



Downtown Entertainment District Study

Submitted to:

Clint Thompson
City of St. Joseph
1100 Frederick Avenue Room 102
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March 27, 2013



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Sent via Email to: cthompson@ci.st-joseph.mo.us

Dear Mr. Thompson:

The City of St. Joseph engaged Hunden Strategic Partners to conduct a downtown development analysis related to the possible relocation of the St. Jo Frontier Casino as part of a mixed-use project that will be beneficial to expanding downtown economic activity. Additionally considered was the future of the Civic Arena. This analysis included a review of the regional casino market, a hotel market analysis, as well as an events (arena and convention) center analysis, a restaurant district recommendation and an analysis of parking needs for the project.

The findings and projections herein are based on primary and secondary sources of data as well as interviews with the management of various businesses. The projections are further based on assumptions from these data points and other experience of the professionals at HSP. Actual performance will likely differ from these projections and such differences may be material if the project is not designed, developed, owned and operated as assumed. Professional and competent and management and marketing is assumed. Major economic and weather conditions can also affect the performance of the projects.

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

Sincerely yours,

HUNDEN STRATEGIC PARTNERS

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EXECUTIVE SUMMARY

The Missouri DREAM process for St. Joseph included a number of reports to study all phases of downtown redevelopment. Since that time, the city has worked toward creating a comprehensive vision and an implementation strategy to carry out this vision. The St Joseph Downtown Vision Plan was approved by Council via Resolution 36912 that outline ten Building Blocks of downtown redevelopment. A proposed convention center, entertainment district, and new downtown hotel were part of this Plan.

The Vision Plan for downtown has since been used to accomplish a variety of economic development incentives to help assist in downtown redevelopment efforts, including;

- Downtown TIF District – approved. Allows recapture of incremental property taxes.
- Downtown CID – approved. Includes 0.5% sales tax and 0.5 percent property tax.
- Hotel lodging tax – approved. Includes additional 3.0 percent tax on certain hotel room sales.

In order to move forward with a viable project, whether it includes state incentives or not, HSP was retained to conduct a feasibility and funding analysis for an actual plan to bring the St. Jo Casino downtown and dovetail several other developments from it, including:

- The rehabilitation, improvement or replacement of Civic Arena
- The rehabilitation, improvement or expansion of the Holiday Inn hotel
- The addition of other event/function space
- The addition of restaurants
- The addition of complimentary parking, as needed

During the prior studies, the scenarios were conceptual. The city and the consultants were considering all types of uses, options and funding mechanisms in order to determine what realistically might be possible for downtown. However, at that time, there was no clear vision nor was there a specific development plan that would be the catalyst for downtown. There was also no developer. Given the tools available, the options were fairly limited in terms of the projects that could be supported by the public sector. Ultimately, nothing was feasible based on both public and private funding sources.

This stasis changed when the city approached the casino about relocating back downtown due to flooding risk, especially given the recent 2011 floods that shuttered the casino for several months. With the possibility of the casino moving back downtown, there was a developer and a potential development around which to determine a funding and feasibility plan.

Hunden Strategic Partners, through this report and a several month process, determined *five* separate development scenarios from the most basic to the most robust mixed-use plan.

Due to the number of development components, which potentially included arena, entertainment, event, meeting, exhibit and related space, as well as hotel(s), gaming and restaurant components, a variety of market analyses were conducted. When all analyses were complete, the five scenarios were suggested. During preliminary draft findings meetings with stakeholders, the political and financial realities were discussed. As a result of these conversations, a modified scenario, Scenario B, was determined to be the prudent path.

Scenario B includes the development of a new casino downtown, renovation of the existing Holiday Inn, development of 20,000 square feet of restaurants along Felix Street, critical improvements to the Civic Arena (but not enough to bring it to state of the art status), development of a 550-space parking garage and the development of a casino-run event center that could host numerous events and concerts in a state of the art facility. The Civic Arena is contemplated to be managed by the casino, which would be responsible for its operating revenues and expenses, and would attract larger events than the casino-based event center. Simultaneously, it is contemplated that the County will develop a new Ag Center arena that would pull some of the Civic Arena's largest events to it, leaving both opportunity and pressure on the Civic Arena to program in new and expanded offerings. Critical ADA, bathroom and concession improvements, among others, are recommended.

Originally, it was thought that a larger project: including a new arena/event center to replace the Civic Arena, larger/expanded/new hotels, along with the restaurants, casino and parking, would worth pursuing. Unfortunately, the funding sources for these larger project scenarios were not significant enough, even with State of Missouri assistance, to fund the projects. As such, the recommended Scenario B will not necessarily need or qualify for state funding assistance (although under certain legal scenarios it might). Instead, a funding plan that includes local incremental taxes generated by the TIF, CID and hotel tax will provide funding for much of the public costs. In addition, a private lease with the casino to use the garage and Civic Arena (as well as manage it at their expense) is contemplated to fund the remaining debt service requirements.

While a real estate deal cannot be negotiated via this report, it provides the framework for such negotiations to commence between the parties.

The following executive summary provides the analysis, recommendation and projections associated with the framework plan.

SUMMARY OF CHAPTERS

Local Market Analysis

St. Joseph is a significant, historically important city and lives on today through legends and its historic urban built environment. The arts are alive and strongly supported. The city has compiled a reserve of historic city blocks and buildings rare for a city, particularly of its size, and as such, is in a position to capture tourists' interest and can result into longer stays, creating need for more attractions and more revenue for the local economy.

Despite this rich identity in its history and arts, in 2012, it lags behind the state and nation in income, education and professional opportunity. With nearly 14 million people in the four-state region and weekend travel getaways being the choice of so many families in lieu of more expensive vacations, the city's decision to bundle together downtown entertainment, dining, shopping and historic attractions into a tourism magnet for the region is highly resourceful and a reflection of the city's desire to serve its residents with economic stimuli and resources for growth and enjoyment.

The project is proposed to be developed in an area of downtown, the western portion near I-229, that is currently in need of connectivity to the more historic and dense center part of downtown. The trade area of the community is nearly 450,000 and approximately one-third of this population lies outside of Missouri, suggesting that a successful project will generate significant out of state spending in Missouri. This helps both the local community and the state, which rationalizes the use of state financing programs, which will be discussed later in this document.

Gaming Market Analysis

One of the catalysts for the proposed downtown mixed-use entertainment district project is the redevelopment of the St. Jo Frontier Casino in downtown St. Joseph. Due to a flood in 2011 that closed the facility from June 28th until September 28th of that year, there is a desire to move to a safer location. The move presents three opportunities:

- A new, expanded and improved casino that is more competitive in today's market, including the addition of various amenities that will make it more attractive relative to the competition. These include restaurants, meeting/event space and entertainment/concert facilities, as well as structured parking and an adjoining hotel.
- The ability to re-use the existing riverfront site for other community purposes, such as a park, restaurant, marina and community gathering spaces or multi-purpose event fields.
- The ability to provide a demand generator for the already-proposed downtown projects from the past downtown plans/studies: hotels, convention/event center,

retail/restaurants. By combining the projects, it helps all of the projects, by making them easily accessible from each other and providing shared markets/audiences.

The property is the smallest in the trade area, with only 18,000 square feet of gaming floor and with the fewest number of tables, slot machines and amenities.

In addition, there are very few amenities to lure players. There is only one restaurant, there is no significant meeting or event space, no opportunity to bring in entertainment and no hotel rooms, spa, additional restaurants or retail. Compared with many of the other competitors in the region, it is a very basic casino operation without much lure to those who could easily drive to other facilities. Therefore, its catchment area is much smaller than it could be otherwise, if competitive amenities were included.

At this point, its only true competitive advantage is for those who live closer to this casino than to others. It is very convenient to the St. Joseph market area and those to the north relative to the competitors, but not to the vast population located to the south.

The opportunity to rebuild a larger facility with more gaming options as well as more amenities will put the St. Jo Frontier back in the market at 100 percent penetration relative to its peers. Currently it is underperforming on every metric available to this analysis. This should lure non-Missouri gamers from the north (Iowa and Nebraska) and west (Kansas) back to St. Joseph to both gamble, see shows, spend the night, shop, eat and drink downtown and elsewhere in the city. The implied amenities for the new facility include a hotel of at least 150 rooms, at least four food and beverage outlets, an entertainment center, a meeting facility, covered parking and a spa. These happen to be the very amenities that St. Joseph has been planning to develop in its downtown for the past seven years, so the synergy with a casino is both apparent and logical. Not combining the new casino with these amenities in downtown would be a serious lost development and economic impact opportunity.

Civic Arena Analysis

The St. Joseph Civic Arena is an aging facility with a variety of obsolescence issues. As a result of age, advances in venue design and technology, the current functionality and physical limitations of the Civic Arena have ultimately become an impediment to its own revenue generating potential. St. Joseph is missing out on critical revenue opportunities by not having adequate premium seating options or necessary sponsorship inventory. It is suggested St. Joseph upgrade its facilities to include the access, amenities and experience spectators and performers have come to expect if the city intends to improve its competitive position within the region. One of the major goals in the design of arenas and event centers is flexibility. The ability for the Civic Arena to transform from an arena to an intimate concert setting to a trade show floor and maximize revenue opportunities will be critical to the sustainability of the arena.

HSP analyzed recent arena activity to understand the character of demand for the facility. The results are shown in the table below.

Table 1

| St. Joseph Civic Arena Events by Type - 2011 | | | | | |
|---|-------------------|-------------------|------------------|----------------|--------------------|
| | Event Days | % of Total | Attendees | % Total | Avg. Atten. |
| Trade | 9 | 13% | 2,500 | 4% | 278 |
| Association | 3 | 4% | 1,286 | 2% | 429 |
| Sporting Event | 14 | 19% | 17,635 | 26% | 1,260 |
| Corporate | 3 | 4% | 1,900 | 3% | 633 |
| Local | 20 | 28% | 19,848 | 29% | 992 |
| Government | 10 | 14% | 1,810 | 3% | 181 |
| SMERF | 13 | 18% | 23,664 | 34% | 1,820 |
| Total | 72 | 100% | 68,643 | 100% | 953 |

Source: HSP, St. Joseph Civic Arena

In 2011 there were 72 event days, resulting in 68,643 attendees at the facility. The average attendance per event day was at 953. The category with the most event days was local events, with 20 event days and an average attendance of 992. Unlike most arenas that generate most of their attendance from sports, concerts and family shows, it appears that the Civic Arena is not acting as the concert and family show destination for events or attendees. In fact, there are very few concerts or family shows in the past few years. Sporting events are still occurring at the facility, but for a variety of physical obsolescence reasons, concerts and family shows are choosing to go to other venues.

A good facility of this size should be hosting numerous concerts, family shows, comedy acts and sports events, in addition to the events already being hosted. Total attendance should be more than double the current amount. When combined with the convention space, the facility should be inducing nearly four times as many attendees.

HSP then analyzed the financial activity at the St. Joseph Civic Arena. The table below shows the results.

Table 2

| St. Joseph Civic Arena | |
|---|----------------------------------|
| Fiscal 2011 Operating Income & Expense | |
| Revenue | |
| Events | \$116,904 |
| Meeting Room Rental | \$700 |
| Equipment Rental | \$27,521 |
| Special Civic Arena Promotions | \$25,409 |
| Concessions | \$75,042 |
| Transfer from Gaming Initiative | \$62,000 |
| Other | \$17,094 |
| Total Operating Revenue | \$324,671 |
| Expenses | |
| Event Expenses | |
| Personnel | \$323,892 |
| Food and Beverage | \$78,407 |
| Equipment Rental | \$3,165 |
| Supplies | \$12,904 |
| Total Event Expenses | <u>\$418,367</u> |
| General Operating Expense | \$173,807 |
| Total Expenses | <u>\$592,175</u> |
| Net Operating Income | <u><u>(\$267,504)</u></u> |
| Source: HSP, City of St. Joseph | |

Total revenue in FY 2011 was \$324,671, made up primarily by event rental revenue of \$116,904 and concession revenue of \$75,042. Equipment rental and special civic arena promotions generated \$27,500 and \$25,400, respectively. In addition, a non-operating subsidy of \$62,000 from a gaming initiative helps the facility. Total expenses were nearly \$600,000, leading to a net operating loss of \$267,500 in FY 2011. The largest expense was personnel at roughly \$276,362 that almost equaled the total operating revenue for the year. Without the gaming initiative, the net deficit is nearly \$330,000. The Civic Arena was able to mitigate the net operating loss by receiving a hotel/motel tax subsidy in the amount of \$443,000.

