total dollar change in earnings of households employed by the affected industries for each additional dollar of output delivered to final demand.

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



Methodology – Fiscal Impact Analysis

The estimated spending generated by operations of the proposed new meeting facility creates tax revenues for the local and State economies. Although experience in other markets suggests that a significant portion of the direct spending would occur near the facility, spending also occurs in other areas within the State, particularly such spending as business services and the everyday expenditures of residents. Major tax sources impacted by facility operations were identified and taxable amounts to apply to each respective tax rate were estimated. Although other taxes, such as property taxes, may also be positively impacted by on-going facility operations, this analysis estimates revenues generated from sales and use and tourist development taxes at the County level and sales and use tax at the State level.

Annual Economic Impacts from On-Going Operations

The table below summarizes the estimated annual economic impacts associated with the on-going operations of the proposed new meeting facility in terms of direct, indirect/induced, and total spending, total jobs and total earnings and is followed by a discussion of each component.

Proposed New Meeting Facility in Pensacola Estimated Annual Economic Impacts Generated from On-Going Operations (Stabilized Year)			
	Escambia County		
Category	Range		
Spending			
Direct Spending	$5,987,000	-	$7,432,000
Indirect/Induced Spending	3,084,000	-	3,834,000
Total Spending	$9,071,000	-	$11,266,000
Total Jobs	110	-	140
Total Earnings	$3,010,000	-	$3,746,000

Direct Spending

Direct spending related to on-going facility operations and attendee spending is estimated to range from $6.0 million to $7.4 million annually in the County.

Indirect/Induced Spending

The IMPLAN model is used to generate the indirect and induced impacts spawned from the estimated economic activities within the area. The indirect impacts represent inter-industry trade from business to business. Likewise, the induced impacts represent the economic activity spurred by the household trade that occurs when employees make consumer purchases with their incomes. Based on inputs from the IMPLAN model, indirect/induced spending spurred by on-going operations of the proposed new meeting facility is estimated to generate between $3.1 million to $3.8 million annually in the County.

Total Spending

Outputs from the IMPLAN model indicate that total (i.e., direct, indirect, and induced) spending generated from on-going operations of the proposed new meeting facility is estimated to range from $9.1 million to $11.3 million annually in the County. Dividing the total impacts by the direct impacts yields an economic multiplier of approximately 1.52. Thus, every dollar of direct spending is estimated to generate $1.52 in total economic activity in the State.

Total Jobs

Based on the IMPLAN model, which calculates the number of jobs per $1.0 million in direct spending, the economic activity associated with on-going operations of the proposed new meeting facility is estimated to generate between 110 to 140 total jobs annually. These jobs would be created in many sectors of the economy, which both directly and indirectly support the increased level of business activity in the County.

Total Earnings

Outputs from the IMPLAN model indicate that total earnings generated from on-going operations of the proposed new meeting facility are estimated to range from $3.0 million to $3.7 million annually in the County.

Annual Fiscal Impacts from On-Going Operations

As shown in the following table, annual fiscal impacts (or tax revenues) generated from on-going operations of the proposed new meeting facility are estimated to range from $204,000 to $250,000 in Escambia County and $443,000 to $548,000 at the State level.

Proposed New Meeting Facility in Pensacola Estimate of Annual Fiscal Impacts Generated from On-Going Operations (Stabilized Year)			
Entity/Tax	**Range**		
Escambia County			
Discretionary Sales and Use Tax[1]	$105,000	-	$130,000
Tourist Development Tax	53,000	-	64,000
Half-Cent Sales Tax Sharing	35,000	-	44,000
State Revenue Sharing	11,000	-	12,000
Subtotal	$204,000	-	$250,000
State of Florida			
Sales and Use Tax	$443,000	-	$548,000
Subtotal	$443,000	-	$548,000
Grand Total	**$647,000**	**-**	**$798,000**

Note: [1]Also referred to as Local Option Sales Tax.

The following pages provide a description of the taxes estimated in this analysis.

Escambia County Taxes

Discretionary Sales and Use Tax – Escambia County applies a discretionary sales tax to the sale, rental, lease or license to use certain property or goods (tangible personal property) and certain services, unless the transaction is specifically exempt. The general tax rate is 1.5% and is approved by voter referendum in 10-year increments. The current tax was recently extended through 2027. Collections are approved to be used for various projects including transportation improvements, development of recreational facilities and economic development initiatives. For purposes of this analysis, the tax rate is applied to the estimated taxable amount of direct and indirect/induced spending generated from on-going operations of the potential new meeting facility.

Tourist Development Tax – Escambia County imposes several taxes on accommodations rented for less than six months at a combined rate of 4.0%. A Tourist Development Tax (TDT) of 2.0%, an additional TDT of 1.0% and a Professional Sports Franchise Facility Tax of 1.0% are all applied to short-term accommodation rentals. The statute allows proceeds from these tourist development taxes to be allocated to the acquisition and operation of convention centers, sport stadiums arenas, auditoriums and museums; the promotion and/or advertisement of tourism; and the funding of tourist and convention bureaus and tourist information centers. In Escambia County, proceeds from these taxes are allocated to various visitor amenities and marketing agencies including Visit Pensacola, Pensacola Sports, the Bay Center operations, various museums, marine resources, and other arts/culture/ entertainment. Total TDT tax collections for FY 2016 are estimated to be $8.1 million. For purposes of this analysis, the 4.0% tourist development tax is applied to the estimate of County-level direct hotel spending.

Half-Cent Sales Tax Sharing – The Half-Cent Sales Tax Sharing is collected by the State and distributed monthly to local governments based on taxable sales within their counties. All participating municipalities and counties share the proceeds based on a population formula. The Half-Cent Sales Tax may be used for any lawful purpose; however, the portion of the county's proceeds which is based on incorporated area population must only be used for countywide tax relief or countywide programs. Further, the proceeds may be used for the payment of principal and interest on any capital project. Based on Escambia County data provided by the Florida Department of Revenue an effective tax rate was calculated and multiplied by the estimated taxable amount of spending generated from on-going operations of the potential new meeting facility.

State Revenue Sharing – The State Revenue Sharing Act of 1972 established that funds for certain State-levied tax monies be shared with counties and municipalities. The major sources of these funds distributed are cigarette taxes and sales and use taxes. The State formula for distribution is based upon population and sales tax collections. This revenue source is divided into three parts: the guaranteed entitlement, the second guaranteed entitlement and the balance. The balance varies year-to-year and represents the county's share of the revenues after deducting the guaranteed entitlements. Only the guaranteed entitlements may be pledged to pay principal and interest on bonds, tax anticipation certificates or any other form of indebtedness. Based on Escambia County data provided by the Florida Department of Revenue an effective tax rate was calculated and multiplied by the estimated taxable amount of spending generated from on-going operations of the potential new meeting facility.

State of Florida Taxes

Sales and Use Tax – Florida applies sales tax to the sale, rental, lease or license to use certain property or goods (tangible personal property) and certain services in Florida, unless the transaction is specifically exempt. The general tax rate is 6%. This tax source is the State's largest source of general fund revenue. For purposes of this analysis, the tax rate is applied to the estimated taxable amount of spending generated from on-going operations of the potential new meeting facility. The Half-Cent Sales Tax Sharing and State Revenue Sharing estimates noted above are netted from this amount to avoid double counting.

Construction Impacts

Although not quantified in this analysis, construction costs associated with development of the potential new meeting facility would provide additional economic and fiscal impacts to Escambia County and the State during the construction period.

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LIMITING CONDITIONS AND ASSUMPTIONS

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

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