Due to a number of physical constraints, while the Civic Arena could be improved to accommodate the needs of those with disabilities, it would not be able to be easily renovated to mitigate all three of the arena’s primary deficiencies: complying with ADA requirements as well as bathroom and concession demands of today’s audiences would be difficult and costly; adding premium seating options such as suites and club seats would be quite difficult and expensive; and upgrading the arena to be able to host the types of sports and entertainment events in today’s market would be possible, but also complicated and expensive. So while the answer to the first question posed (can the Civic Arena be renovated to accommodate the needs of the events and today’s audiences as well as the ADA) is mostly yes, the costs would be high and it is likely that very few suites could be developed.

Can the Civic Arena be renovated to attract and accommodate convention events? Unfortunately, there are few convention events that can or would be attracted to this facility, even with certain renovations. Usually conventions demand three types of space: exhibit space, ballroom space and meeting rooms and so without a ballroom onsite and few if any meeting rooms, a convention is unlikely to choose the Civic Arena for its event, even after a renovation. Therefore, a facility that has these facilities is required in order to attract such events.

The cost of improving the Civic Arena to be competitive for arena events and attract audiences as well as corporate partners has been estimated as of 2007 to be \$10 million or more. In today's prices and with other soft costs, the renovation is likely to cost between \$13.3 and nearly \$20 million.

As determined in a prior study of the convention market, a basic convention center with 20,000 - 25,000 square feet of exhibit space, a 10,000-square foot ballroom and a strong complement of meeting rooms (4,000 – 5,000 square feet), as well a pre-function space would cost between \$30 and \$40 million. In 2007, the recommended facility was projected to cost \$32 million, however with soft costs and inflation, the cost could be in excess of \$40 million.

Together, the cost of developing a separate convention facility and renovating the Civic Arena could be \$60 million or more. It would still leave an aging and inflexible arena facility, but one that would be able to attract events for another 20 to 25 years. However, neither facility would likely be busy enough to keep them from running significant operating deficits. Also, the facilities would take up at least 2.5 blocks, if not three.

As will be shown later in this report, a combined events center that includes all of the elements of an arena and a convention center would take up one block for the primary facility and another potential half block for the ballroom and meeting room facilities. The cost of that facility is estimated to be \$40 to \$48 million, depending upon a number of factors.

While there is much sentimental value associated with the Civic Arena, most communities that have faced this quandary have ultimately realized that the highest and best use of scarce downtown parcels and obsolete event arenas is to replace them with flexible event spaces that are best able to penetrate the market and generate a the most number of events and impact for the community.

Arena Trends and Comparables

The market in the general area is filled with a variety of new, high quality facilities that make the Civic Arena more and more obsolete as time goes on. A number of comparable facilities were also profiled.

While differences are found between each facility, each venue's business model is focused on accommodating the needs of the community. Although these venues are located in smaller markets, the flexible function space, tenant groups, and revenue-generating amenities are attracting interest from non-local events and visitors. These elements are important to maximize

for venues, particularly smaller venues, as a way to lower operating deficits that cities are ultimately covering. Tenants provide a stable event schedule and help to supplement each facility's usage and financials. Newer venues integrating flexible function space are able to support and attract new groups and events, which generates positive and new economic impact on the city. In addition, maximizing revenue-generating features such as naming rights, sponsorships, premium seating and concessions in the venue not only benefits the bottom line, but also provide opportunities to develop partnerships in the community. Although large market cities are developing single purpose venues, small market cities have the challenge of developing flexible multipurpose venues that can attract a variety of events, while keeping the setting intimate for spectators.

Owning and operating mid-sized arenas is a risky proposition, yet with benefits to the community. Run and promoted well and they can break even and generate consistent activity downtown. Run and promoted in a poor way and they will run sizeable operating deficits and sit empty many days or nights of the year. If St. Joseph pursues a new arena, it should do so with a strong business plan.

Competitive Event Facilities

The study also presents a range of event centers, arenas and performance halls that all have similar characteristics to the vision of the potential multi-use development in St. Joseph. While there are both recognizable and subtle differences found between each facility, each complex strives to support local needs while attracting regional and touring events. These facilities attract events of all sizes, drawing a number of non-local attendees that will have a direct impact on the local market. These facilities are typically maintaining local partnerships to help supplement each facility's usage and financials.

The proposed project in St. Joseph will not be competing with most of the facilities in eastern Missouri. It will generally compete with facilities in western and central Missouri as well as eastern Kansas. St. Joseph should be attractive for regional event business, especially if the Project is of high quality. It will also be able to lure a share of state association business.

Arenas and other entertainment venues in the region create competition for the proposed Event Center for conventions, concerts and other events. The only other current entertainment venues in northwest Missouri are smaller performance halls like the Historic Missouri Theatre, built in 1927 and renovated in 2002. However, there is an Agri-Business Expo Center planned in St. Joseph that consists of a 150-acre multipurpose campus that is set to begin construction in 2013. The Ag Center will include an exhibit hall, arena, business complex and retail. It will be located on U.S. Highway 36 east of I-29 providing optimal accessibility. The new Expo Center is expected to be a venue for livestock events, tradeshow and conferences. Similar to the proposed downtown entertainment district, the feasibility and completion of the Expo Center faces its own challenges and obstacles. However, if successful, it would exist as a venue with competitive indoor facilities to a downtown venue and impact the performance of a downtown entertainment district.

The following table shows the proposed campus facilities.

Table 3

| Proposed Agri-Business Expo Center | |
|------------------------------------|-----------|
| Exhibit Hall | |
| Exhibit Space | 50,000 SF |
| Demonstration Kitchen | 4,000 SF |
| Breakout Classrooms | NA |
| Theater | -- |
| Video Production Media Room | -- |
| Arena | |
| Arena Floor | 45,000 SF |
| Warm-Up Arena | 20,000 SF |
| Fixed Seats | 2,000 |
| Temporary Bleacher Seating | 3,000 |
| Livestock Pavillions | |
| Number of Pavillions | 3 |
| Expo Space per Barn | 44,000 SF |
| Portable Stalls | 600 |
| Wash Station | -- |
| RV Park | |
| RV Spaces | 200 |

Source: Agri-Business Expo Center

Development of the Agri-Business Expo Center poses significant challenges for competitiveness and ultimately the viability of the Civic Arena. As a new facility in the St. Joseph market the Expo Center is likely to cannibalize and attract dirt and livestock shows, tradeshows and local events that would normally be held at the Civic Arena. Also, based on the average attendance of events at the Civic Arena, the Ag Center has the capacity to accommodate the same sized groups such as SMERF, local and even sports events that averaged 1,800 visitors, 1,000 visitors and 1,300 visitors respectively.

The Ag Center will certainly impact the future performance of the Civic Arena or any other downtown event center and the impact could be incrementally greater if the Civic Arena continues to remain in its current conditions. Ultimately, this new venue will expedite the obsolescence of the current Civic Arena and its existing features. The activity and impact currently generated downtown will also be affected as a result of visitors now relocating to the new venue on the eastside of St. Joseph.

Another proposed redevelopment project envisioned in St. Joseph is the 163-acre Krug Park located just north of downtown St. Joseph. The park features numerous amenities that include extensive landscaping, flowerbeds, an amphitheater, a lagoon, rose gardens, picnic areas, an Italian castle, scenic walking trails and various playgrounds. There has been recent interest by a group of St. Joseph community members to redevelop the Krug Park amphitheater bowl. The

idea is to transform the existing amphitheater into a modern outdoor performance venue that could host large-scale events and concerts.

The following figure shows the current Krug Park amphitheater.

Figure 1



The primary elements to the park redevelopment would include the following:

- 25,000 to 30,000 spectator capacity with a combination of fixed and lawn seating
- Six to 12 opera boxes with capacities of 20-25 spectators per box
- Two tiered party decks with capacities of 50-100 spectators per deck
- Restrooms and concessions
- Performance stage
- Expanded parking
- Offices and dressing rooms

The final plans and funding for the park redevelopment have not been determined. The envisioned Krug Park redevelopment focused on the amphitheater would offer an additional venue for the community of St. Joseph. The seasonal nature of Krug Park and the types of events it could host would pose limited competition based on seasonality and the outdoor nature of the facilities. The only potential overlap would be for summer events that could occur indoors or outdoors.

Other event facilities provide examples of smaller facilities that capture regional events and at the same time provide events that benefit the community. While no one existing or planned facility compares to the needs and goals of the proposed Event Center, the attributes of many of the

facilities analyzed above and in previous chapters point out the possibilities and opportunities that exist for the proposed multi-use development in St. Joseph.

Competitive and Comparable Meeting Facilities

HSP has analyzed several types of event spaces comparable to the size and type of space that the city of St. Joseph and the interested parties are considering. The comparable convention centers ranged throughout the United States were either constructed in the last fifteen years or under construction presently. Each has some aspect that is an important consideration for development of a new downtown center complex in St. Joseph.

The comparables provide function space and amenity indications as well as performance indications. From a function space perspective, the facility must include an exhibit space, ballroom and breakout meeting rooms. Amenities should include at least 150 hotel rooms and as many as 400, either adjacent, connected or easily walkable. Management by private experts is recommended, which should generate a variety of event types, including arena events as well as convention center events. Avoiding an operating deficit is an excellent goal, however driving activity at the center is usually the top priority of communities. By driving activity, the likelihood of generating an operating profit is possible, as has been shown in several communities.

In today's competitive convention market, the market has demanded and received top-quality hotel and convention center packages, usually connected to each other, in most major U.S. cities and now even in second and third-tier cities. Smaller cities have stood behind the development of smaller hotel and conference center developments. For a community to be competitive in the industry, a convention center alone will not suffice. Clearly, the destination package must include a solid-quality convention hotel.

Hotel Market Analysis

The St. Joseph hotel market has not been very active in terms of new development, however there appears to have been a flight to quality and willingness to pay for it as the new Candlewood is doing well and helping boost rates in the market. Rates did not decline during any year in the past six, unlike most markets, suggesting a resiliency. Occupancy during certain days and months of the year is extremely strong, including certain mid-week days as well as weekends in March and June, as well as other months. There is clearly displaced demand given the strong occupancy levels during certain times. A new or expanded hotel would recapture some of that displaced demand as well as support rate growth if its quality is high.

The Holiday Inn is the only downtown hotel and will need to stay in top physical condition if it is to remain competitive. With a new entertainment district proposed downtown, it will play a key role. While another downtown hotel is not warranted yet until the entertainment district is more established, a renovated and expanded Holiday Inn, perhaps with a new flag or name, will be an appropriate and prudent way to enhance the Project and the hotel market.

As discussed in the gaming market chapter, there is no hotel associated with the casino in St. Joseph. This hampers the performance of the casino. Bringing the casino downtown and linking it with the Holiday Inn rather than building a new hotel, should be a boon for both properties, as long as quality is high and amenities are competitive with other gaming hotels.

Restaurant and Nightlife Analysis

The concept of an entertainment-oriented food and beverage district, with a variety of restaurant and bar/club options, has been successful for the past ten years in various markets and has supplanted the old “festival marketplace” concept that was popular during the 1980s and early 1990s. The differences are significant. The old festival marketplaces were primarily geared toward tourists and features food courts, a few lower-end restaurant options or bars and also featured many gift shop style tenants. These lost their novelty appeal fairly quickly. The new entertainment/food and beverage districts are focused on both visitors and residents and have mostly avoided retail. Instead the focus is on a mix of restaurants, bars and clubs that are targeted to all types of ages, budgets, tastes, etc. The result is a district where most everyone should have several good options from which to choose. It makes “going downtown” a real option for many options, not just one or two restaurants, such as exist today.

The projects that have been developed on a massive scale have primarily been developed in the U.S. by the Cordish Companies. However, many districts without a single master developer have developed in a number of communities across the U.S., such as in certain suburban communities and college towns. The key to success is creating a walkable district with many options for food, beverage and in some cases, entertainment. Often, there is a public ‘square’ or other public area in these districts where beverages can be consumed from any of the restaurants/bars, making for a festival-like atmosphere. That provides a sense of community, a constant sense of energy and activity and serves a number of economic development purposes.

SWOT Analysis

This section provides an analysis of the conditions for development of a downtown entertainment district in St. Joseph via a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis. A SWOT analysis identifies critical factors that will impact the recommended Project’s overall performance. When considering the idea to develop facilities within a downtown entertainment district or any other business plan, the interested parties need to analyze the proposal in a clear and rational manner. HSP has used the “SWOT analysis” to evaluate the proposed event center, drawing on the facts surrounding the proposal, the city of St. Joseph and the surrounding community, the existing facilities in the city, the facilities that may be considered as competitors in the region, and event centers throughout the United States that would be considered comparable examples to the proposed facility.

These observations from the analysis result in recommendations on the size and quality of the event center in relation to the market. These recommendations also take into consideration the synergistic relationship the facility will have with the city of St. Joseph in general, the Holiday Inn, St. Jo Frontier Casino and an event center. The application of that analysis is as follows:

Strengths

- **St. Jo Frontier Casino** – As the location of the St. Jo Frontier Riverboat Casino, St. Joseph serves as a local and regional destination for visitors seeking entertainment. In addition and perhaps more importantly, the proposed relocation of the casino can help generate activity downtown and offer a convenient entertainment option for visitors attending conventions and meetings at the event center. It will also generate demand that will support a renovated and expanded Holiday Inn. Casinos have a natural synergy with entertainment, sports and restaurants as well. By locating the casino downtown, the viability for these types of uses improves. Without the casino, the business case for any major development downtown is marginal at best.
- **Location/Accessibility** – The site of the proposed Project is located near downtown St. Joseph's main interchange with Interstate 229. This location along the Interstate also provides a highly visible location to those traveling from outside of the area. The sites available are also centrally located downtown and provide a synergistic layout between function space, entertainment, food and beverage, retail and hotels. This will provide necessary access to amenities for those that may be in town for events at the downtown entertainment district.
- **Lack of Existing Nearby Competitors** – There is no competitor for this type of development in the local St. Joseph market or any competitive facility of any size for at least a 45-minute drive (Kansas City's downtown as well as the KC North large casinos). The northwestern region of Missouri is lacking in meeting, ballroom and other function space compared with the rest of the state and relative to its population base. The development of this downtown entertainment district will enable St. Joseph to attract groups that would have otherwise gone elsewhere in the state or region. The unaccommodated demand from the regional area has to make do with less than ideal facilities.
- **Anchor Venue for Northwestern Missouri** – Once completed, the proposed event facilities will serve as anchor meeting facilities for the northwestern region of Missouri. This will provide statewide associations a destination in the state outside of Kansas City, Branson and St. Louis that can host their events. Associations like to rotate events every few years to lesser-populated areas to make sure to appeal to all members across the state. This will help draw visitors to the region and stimulate growth for business as well as tourism.
- **Committed City and Corporate Leadership** – The City of St. Joseph and Affinity Gaming's corporate leadership have demonstrated a commitment to stimulating redevelopment and reinvestment in the central business district and revitalize the riverfront area. As active participants in the planning process, they have each committed significant resources to ensure that the facilities built will serve current and future needs of the community. In addition, these commitments may take the form of financial contributions and ongoing support that could allow for better facilities geared toward a longer-term growth trajectory, as opposed to basic facilities only meeting the needs of today.

- **Existing Tourism Base** – St. Joseph possesses a number of assets that contribute to the history of the community. St. Joseph is a unique community famous for its historical link to the Pony Express, Oregon Trail and Jesse James as well as various historical museums located throughout the community. The relocation of the St. Jo Frontier Casino would attract more visitors and activity downtown and complement the entertainment district. Visitors may be enticed to host an event in St. Joseph if facilities existed that could serve their needs.
- **Community Interest** – Interviews with stakeholders in the St. Joseph community reveal a great deal of support for projects that will enhance the city and area, including a possible multi-use event center. This was true even of professionals whose business included potential competition with a new facility.
- **Downtown Redevelopment** – Downtown St. Joseph has seen improvement based on private investment and public leadership. A vibrant downtown consists of popular restaurants, shops and entertainment, providing a more visible face to the city and drawing more visitors from the surrounding areas. This helps the community as a whole and proves to visitors that it is serious about a vision for itself, regardless of where the event center is located.
- **Ability to Induce Out-of-State Demand** – Due to its location, any development scenario, as proposed, will induce a significant amount of out-of-state demand to Missouri and help justify state incentives for the project.

Weaknesses

- **Regional Access and Location** – St. Joseph is located in a more remote portion of the state and not as close to the regional center of population, although it is only one hour north of Kansas City. Northwestern Missouri, northeastern Kansas and southwestern Iowa are sparsely populated and provide a small market from which to draw events. Even though it is located along Interstate 229, St. Joseph is still relatively isolated from other population bases, especially when compared to competitive markets and the population centers of Kansas City or other population centers of Lincoln and Omaha in Eastern Nebraska and Des Moines, Iowa. This suggests that the downtown entertainment district will need to rely primarily on drive-in based business, such as concerts, family shows, consumer shows and state-oriented events.
- **Competition** – The Western and Eastern regions of Missouri are well served by meeting facilities. These portions of the state also have a much higher population and easier access by air and highway for those coming from out of state.
- **Small Market Size/Population Base** – St. Joseph is not located near the center of population for Missouri and is in a fairly remote part of the state. This may enable the facility to only market to local groups and not see a large portion of statewide associations utilize the facility.

- **Present Lack of Events in St. Joseph** – Due to lack of function space or a decent concert facility/arena in the St. Joseph area, promoters have not considered the city a prime location for a variety of events, including family shows and major concerts. The Ron Houston Center at Northwest Missouri State University holds some events and concerts, but that facility’s major focus is the university programs, especially performing arts. This is more of a challenge to overcome than a long-term weakness.
- **Current Lack of Event Marketing** – St. Joseph has had minimal need to actively market the existing facilities for events because of the lack of availability and undesirability of current facilities. Again, this is a challenge to be overcome with funding and expertise and does not present a long-term weakness.

Opportunities

- **Attract New Business to St. Joseph** – Due to the increased exposure from the opening of this facility, St. Joseph will attract new business that would have otherwise held their event elsewhere. The facility could also help retain and attract businesses in general.
- **Generate Economic, Fiscal and Employment Impact** – The business activity at the facility will generate new spending on hotels, restaurants and retail establishments in St. Joseph, which in turn will generate jobs, tax revenues and an expanding economic base.
- **Development Opportunities** – The facility is located near undeveloped land. This provides the opportunity for additional development, such as hotels, restaurants and retail as the community grows.
- **Lack of Current Facilities** – The city and surrounding market have only limited event facilities and those that exist cannot accommodate the number and size of events that would consider St. Joseph. Other facilities in the surrounding market cater more to dirt shows such as horse shows and rodeos, and are not optimal for the groups St. Joseph would be targeting.

Threats

- **U.S. Economy and Weaker Demand** – The U.S. economy has not been strong and any long-term economic malaise will be a headwind to long-term success.
- **Competition from New Venues** – A new facility has advantages over the older regional facilities, but would lose the advantages and gain a major competitor if another city within the region develops a new event center or other facility.
- **Cost** – The cost of the project is high and that could threaten the possibility of development. As such, various development options and scenarios were recommended.

Site Analysis

Based on the comprehensive analysis, a downtown entertainment district is recommended for St. Joseph. The community is currently bypassed for other markets with event facilities because event organizers do not find suitable function space and entertainment outlets in St. Joseph when considering sites to host their events. The opportunity to host various size group events and meetings not only are leaking from St. Joseph, but from the state. St. Joseph is the largest market in Northwest Missouri and does not have the function and meeting space or the number of hotel rooms to support these events. A downtown entertainment district is a public asset and infrastructure that contributes to the quality of life and such facilities help to attract and retain employers, employees, students and visitors. All of these groups contribute to the economic vitality of an area and as such, an event center becomes a catalyst and driver of economic growth for an area if well conceived and located.

When considering potential sites for an entertainment district downtown, there are a number of civic goals that should be identified and clearly addressed in the final choice. These goals are more subjective in nature and may appeal to the emotions in a way that can't be easily quantified. The act of defining common goals of the various proponents helps to build familiarity with and consensus for the project.

The ultimate site for the downtown entertainment district should be highly visible and easily accessible from the major approaches into the city. Many of the attendees are visiting from outside the core downtown area, and wayfinding through signage and landmarks should be as simple as possible. For the downtown entertainment district to be perceived as a public asset, strong design imagery can instill a sense of civic pride, which reinforces the high degree of St. Joseph's historic culture.

One of the economic purposes to developing the downtown entertainment district is to maximize the amount of economic impact gained from collateral development. An entertainment district is developed as a community investment in the hospitality and tourism business. While this has the direct benefit of bringing visitors (and their related spending) to town, there is great benefit in new construction and jobs for the related hotel, retail and entertainment business opportunities.

A new entertainment district should also leverage the existing hospitality infrastructure. The potential expansion of the Holiday Inn hotel could support the increase in room nights generated by the relocated gaming facility and revitalized downtown entertainment programming. There will be new retail, dining and entertainment opportunities created and the CVB should work with local businesses to reinforce the efforts to revitalize the downtown area. The goal should be to make this area a unique destination and a necessary part of the St. Joseph experience for convention attendees and tourists alike.

Downtown Development Scenarios

The proposed Project is intended to address the necessary needs to support increased visitation to St. Joseph. The Project entails various components that can be considered in developing the downtown entertainment center. The components considered include:

- Relocate the St. Jo Frontier Casino downtown.
- Improve the Holiday Inn and increase the number of hotel rooms to support groups and events.
- Increase the amount of event and function space to attract and support more events.
- Program restaurant and nightlife options into the entertainment district.
- Assess the functionality of the Civic Arena and its event space.

The Project intends to integrate these elements to establish a synergistic downtown entertainment district to not only revitalize the central business district of the city, but also increase economic activity. HSP collaborated with Convergence Design and the Client to develop a series of site development concepts for downtown St. Joseph. After review and discussion, the team began to focus on one of five options that were reviewed.

The following table outlines the five scenarios discussed below.

Table 4

| St. Joseph Entertainment District Development Scenarios | | | | | |
|---|---|--|---|---|---|
| | Scenario A | Scenario B | Scenario C | Scenario D | Scenario E |
| | Casino Only | Casino-Based Event Center | Casino + Modified Civic Arena | Casino + New Civic Event Center | Casino + New Civic Event Center w/ Ballroom |
| Casino | Yes 40,000 Gross SF | Yes 40,000 Gross SF | Yes 40,000 Gross SF | Yes 40,000 Gross SF | Yes 40,000 Gross SF |
| Hotel | Purchase, improve, convert Holiday Inn | Purchase, improve, expand, convert Holiday Inn | Purchase, improve, expand, convert Holiday Inn | Purchase, improve, expand, convert Holiday Inn | Purchase, improve, expand, convert Holiday Inn |
| Rooms Renovated | 170 | 170 | 170 | 170 | 170 |
| Rooms New | 0 | 0 | 30 | 55 | 80 |
| Total Rooms | 170 | 170 | 200 | 225 | 250 |
| Event Center | None | Casino-based 2,500 seats + VIP Areas Large enough for basketball/boxing | No (See Civic Arena) | Yes 4,500 seats (5k concerts) Retractable seats for 36,000-SF Exhibit Floor 8 Suites 400 Club Seats | Yes 4,500 seats (5k concerts) Retractable seats for 36,000-SF Exhibit Floor 8 Suites 400 Club Seats |
| Civic Arena | Remains As-Is | Improvements to Civic Arena | Improvements to Civic Arena | Replaced by Event Center | Replaced by Event Center |
| Ballroom/Meeting Rooms | None Added | None Added beyond Casino-based event center | Add Several Meeting Rooms to Hotel | Add Several Meeting Rooms to Hotel | Add 8,000-SF Ballroom; 4,000-SF of Meeting Rooms |
| Restaurants/Nightlife (SF) | 15,000 Up to 5 Concepts Open to Casino & Street | 20,000 Up to 7 Concepts Open to Casino & Street | 25,000 Up to 7 Concepts Open to Casino & Street | 30,000 Up to 8 Concepts Open to Casino & Street | 35,000 Up to 9 Concepts Open to Casino & Street |
| Parking | 500 Structured | 550 Structured Valet under I-229 | 550 Structured Valet under I-229 | 600 Structured Valet under I-229 | 650 Structured Valet under I-229 |
| Arena/Event Center Mgmt | n/a | Casino | Private Mgmt | Private Mgmt | Private Mgmt |
| Casino Owns | Casino + Hotel | Casino + Hotel + Event Center | Casino + Hotel | Casino + Hotel | Casino + Hotel |

Source: Hunden Strategic Partners

The following table outlines the development budget for each of the entertainment district development scenarios.

Table 5

| St. Joseph Downtown District Scenario Budgets (000s) | | | | | |
|--|-----------------|---------------------------|-------------------------------|---------------------------------|---|
| | Scenario A | Scenario B | Scenario C | Scenario D | Scenario E |
| | Casino Only | Casino-Based Event Center | Casino + Modified Civic Arena | Casino + New Civic Event Center | Casino + New Civic Event Center w/ Ballroom |
| Casino | \$19,800 | \$19,800 | \$19,800 | \$19,800 | \$19,800 |
| Hotel | \$7,480 | \$7,480 | \$10,161 | \$12,396 | \$14,630 |
| Event Center | \$0 | \$16,202 | \$0 | \$38,296 | \$43,246 |
| Restaurants/Nightlife | \$6,188 | \$8,250 | \$10,313 | \$12,375 | \$14,438 |
| Civic Arena | \$0 | \$5,000 | \$16,088 | \$0 | \$0 |
| Parking | \$6,875 | \$7,563 | \$7,563 | \$8,250 | \$8,938 |
| Total | \$40,343 | \$64,295 | \$63,924 | \$91,117 | \$101,051 |
| Casino Cost | \$33,468 | \$51,732 | \$40,274 | \$44,571 | \$48,868 |
| Public Cost | \$6,875 | \$12,563 | \$23,650 | \$46,546 | \$52,184 |

* Currently assumed to be funded by casino
Source: Hunden Strategic Partners

The downtown redevelopment concepts assume the following site factors for the entertainment district as baseline components.

- It is assumed that the current St. Jo Frontier Casino will relocate to downtown in this redevelopment project. By law, the gaming facility must be within 1,000 feet of the riverbank.
- The Holiday Inn will be purchased, improved and rebranded.
- The current parking structure at the corner of 4th and Felix Streets will be preserved.
- A new parking structure would be placed north of the casino and/or event center.
- A diverse mix of restaurants and retail programming will be incorporated into the development along Felix Street.
- The existing surface parking parallel to I-229 is utilized as overflow event parking by adding a pedestrian bridge over the railroad tracks.
- The existing street grid is maintained to the greatest extent possible.

After feedback from the city and stakeholders, Scenario B was selected.

Scenario B

This scenario begins to introduce a more robust environment downtown by integrating and expanding components to the entertainment district. The primary focus is still surrounding the casino but adds additional event space to downtown. Landside facilities for the new gaming

facility would include new restaurants facing Felix Street and a new adjoining casino-based event center. The new event center bridges Third Street (closing the street) and connects along the east side of the existing civic arena. It would be a flexible 2,500-seat multipurpose event center that can host concerts, sporting events, conventions, trade shows and private events. Besides the necessary modification to connect the new event center to the Civic Arena, no additional renovations or enhancements will be made to the Arena.

The current Holiday Inn hotel assumes the basic assumptions and would initially renovate and improve the Holiday Inn. Future expansion would potentially increase the hotel room count to approximately 200 rooms to support additional demand created by the casino and new event center. There will be no additional event or function space developed besides the casino based event center. Similar to other proposed scenarios, the visitors will have access to the gaming facility and new parking structure by connecting skywalks from the hotel. As a more robust scenario than scenario A, additional restaurant and nightlife options will be programmed into the area to better support and service the visitors attending activities in the area. The programming for restaurants and nightlife is estimated to encompass approximately 20,000 square feet of a more diverse selection of establishments.

The following figure shows the designed layout for scenario B.

Figure 2



After review and discussion of the five proposed scenarios city leadership, local Affinity Gaming leadership and key community stakeholders identified scenarios A and B as the most achievable options that can progress the downtown revitalization and ultimately improve existing downtown offerings. Although scenarios C through E would achieve the needs and demands of the community, the pledged public financial resources required by these options would position the city to assume higher than suitable financial risk. The debt service necessary to fund these options is substantially higher than scenarios A and B, and calls for the city to pledge existing sources.

Ultimately, scenario B with proposed modifications has been acknowledged as the most suitable concept to move forward with the downtown revitalization efforts. The following items outline the proposed modified scenario B for the downtown entertainment district.

- The casino purchases the downtown land owned by the Holiday Inn and develops a new, larger casino. The site is the current Holiday Inn parking lot north of the hotel.
- The casino purchases the Holiday Inn and renovates it. No initial expansion of the hotel rooms is planned.

- Casino develops event center for its purposes.
- The casino develops restaurants that face Felix Street that are also accessible for casino guests. The proposed gross leasable restaurant space is 20,000 square feet with three to five concepts.
- The casino sells its existing site to the city or other interested group.
- The city builds a parking garage of 550 spaces adjacent to casino/event center.
- The Civic Arena will remain as it currently exists but is recommended to fund basic improvements to update ADA requirements and amenities like concessions.

In this scenario the casino based costs to the Project will total approximately \$51.7 million and public costs \$12.5 million. The proposed concept initiates the revitalization of downtown and development of an entertainment district around key venues such as the casino and Civic Arena. The casino based event center will include \$19.8 million for a new downtown casino and \$16.2 million for the event center. The \$7.4 million in renovations of the hotel and \$8.2 million in development of diverse restaurant concepts will also help to induce more overnight stays downtown and ultimately increased visitation. The new modified scenario exposes the city to limited financial risk by contributing \$7.5 million for the parking garage and \$5 million for Civic Arena upgrades. The integration of the casino, restaurant programming and an improved hotel adjacent to the entertainment district will stimulate more activity downtown.

However, the new Ag Expo Center located off Highway 36 will pose a challenging competitive facility for the Civic Arena. The limited enhancements to the Civic Arena will more than likely not be enough to keep events from relocating to the 90,000 square foot exhibit hall that will be a destination for events like trade and livestock shows. The new facility will feature an arena, business complex, retail shops and lodging facilities that will contribute to the obsolescence of the Civic Arena.

Governance

One of the most important decisions for a public entity that is considering a multi-purpose events center project is the structure of ownership and management of the facilities after completion. The manner in which a municipality structures the ownership of the development and the type of management of the facilities are central to the success of the project. The entity that develops the property will need to establish the best ownership and management structure under which the proposed events center would operate to best suit the needs of the city and to foster the success of the project.

Ownership of arenas and multi-use facilities throughout the United States varies depending on the type of facility, the nature of development of the property, and the needs of each community. However, large publicly oriented facilities in general, whether arenas, multi-purpose buildings, exhibit halls, conference centers or major convention centers, usually have one of three ownership structures. Many facilities, including most convention centers and larger arenas, are publicly owned, either by a municipality or a county. Some exhibit halls, multi-use and sports

arenas are quasi-public by establishing a not-for-profit corporation, run by a board that the locality appoints or for which it has some oversight. The last ownership structure is a totally private facility that a private corporation owns and often operates. The latter is a potential ownership structure if the St. Jo Frontier Casino were to develop a casino-based event center as part of the Project.

Facilities can be effectively run within any structure if the right, qualified management personnel are in place and the incentives and expectations are appropriate for such management. Also, it is critical that the owner (whether a City, Authority, etc.) understands the events, convention and hospitality industry. An uneducated owner coupled with any management team provides an opportunity for economic and mission failure. Within any structure, safeguards and expectations must be in place to ensure everyone is operating with the same goals. Although the St. Joseph Parks Department has done an admirable job operating the Civic Arena, HSP recommends engaging a private facility management firm whether the city proceeds with the existing Civic Arena or develops a new event center. The following are implications of choosing a private management company:

- Competition drives improvements. There are several management companies for arenas, events centers and similar facilities. By making them compete initially for a contract, the owner has a choice of vendors who will commit to excellence. Then, by reviewing and re-bidding the contract every 4 to 5 years, the threat of continued review and competition will keep the existing manager on point and allow the other bidders to offer something better.
- Such companies specialize in public assembly facility management, including convention centers and arenas, are generally members of the trade association IAVM and should be able to operate the facilities in a competent and creative manner.
- Management companies know how to maximize revenue and minimize expenses without hurting service. They also know how to staff the building with the minimum amount of manpower (which is the largest portion of expenses for a convention center). Because staff is generally non-union, they can be terminated if they are not performing and are not artificially protected from the consequences of their actions. And if labor is union, companies are in a better position to negotiate than city staff that may have political concerns. This leads to lower costs.
- Because private management companies manage other facilities, they typically train managers over time through junior roles and advance them to manage facilities only when adept at the job. They also have a network of resources to assist if the local building should need additional resources.
- Private managers should be well versed in negotiating food and beverage contracts, advertising and sponsorship deals, and related deals for the building. In many cases, the company offers their own catering company and this should be reviewed carefully to ensure each entity stands on its own merits.
- If an owner (city or authority) is unhappy with the job of management, they have several options to remedy the situation, including requesting the removal of the

manager through the management company. The management company can then provide options to the owner for replacing the manager in question.

- Private management companies have relationships with national and regional event promoters, planners and other facility users and this provides several benefits:
 - Private management should be able to fill space within their booking window due to their relationships with such event promoters.
 - Such companies can develop custom shows and events with these promoters specifically for the market if a gap exists in the market.
 - Multi-venue deals can decrease costs for the facility.
- Because of performance-based compensation, operating results should be stronger.
- Generally speaking, private management companies have a more efficient and quick procurement process for goods and services.
- Private management companies do charge fees above and beyond the cost of their general manager. The management fee is typically a flat amount with a bonus that can be achieved by meeting certain goals annually. These deal points are critical to the building's success and should be reviewed carefully. Ultimately, the efficiency, customer service, and financial results produced via the management company should more than make up for their fee. Deal negotiation is critical.
- There can be a concern of lack of control by the municipal owner over a private management company, but those checks and balances are recommended by HSP and can be properly calibrated with the right agreement.
- General managers could potentially turn over at a higher rate as new opportunities present themselves within the company's other facilities. However, this can also occur amongst public managers.

Implications

The concept of a downtown entertainment district is somewhat unique to smaller regional centers like St. Joseph. That is, in spread-out places as the Plains, regional centers serve much larger populations than their immediate metro area for shopping, dining, entertainment, sports, transportation and other activities. While the local population is relatively small, the area and population served by its assets is larger than what is considered in other areas of the country. So facilities have been developed to serve these demographic characteristics.

Larger markets typically support multiple venues with specific uses, such as performing arts centers, convention centers and fixed-seat arenas, accompanied by headquarter hotels. Smaller communities can also support such single-purpose facilities, but these are often areas in fairly close proximity to major metro areas that capitalize on the surrounding area market of one million or more residents. In both cases, the investment in single-purpose facilities can be large. All but the hotel component generally necessitate significant public funding because such facilities

generate economic activity for the community, but do not run at an operating profit level that supports debt service.

So for a smaller sized regional market center like St. Joseph, the concept of a downtown entertainment district incorporating a multi-purpose event center with other components such as function space, retail and restaurant programming is logical as it combines the majority of elements into a more efficient public assembly site. It can host and service groups, downtown working clientele as well as leisure visitors.

The big picture analysis must consider two primary factors: supply and demand. On the supply side, are there facilities locally or nearby that are adequately hosting the events that would or could be hosted by a state-of-the-art event center? If not, what are the gaps in the market supply? What are the causes of this supply gap? In terms of demand, a population base and the character of that population base create event demand for all manner of events. For example, a large, lesser-educated, poor population will not support event demand that a smaller, more educated and wealthier population base will. St. Joseph is home to a quality workforce that is generally well educated due largely to the long-term impact of Northwestern Missouri State University, and residents already support and attend events within and outside of the St. Joseph market.

On the supply side, while the Civic Arena provides options for arena usage and other activities, the usage is limited by its lack of flexibility and amenities, which ultimately impacts the types of groups that will hold events in St. Joseph. It also limits the ability of the city to benefit from revenues most new venues are generating. Premium seating and a greater sponsorship inventory would offer increased earning potential and develop critical corporate and local partnerships within the community. So while the Civic Arena does an admirable job of serving the community, it cannot serve the range of events that could be attracted to St. Joseph and thus keep economic activity in the region. The best set of facilities in the state are in Kansas City and St. Louis. However, groups, more specifically state associations, attempt to rotate their events to support all areas of the state.

The community appears to be losing not only events to other facilities, but also economic activity from the local population that travels outside the area for events. Comparable communities have developed multi-purpose facilities and have found success. The comparable communities often become competitive with St. Joseph when companies are conducting site searches. As such, developing a downtown entertainment district in St. Joseph will help economic development officials attract and retain companies and talent in the region.

Given the supply, demand and lost opportunity factors at play in St. Joseph, a downtown center entertainment district is indicated.

Existing Casino Site Development Options

In addition, the team collaborated to develop a series of options for the potential redevelopment of the current St Jo Frontier Casino site along the Missouri River. The site has several constraints that impact its redevelopment potential:

- Most significantly, the site is in the 100-year floodplain, which greatly limits options for development of permanent structures.
- Reuse of existing structures and parking is maximized to take advantage of existing construction that may not be replicable under current development restrictions.
- Uses are limited to those whose impact on and by flooding would be minimal.
- All options show a small RV park as part of the development.
- Each option shows a new marina with Missouri River access and docking for small watercraft replacing the current floating riverboat casino. This feature will require substantial review and approval by the U.S. Corps of Engineers.
- The current casino support building remains for potential repurposing. The building could be repurposed into various uses such as a waterfront restaurant facing both the river and the marina or a support facility for the marina or park.

The consulting team considered discussions and feedback provided by community stakeholders about potential reuse options of the riverfront. The Parks and Recreation Department management also provided feedback about the current use of park facilities and the potential demand for expanded facilities in the community. The following casino site redevelopment options present full buildouts and development costs that can be completed through phases over time. The options include elements that have not been fully marketed or financially analyzed and they include the following components:

- Multi-use baseball and softball fields
- Multipurpose athletic fields
- Playground
- RV Park
- Restaurant/clubhouse
- Pier and boat dock
- Public space

The following table shows the magnitude of estimated costs for the riverfront redevelopment options.

Table 6

| St. Joseph Riverfront Redevelopment Order of Magnitude Cost Estimate | | | |
|---|---------------------|---------------------|---------------------|
| Concept | A1 | B1 | C1 |
| Includes Waterworks Road | | | |
| Total Construction | \$20,500,000 | \$21,200,000 | \$22,500,000 |
| Fees & Testing (9%) | \$1,800,000 | \$1,900,000 | \$2,000,000 |
| Contingency (10%) | \$2,100,000 | \$2,100,000 | \$2,200,000 |
| Total Soft Costs | \$3,900,000 | \$4,000,000 | \$4,200,000 |
| Total Project Cost | \$24,400,000 | \$25,200,000 | \$26,700,000 |
| Excludes Waterworks Road | | | |
| Total Construction | \$12,100,000 | \$12,800,000 | \$14,100,000 |
| Fees & Testing (9%) | \$1,100,000 | \$1,200,000 | \$1,300,000 |
| Contingency (10%) | \$1,200,000 | \$1,300,000 | \$1,400,000 |
| Total Soft Costs | \$2,300,000 | \$2,500,000 | \$2,700,000 |
| Total Project Cost | \$14,400,000 | \$15,300,000 | \$16,800,000 |

Source: Convergence Design

As shown above, there are two scenarios presented based on the inclusion of Waterworks Road enhancements. The estimated costs for the three options that include improvements to Waterworks Road range from \$24.4 million to \$26.7. The redevelopment without road improvements ranges from \$14.4 million to \$16.8 million. The roadwork would add approximately \$10 million to the redevelopment.

The following figure shows the casino site redeveloped with an emphasis on multi-use ball fields.

Figure 3



Concept A includes expansion of Heritage Park with up to six additional multi-use ball fields. These fields are shown as full size ball fields that can accommodate both softball and baseball, supplementing the softball specific fields currently at Heritage Park. This expansion would give the city the ability to attract more and larger tournaments and host them in one consolidated location. Parks like Hyde Park could be utilized as practice and overflow for games and tournaments when Heritage Park hosts larger events. The current field situation cannot compete with larger and newer facilities in the region.

Currently, organizations like Pony Express do not host tournaments because the adequate facilities do not exist. The lack of a quality facility and the required fields (eight) to host larger tournaments hinders organizations or tournament organizers from utilizing St. Joseph as a tournament location. Expansion would allow groups to host tournaments and expand offerings, potentially attracting more area teams (Maryville, Savannah, Chillicothe) to utilize St. Joseph facilities.

In addition to the expanding ball fields, a tot lot for T-Ball, picnic area and playground are included in the expansion as well as an RV park.

All of the components in the following figure remain the same as the previous concept except for the development of multipurpose fields in place of the ball fields.

Figure 4



This concept proposes a redevelopment of the casino property as a soccer park to complement the softball fields in Heritage Park to the north. The multipurpose fields provide space for various sports such as soccer, football, lacrosse and others rather than just baseball or softball. The existing casino structures and parking are to be reused to the extent feasible in order to minimize construction cost and preserve existing structures that might be repurposed for other uses.

Similar to the previous two concepts, the following figure includes all the same components except for integrating both ball fields and multipurpose fields into the development.

Figure 5



The third concept proposes a full redevelopment of the casino site with a combination of multi-use ball fields and multipurpose fields. This optimizes the available space by having the multipurpose fields overlay portions of the softball/baseball outfields. The combination layout would offer more programming opportunities as well as draw more visitors to Heritage Park.

The relevant facilities, city projects, regional plans and relevant communities are varied in scope, cost and type. All of the developments try to encourage more local and regional visitors to the locations or areas, and most of the developments focus on recreation and/or entertainment. St. Joseph has a wonderful and historically significant riverfront along the Missouri River, an asset that can be utilized by taking examples from the developments described above to create a riverfront project that will encourage growth and visits to the county.

A very important aspect is that almost all of the relevant projects try to draw from two distinct sets of visitors. The first group is those who are traveling on the river and come to the development by boat, while the second group is those who are land-based and visiting the riverfront. Development of both groups appears to be a key to the success of a riverfront development.

The meeting of land and water is a natural drawing card for human activity, and in St. Joseph, the downtown waterfront is ripe for development as the city reclaims its own community center of gravity back into its historically significant downtown. The city has an excellent opportunity for creating a new area of critical mass in downtown and along the riverfront. Congregating together various elements for entertainment and carefully developed spaces with deliberate intentions for recreation, festivals, sightseeing and dining, along with the already-present built environment of

brick building in historic neighborhoods and the ecology of the riverway, will produce a center for civic spirit to re-emerge that St. Joseph and the region will be proud of, and lead an economic resurgence in the area.

Performance Projections

Scenario B includes moving the casino downtown with the addition of a casino-run event center. The event center would be owned and developed by Affinity and it would be similar to event centers at major casinos, with 2,000 seats for concerts, boxing events, sports events, etc. Much less expensive than the 4,500-seat event center in Scenarios D and E, this is a less costly option for bringing entertainment downtown and perhaps would not require the demolition of the Civic Arena, although it would become more obsolete as a result. The parking required would be 550 spaces in the new garage.

Hotel. The hotel is assumed to be renovated but not expanded. An expansion to 200+ rooms would be envisioned for a future phase as needed by the casino. With the renovation, the hotel is expected to perform better than the current hotel in terms of both occupancy and rate, although many of the room nights would be “comp’ed” or reduced rates for players.

Restaurants/Nightlife. The restaurant district is recommended to include 20,000 total square feet of restaurant/nightlife space. Restaurant sales are projected to be \$345 per square foot in this scenario, as the critical mass of the Project should lure more people downtown, especially those who may not even gamble, but are there simply for the variety of dining and entertainment options.

Estimated Development Cost and Debt Service

The estimated project cost is shown below. This may change as plans are refined and deal points negotiated between the parties.

Table 7

| St. Joseph Downtown District Scenario Budget (000s) | |
|---|-----------------|
| Scenario B | |
| Casino-Based Event Center | |
| Casino | \$19,800 |
| Hotel | \$7,480 |
| Event Center | \$16,202 |
| Restaurants/Nightlife | \$8,250 |
| Civic Arena | \$5,000 |
| Parking | \$7,563 |
| Total | \$64,295 |
| Casino Cost | \$51,732 |
| Public Cost | \$12,563 |

* Currently assumed to be funded by casino
 Source: Hunden Strategic Partners

The total cost of the Project is \$64.3 million, with \$51.7 million assumed to be spent by the casino and \$12.6 million to be spent by the city. The city portion includes the new garage and civic arena improvements. However, the deal structure will likely include an annual lease payment by the casino to pay for use rights for the garage, Civic Arena, or both. This would offset the city’s debt service pledge.

The estimated level debt service for the recommended project is shown below. Debt service can be shaped to be “uniform” for revenue streams that begin small and increase in size, so the ability to cover potential total debt service is important, not just based on level debt service. In this model, level debt service is shown. A taxable, A-rated annual appropriation bond issue through the Missouri Development Finance Board would average about 4.75 percent for a 20-year amortization and 5.10 percent for a 25-year amortization. HSP added 50 basis points to the 5.1 percent rate for market volatility, which resulted in a 5.6 percent rate.

Table 8

| Estimated Level Debt Service for Public Costs (000s) | |
|--|------------------------------|
| | Scenario B |
| | Casino-Based Event Center |
| Public Costs | \$12,563 |
| Bond Issue Amount* | <u>\$13,300</u> |
| Level Debt Service at 5.6% for 25 years | <u>\$1,001</u> |
| Total Principal & Interest over 25 years | \$25,030 |

* Issue amount 6% higher due to issuance costs and reserves
Source: Hunden Strategic Partners

As shown, the public bond for Scenario B is \$13.3 million and debt service is \$1.001 million per year. This assumes the city guarantees the debt with pledged existing sources, which would bring the borrowing costs to 5.6 percent over the 25-year period. Without such a pledge, the interest rate will likely be much higher, making payments much higher. As contemplated, if the casino agrees to a lease payment in order to run the garage and Civic Arena (also becoming responsible for any operating deficits), this would lower the city’s risk and likely use of a guarantee.

The next table shows the expected gross revenue from the hotel (renovated), casino event center and restaurants. No additional revenue is shown for the Civic Arena to be conservative. While there are expected to be many more events in a renovated arena and with casino management/promotion, the facility will also lose certain annual large events to the new county Ag Center. As such, this is shown as a zero gross revenue increment.

Table 9

| Gross Revenue Projection - Scenario B (000s) | | | | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 10 | Year 15 | Year 20 | Year 25 | Total |
| Casino (for internal use) | n/a |
| Hotel | \$6,191 | \$7,267 | \$8,337 | \$8,792 | \$9,189 | \$10,955 | \$13,615 | \$15,783 | \$18,297 | \$315,824 |
| Event Center | \$2,239 | \$2,537 | \$2,862 | \$2,948 | \$3,037 | \$3,520 | \$4,081 | \$4,731 | \$5,485 | \$97,671 |
| Restaurants/Nightlife | \$6,900 | \$7,107 | \$7,320 | \$7,540 | \$7,766 | \$9,003 | \$10,437 | \$12,099 | \$14,026 | \$251,569 |
| Civic Arena* | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Parking | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Public Gross Revenue | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Private Gross Revenue | \$13,091 | \$14,374 | \$15,658 | \$16,331 | \$16,955 | \$19,958 | \$24,052 | \$27,883 | \$32,323 | \$567,393 |
| Total | \$13,091 | \$14,374 | \$15,658 | \$16,331 | \$16,955 | \$19,958 | \$24,052 | \$27,883 | \$32,323 | \$567,393 |

* Assumed net \$0 revenue impact due to loss of events to County Ag center, made up for by new events to improved Civic Arena
Source: HSP

As shown, the hotel is projected to generate \$6.2 million the first year and increase to \$18.3 million by the 25th year. The event center is projected to generate \$2.2 million in gross ticket and other sales in the first year, increasing to \$5.5 million by the end of the period. The restaurant development is projected to generate \$6.9 million in gross sales, increasing to \$14 million by the 25th year. In total, more than \$550 million in sales are projected over the period.

Approximately \$500 million in new revenue (not counting casino gaming revenues) are projected in the 23-year time horizon that matches the Downtown Preservation time horizon for tax rebates, in case it is utilized.

The estimated tax revenue streams are shown in the table.

Table 10

| Incremental Tax Revenue Projection - Scenario B (000s) | | | | | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|------------------|
| Tax Revenue | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 10 | Year 20 | Year 23 | Year 25 | Total |
| Sales Tax | | | | | | | | | | |
| State (General Fund) | \$ 230 | \$ 254 | \$ 278 | \$ 289 | \$ 300 | \$ 352 | \$ 489 | \$ 535 | - | \$ 8,858 |
| County General Fund (Buchanan) | \$ 38 | \$ 42 | \$ 46 | \$ 48 | \$ 50 | \$ 59 | \$ 82 | \$ 89 | - | \$ 1,476 |
| County Tourism Fund (Buchanan) | \$ 8 | \$ 8 | \$ 9 | \$ 10 | \$ 10 | \$ 12 | \$ 16 | \$ 18 | - | \$ 295 |
| City Sales Tax (General Fund) | \$ 230 | \$ 254 | \$ 278 | \$ 289 | \$ 300 | \$ 352 | \$ 489 | \$ 535 | - | \$ 8,858 |
| City Sales Tax (Mass Transit) | \$ 57 | \$ 63 | \$ 69 | \$ 72 | \$ 75 | \$ 88 | \$ 122 | \$ 134 | - | \$ 2,215 |
| Subtotal | \$ 563 | \$ 621 | \$ 681 | \$ 709 | \$ 735 | \$ 863 | \$ 1,199 | \$ 1,310 | - | \$ 21,703 |
| Transportation District Tax** | \$ 131 | \$ 144 | \$ 157 | \$ 163 | \$ 170 | \$ 200 | \$ 279 | \$ 305 | - | \$ 5,037 |
| Utility Tax (State Sales) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total State Program Taxes | \$ 694 | \$ 765 | \$ 837 | \$ 872 | \$ 904 | \$ 1,062 | \$ 1,477 | \$ 1,614 | \$ - | \$ 26,740 |
| Additional City Funding Sources | | | | | | | | | | |
| CID | \$ 77 | \$ 85 | \$ 93 | \$ 96 | \$ 100 | \$ 117 | \$ 163 | \$ 178 | \$ 189 | \$ 3,325 |
| Hotel/ Motel Tax 3%*** | \$ 135 | \$ 158 | \$ 181 | \$ 190 | \$ 198 | \$ 236 | \$ 317 | \$ 346 | \$ 367 | \$ 6,474 |
| Hotel/ Motel Tax 6%*** | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Property Tax Increment - Hotel | \$ 12 | \$ 12 | \$ 12 | \$ 12 | \$ 12 | \$ 14 | \$ 17 | \$ 18 | \$ 18 | \$ 368 |
| Property Tax Increment - Restaurants | \$ 85 | \$ 87 | \$ 88 | \$ 90 | \$ 92 | \$ 101 | \$ 124 | \$ 131 | \$ 137 | \$ 2,718 |
| Incremental Casino Property Tax | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Local Funding Sources | \$ 308 | \$ 341 | \$ 373 | \$ 389 | \$ 403 | \$ 468 | \$ 620 | \$ 673 | \$ 711 | \$ 12,886 |
| Total Potential State & Local Sources | \$ 1,002 | \$ 1,106 | \$ 1,211 | \$ 1,260 | \$ 1,307 | \$ 1,531 | \$ 2,097 | \$ 2,288 | \$ 711 | \$ 39,625 |

* 2.54% generally, but figured lower due to lower paying jobs onsite
 ** Only applicable to Holiday Inn & Parking Parcel (which includes casino & restaurants)
 *** 3% applies to existing Holiday Inn; 6% applies to new rooms
 Source: Hunden Strategic Partners

The first set of figures represents potentially eligible state Downtown Preservation rebate funds if allowed. HSP does not believe these would necessarily be allowed, given the ownership and operations of the facilities. State allowable taxes are expected to total \$26.7 million over the 23-year period, which is the maximum that could be redirected. In any case, the state is not likely to allow a full 100 percent of tax redirection, even if the project qualified for assistance.

The more important revenues are those from the local CID, hotel/motel tax and property taxes. The total local incremental taxes from the proposed Project total \$12.9 million, with approximately half from the hotel/motel tax over a 25-year period.

The next table shows the state and local revenue streams and how those cover the level debt service.

Table 11

| Plan of Finance - St. Joseph Development Scenario B (Level Debt Service, (000s)) | | | | | | | | | | |
|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 10 | Year 15 | Year 20 | Year 25 | Total |
| Scenario B | | | | | | | | | | |
| 100% of Possible MO-DP Funds | \$ 694 | \$ 765 | \$ 837 | \$ 872 | \$ 904 | \$ 1,062 | \$ 1,274 | \$ 1,477 | \$ - | \$26,740 |
| 100% of Possible Local Funds | \$ 308 | \$ 341 | \$ 373 | \$ 389 | \$ 403 | \$ 468 | \$ 541 | \$ 620 | \$ 711 | \$12,886 |
| Total Funding Sources | \$ 1,002 | \$ 1,106 | \$ 1,211 | \$ 1,260 | \$ 1,307 | \$ 1,531 | \$ 1,815 | \$ 2,097 | \$ 711 | \$39,625 |
| Debt Service on Public Improvements | \$ 1,001 | \$ 1,001 | \$ 1,001 | \$ 1,001 | \$ 1,001 | \$ 1,001 | \$ 1,001 | \$ 1,001 | \$ 1,001 | \$25,030 |
| Net | \$ 1 | \$ 105 | \$ 209 | \$ 259 | \$ 306 | \$ 529 | \$ 814 | \$ 1,096 | \$ (290) | \$14,595 |
| Amount of possible MO-DP Funds Needed | 45.4% | | | | | | | | | |
| Source: Hunden Strategic Partners | | | | | | | | | | |

In this scenario, the local revenue streams could likely cover 51 percent of the debt service over the period. If Missouri Downtown Preservation funds are required, about 45 percent of those incremental funds would be required. The program only allows for 23 years of rebates, so only 23 years were considered.

The next table shows how replacing the state program rebates with a casino lease would benefit the funding plan for the Project.

Table 12

| Plan of Finance - St. Joseph Development Scenario B - No State Rebates - With Casino Lease Pmt (Level Debt Service, (000s)) | | | | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 10 | Year 15 | Year 20 | Year 25 | Total |
| Scenario B | | | | | | | | | | |
| Casino Lease Payment | \$ 800 | \$ 775 | \$ 750 | \$ 725 | \$ 700 | \$ 700 | \$ 700 | \$ 700 | \$ 700 | \$15,350 |
| 100% of Possible Local Funds | \$ 308 | \$ 341 | \$ 373 | \$ 389 | \$ 403 | \$ 468 | \$ 541 | \$ 620 | \$ 711 | \$11,482 |
| Total Funding Sources | \$ 1,108 | \$ 1,116 | \$ 1,123 | \$ 1,114 | \$ 1,103 | \$ 1,168 | \$ 1,241 | \$ 1,320 | \$ 1,411 | \$26,832 |
| Debt Service on Public Improvements | \$ 1,001 | \$ 1,001 | \$ 1,001 | \$ 1,001 | \$ 1,001 | \$ 1,001 | \$ 1,001 | \$ 1,001 | \$ 1,001 | \$23,028 |
| Net | \$ 107 | \$ 114 | \$ 122 | \$ 112 | \$ 102 | \$ 167 | \$ 240 | \$ 319 | \$ 410 | \$ 3,805 |
| Debt Service Coverage Ratio | 1.11 | 1.11 | 1.12 | 1.11 | 1.10 | 1.17 | 1.24 | 1.32 | 1.41 | |
| Source: Hunden Strategic Partners | | | | | | | | | | |

In this scenario, the casino lease necessary would begin at \$800,000 and decrease to \$700,000 by the fifth year. This would provide 1.1x debt service coverage in all years, increasing to 1.4x by the 25th year. If the public project costs were greater than expected, the annual lease payment structure would need to be increased, although it could decrease over time as the city's funding streams improved.

In summary, there are ways to fund this transformative Project for St. Joseph. While deal points cannot be negotiated here, the conceptual structure of a plan has been reviewed and can serve as a basis for the beginning of public and private conversations about the Project.

Conclusion

In summary, there are ways to fund this transformative Project for St. Joseph. While deal points cannot be negotiated here, the conceptual structure of a plan has been reviewed and can serve as a basis for the beginning of public and private conversations about the Project.

Report Layout

- Executive Summary
- Chapter 1 Economic and Demographic Profile of St. Joseph
- Chapter 2 Gaming Market Analysis
- Chapter 3 Civic Arena Analysis
- Chapter 4 Entertainment Facility Trends & Comparable Facilities
- Chapter 5 Competitive Event Facilities Analysis
- Chapter 6 Convention Center Trends & Comparable Facilities
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- Chapter 10 Casino Site/Riverfront Re-Use Options
- Chapter 11 Performance Projections
- Chapter 12 Financing Analysis

About Hunden Strategic Partners

Hunden Strategic Partners is a full service real estate development advisory practice specializing in destination assets. With professionals in Chicago and Indiana, Hunden Strategic Partners provides a variety of services for all stages of destination development in the following primary areas:

- Real estate market and financial feasibility and financial consulting
- Owner's representation and operating consulting
- Strategy and master planning
- Public incentive analysis
- Economic, fiscal, and employment impact analysis (cost/benefit)
- Economic and tourism policy/legislation consulting
- Organizational development
- Research and statistical analysis
- Developer solicitation and selection; Private management company solicitation and selection

Hunden Strategic Partners professionals have provided all of the above services for hundreds of client projects worldwide for the public, non-profit and private sectors. In addition, our professionals have prior professional career experience in municipal and state government, economic and real estate development, real estate law, hotel operations and non-profit management. Over 70 percent of our clients are public entities, such as municipalities, counties, states, convention bureaus, authorities and other quasi-government entities empowered to conduct real estate, economic development and tourism activities.

Limiting Conditions

HSP relied on primary and secondary sources of information for the assumptions made in this report and assumes these sources to be accurate. Assumptions created for the analysis were based on the data available to HSP during the study period as well as professional judgment.

The Project is assumed to be owned and operated in a first-class manner by the parties who have operated similar facilities.

No responsibility is taken for unforeseen events occurring after the date of the analysis, including war and terror attacks, natural disasters and major economic recessions. Changes to the design, budget, marketing and management assumed will materially impact results.

This report is intended to be used as a tool for decision-making by the contracting parties related to this Project and for no other purpose.

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ECONOMIC & DEMOGRAPHIC ANALYSIS

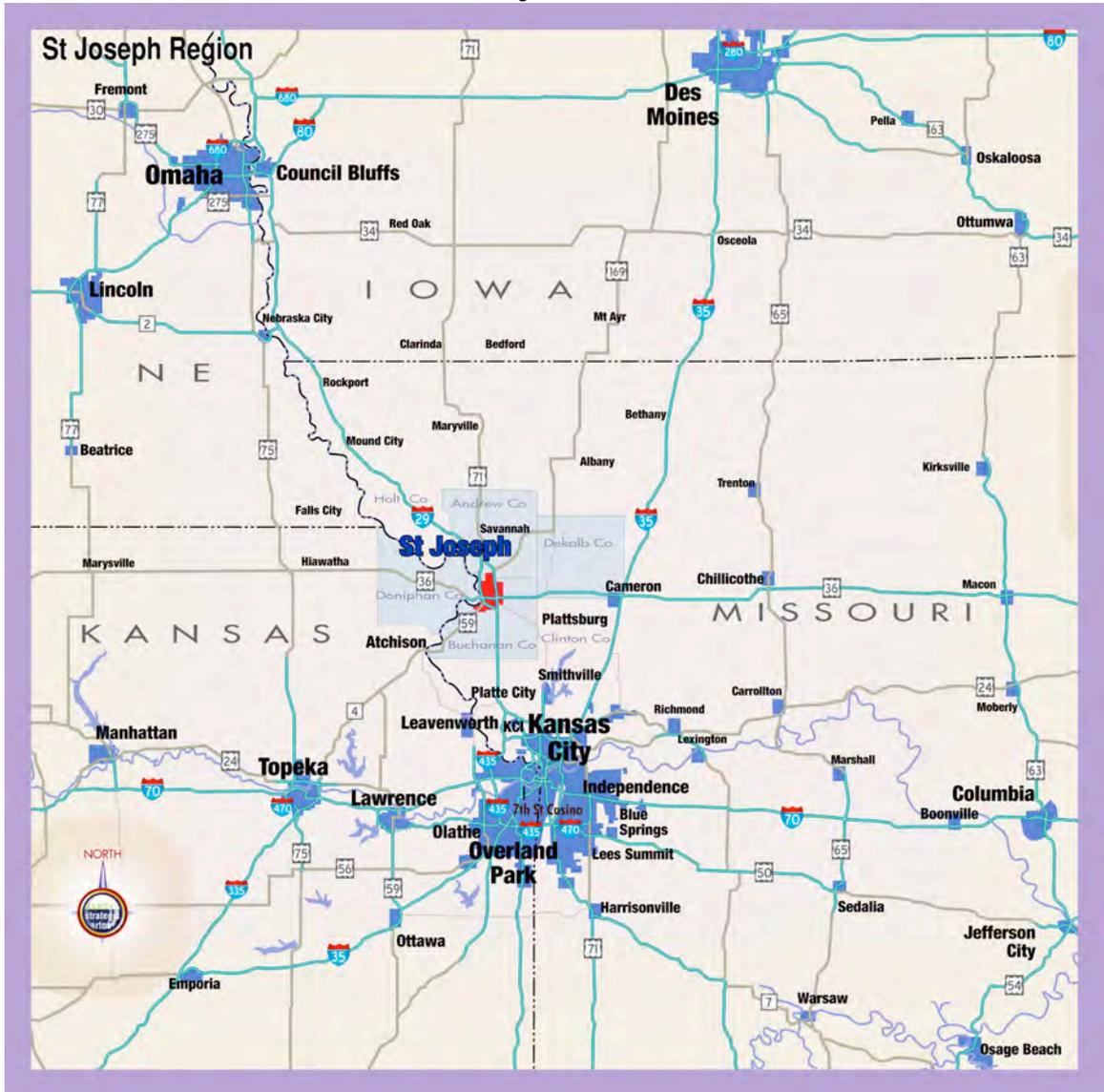
Local market area characteristics such as population, a diversified economy, education, access and tourist attractions influence the potential demand for mixed-used developments in the downtown area. This section profiles the City of St. Joseph and the surrounding area, including an overview of the economic characteristics of the market and the area.

Overview

The City of St. Joseph is located in the northwest area of the state of Missouri. The city is centrally located near the states of Iowa, Nebraska and Kansas within driving distance to key cities in each state such as Kansas City, Missouri (54 miles south), Topeka, Kansas (76.5 miles southwest) and Lincoln, Nebraska (175 miles northwest). St. Joseph is part the four-county St. Joseph Metropolitan Statistical Area (MSA), which includes Andrew, Buchanan, DeKalb and Doniphan Counties. The city serves as the primary city in Buchanan County accounting for the majority of the county's population of 83,003.

The figure below shows a map of the region.

Figure 1-1



As shown, St. Joseph is on the northwest quadrant of the state neighboring the states of Iowa, Kansas and Nebraska.

Airport Access

The Kansas City International Airport (MCI – and known as KCI locally) is the primary airport serving the city of St. Joseph. Fortunately for St Joseph, the airport is located twenty miles north of Kansas City, and so is only 39 miles and about 30 minutes away on interstate 29 from St. Joseph. That is the same distance from which suburban Olathe, KS lies from MCI. The airport’s

location is a great advantage to St. Joseph's residents and businesses and could make it as attractive a location from events as many other Kansas City area communities.

Comprised of over 10,000 acres, MCI opened in November 1972 as Mid-Continent International Airport. Originally it was built oversized to serve as the world headquarters for the now-defunct TWA airlines. MCI has three runways, three full-service passenger terminals totaling over one million square feet with 66 boarding gates. The airport's parking accommodates 24,531 vehicles for airport visitors, and was designed with the idea of giving guests the shortest walking distance between their autos and their destination gate. After the attacks of 9/11 of 2001, airport security regulations caused the airport to drastically change its passenger flow, yet still the distance between the gates and the drop-off/pick-up area is the shortest of any major airport. .

Kansas City International Airport has 11 airline carriers that serve the airport, providing daily non-stop flights to 45 markets for approximately 900,000 passengers per month.

In St. Joseph, the Rosecrans Memorial Airport is home to Missouri's Air National Guard, the 139th Airlift Wing. Located three miles west of St. Joseph, the airport is used for private aircraft. It has not been used for commercial travel since 1959.

Highway Access

St. Joseph is regionally connected to multiple cities through a series of highways. Interstate 229 begins southeast of the city at I-29 and US Route 71, travelling to the northwest into the City. It is important in serving the industries in the southwestern edge of the city, and downtown business district. Another highway traversing St. Joseph is US Route 59, a border-to-border route part of the NAFTA Corridor Highway System. The route follows the Missouri River paired with I-229. Running west to east, US Route 36 is a limited access freeway that runs from the Kansas and the Pony Express Bridges near downtown, to its eastern terminus at Interstate 72 in Hannibal, Missouri. Access from St. Joseph to the nearby population centers of Kansas City, cities of northeastern Kansas, Omaha, Lincoln, Des Moines, Columbia/Jefferson City, and St. Louis is made rather direct and quick by these highways.

Public Transportation

The City of St. Joseph offers "The Ride," the public transportation service to residents and visitors managed by the Public Works and Transportation Department. The Ride operates eight routes through the City from Monday to Saturday during the day. "Night Ride" is the alternative system providing late night and Sunday flex service to residents as well.

Population

A large population base is important to the success and demand of a mixed-use facility and related developments because a share of its users will be local businesses and residents.

The table below shows the population characteristics of the state, MSA, County and City.

Table 1-1

| City of St. Joseph, St. Joseph MSA, Buchanan County and State Population and Growth Rates | | | | |
|---|-------------|-------------|-------------|-------------------------------|
| | Population | | | Percent Change 2000 - 2010 |
| | 1990 | 2000 | 2010 | |
| United States | 248,709,873 | 281,421,906 | 308,745,538 | 9.7% |
| State of Missouri | 5,117,073 | 5,595,211 | 5,988,927 | 7.0% |
| Saint Joseph MSA | 116,008 | 123,968 | 126,319 | 1.9% |
| <i>Buchanan County</i> | 83,083 | 85,998 | 89,201 | 3.7% |
| DeKalb County | 9,967 | 11,597 | 12,892 | 11.2% |
| Andrew County | 14,632 | 16,492 | 17,291 | 4.8% |
| Doniphan County | 8,134 | 8,249 | 7,945 | -3.7% |
| City of Saint Joseph | 71,852 | 73,991 | 76,780 | 3.8% |
| City Pop. As % of mSA | 61.9% | 59.7% | 60.8% | |

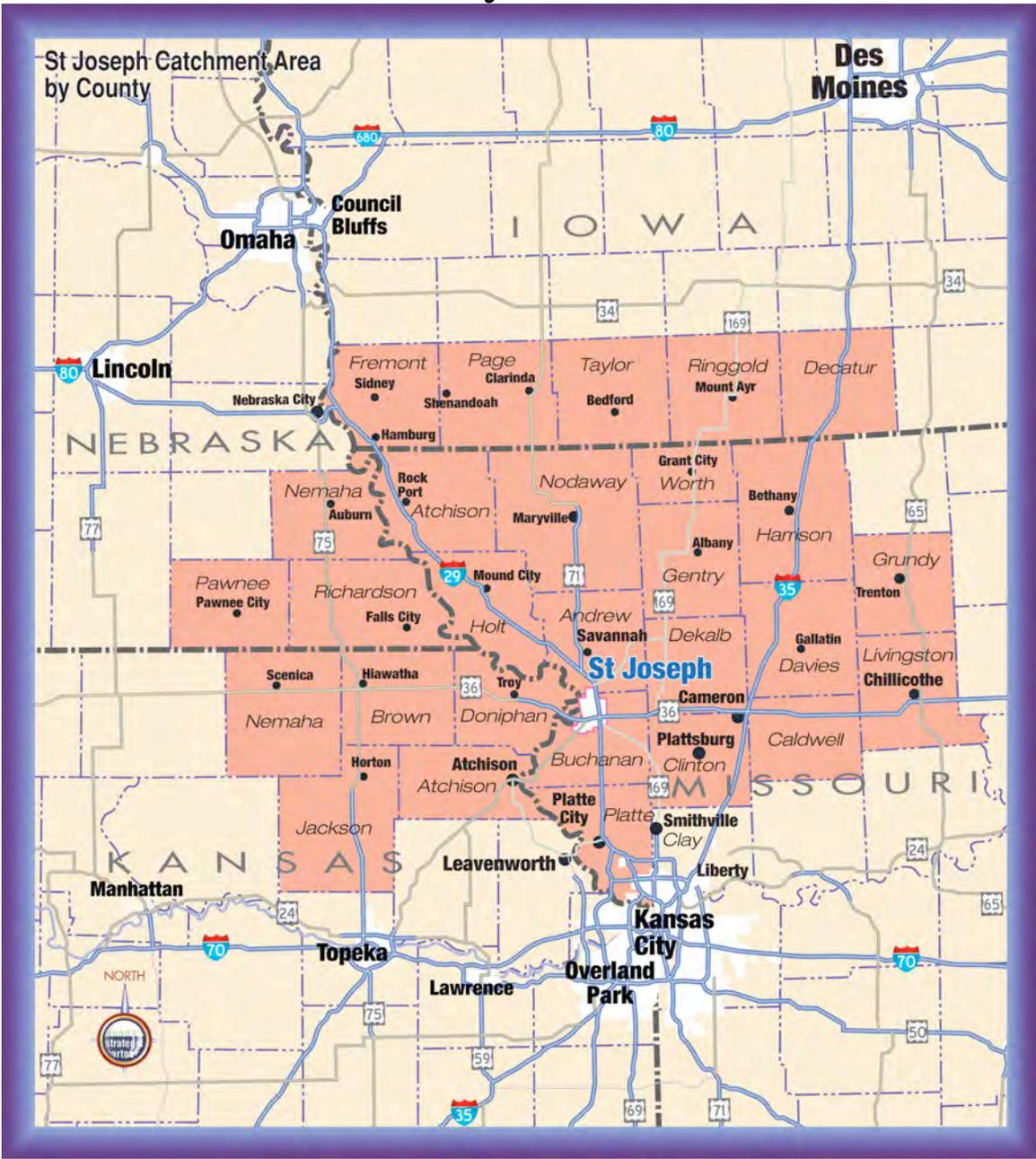
Source: U.S. Census Bureau, Hunden Strategic Partners

The Counties forming the MSA, all together recorded a 1.9 percent population increase, however, Doniphan County’s population decreased 3.7 percent to 7,945 resident while DeKalb County’s population increased 11.2 percent to nearly 13,000 inhabitants. Although, the City of St. Joseph did not register most of the growth for the MSA, it does account for 60 percent of the population with 76,780 out of the 126,319 of the MSA. The growth rate of the area is lower than that of the state and the state’s growth rate (7.0 percent) is lower than that of the U.S. (9.7 percent).

However, the population of the MSA is not the only area to be considered for a mixed-use destination project as that proposed in this report. For event centers, convention centers, casinos and restaurant/entertainment districts, people will often travel for up to two hours for entertainment and other activities. There are a number of people that live within easy driving distance who live outside of Missouri that will represent out-of-state impact to any new project as they come to Missouri to spend money at any project component.

The next figure shows a map of the trade area.

Figure 1-2



The non-Missouri populations of these areas are shown in the following table.

Table 1-2

| Non-Missouri Population within St. Joseph Trade Area | | | | | | |
|--|--------------------------|----------------|----------------------------|-------------------------|----------------|----------------|
| State | County | Population | State | County | Population | |
| Iowa | Ringgold | 5,119 | Kansas | Atchison | 5,569 | |
| | Taylor | 6,305 | | Holt | 4,814 | |
| | Fremont | 7,367 | | Nodaway | 23,468 | |
| | Decatur | 8,284 | | Worth | 2,150 | |
| | Page | 15,987 | | Harrison | 8,866 | |
| | Subtotal Iowa | 43,062 | | Clinton | 20,789 | |
| Kansas | Doniphan | 7,945 | | Gentry | 6,786 | |
| | Brown | 10,010 | | Davies | 8,313 | |
| | Nemaha | 10,113 | | Caldwell | 9,315 | |
| | Jackson | 13,433 | | Grundy | 10,228 | |
| | Atchison | 16,924 | | Livingston | 15,074 | |
| | Subtotal Kansas | 58,425 | | Platte** | 90,903 | |
| Nebraska | Pawnee | 2,735 | | Buchanan | 89,666 | |
| | Nemaha | 7,280 | | Andrew | 17,169 | |
| | Richardson | 8,345 | | Dekalb | 12,767 | |
| | Subtotal Nebraska | 18,360 | | Total Missouri | 325,877 | |
| Total - Non-Missouri | | 119,847 | | Total Trade Area | | 445,724 |
| | | | % Outside Missouri | | 27% | |
| | | | Not Counting Platte | | 34% | |

** Part of KC Metro but part of St Joseph Trade Area
Source: Hunden Strategic Partners, US Census Bureau

As shown, there are nearly 120,000 residents outside of Missouri within the St. Joseph trade area. There are an additional 326,000 residents in the trade area on the Missouri side, although it shares about 91,000 residents with the Kansas City MSA. The Kansas City trade area, depending upon the attraction, encompasses much of the St. Joseph trade area as well. Various attractions, whether an arena, sports team, large store or casino attracts from different geographic areas. However, for the majority of uses in the proposed project, the visitors will be coming from the St. Joseph trade area above. About one third of these are expected to come from outside of Missouri.

Diversified Economy

A healthy and diversified economy provides not only employment and disposable income for a market's residents, but it also helps to insulate an area from economic downturns. Markets that have historically relied on one sector have often had difficulty recovering from market shifts to other sectors, which lead to an overall loss of local income and employment. This situation will often lead to declining population trends, as has been the case in many industrial cities, as residents move to other areas with better opportunities. Markets with diversified employment can often withstand economic downturns better than those reliant on one industry.

The figure below shows the 2010 levels of employment by sector for Buchanan County.

Figure 1-3

| Buchanan County Employment by Category - 2010 | | |
|---|-----------|------------------|
| Description | Employees | Percent of Total |
| Employment by place of work (number of jobs) | | |
| Total Employment | 56,294 | 100% |
| By Industry | | |
| Farm employment | 870 | 1.5% |
| Nonfarm employment | 6,624 | 11.8% |
| Private employment | | |
| Manufacturing | 9,283 | 16.5% |
| Health care and social assistance | 7,042 | 12.5% |
| Retail trade | 6,588 | 11.7% |
| Accommodation and food services | 4,004 | 7.1% |
| Administrative and waste management services | 3,773 | 6.7% |
| Other services, except public administration | 2,802 | 5.0% |
| Finance and insurance | 2,622 | 4.7% |
| Construction | 2,464 | 4.4% |
| Professional, scientific, and technical services | 1,892 | 3.4% |
| Transportation and warehousing | 1,811 | 3.2% |
| Real estate and rental and leasing | 1,542 | 2.7% |
| Wholesale trade | 1,539 | 2.7% |
| Arts, entertainment, and recreation | 801 | 1.4% |
| Information | 741 | 1.3% |
| Management of companies and enterprises | 452 | 0.8% |
| Educational services | 366 | 0.7% |
| Utilities | 239 | 0.4% |
| Government and government enterprises | | |
| State and local | 6,450 | 11.5% |
| Local government | 3,625 | 6.4% |
| State government | 2,825 | 5.0% |
| Federal, civilian | 548 | 1.0% |
| Military | 336 | 0.6% |

Source: Bureau of Economic Analysis, HSP

As shown, employment in Buchanan County has several primary industries in the private and public sector. The area is not dominated by one particular industry or sector, insulating from severe shocks relative to other areas. Manufacturing is the top employing industry, accounting for

over 9,000 employees, followed by health care and retail with 12.5 percent and 11.7 percent of the total jobs in the county, respectively.

Income and Housing

The depth and strength of a market’s employment base and income levels is a strong indicator of its ability to support meeting and event facilities. Indicators of a market’s overall wealth and growth can include trends in its income and employment.

The following table provides data on home ownership, income and retail sales, based on the latest data from the US Census Bureau.

Table 1-3

| Income, Spending and Other Demographic Data | | | |
|--|-----------|-----------------|------------|
| Category | Missouri | Buchanan County | St. Joseph |
| Homeownership rate, 2006-2010 | 70.0% | 67.9% | 65.3% |
| Median value of owner-occupied housing units, 2006-2010 | \$137,700 | \$107,800 | \$100,700 |
| Persons per household, 2006-2010 | 2.45 | 2.47 | 2.43 |
| Per capita money income in past 12 months (2010 dollars) 2006-2010 | \$24,724 | \$21,638 | \$21,002 |
| Median household income 2006-2010 | \$46,262 | \$42,393 | \$40,430 |
| Persons below poverty level, percent, 2006-2010 | 14.6% | 14.0% | 16.4% |
| Private nonfarm employment, percent change, 2000-2010 | -4.4% | 18.5% | n/a |
| Retail sales per capita, 2007 | \$12,957 | \$16,199 | \$18,646 |

Source: US Census Bureau

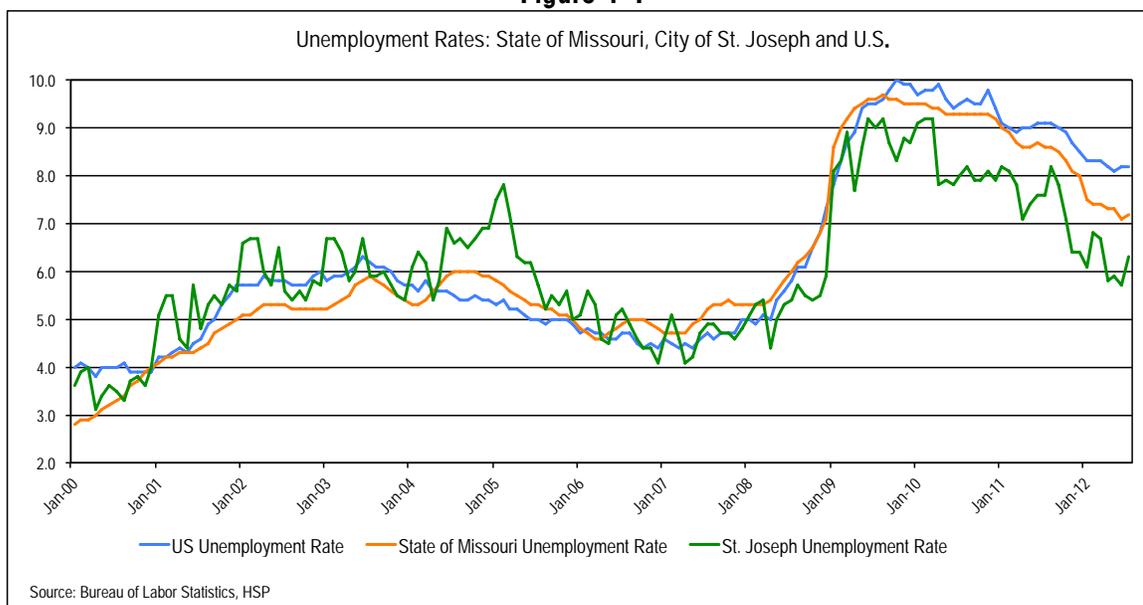
The home ownership rate is slightly lower in St. Joseph and Buchanan County than in Missouri, but still relatively high. The median value of owner-occupied homes is lower in St. Joseph than the County or Missouri, at \$100,700. Real estate values are determined by a combination of factors, including density, demand, income levels, etc. As a small city without land constraints and a modest economy, its housing costs are lower than a larger city or metro area. The income per person and per household is lower than Buchanan County or that of Missouri and the poverty rate is higher. However, employment in the county increased 18.5 percent from 2000 to 2010, suggesting continued economic growth. Despite the fact that incomes are lower in St. Joseph, the retail sales per capita are much higher in St. Joseph than in the county or state.

A major downtown project, as proposed, will be a center of employment and spending, as well as spending from those living outside of the city, which should help increase several of the metrics above. More employment in St. Joseph will support housing demand and more sales in terms of tickets, food and beverage and lodging.

Unemployment

The figure below shows the unemployment rate in the City (green line), the state (orange line) and the U.S. (blue line) for 1990 through July 2012.

Figure 1-4



Unemployment rates for St. Joseph, previous to the 2008 economic crisis, had been considerably higher than that of the state and the country, however during the recession, unemployment rates were lower than either the state or nation, by up to 1.5 percentage points. These unemployment figures demonstrate the area's ability to remain somewhat resistant to economic downturns, at least relatively speaking. The City's current rate of unemployment of just over six percent is low compared with the past year.

Corporate Presence

In general, a market's corporations provide stability to a market and generally consistent employment. They also provide demand for various real estate developments, especially meeting and hotel facilities.

The following table shows the largest employers in the City of St. Joseph by number of full-time employees.

Table 1-4

| City of St. Joseph Top Employers | | |
|---|-----------------|---------------------|
| Company Name | Industry | Number of Employees |
| Heartland Health | Healthcare | 3,451 |
| Triumph Foods | Food Processing | 2,725 |
| Saint Joseph School District | Education | 1,877 |
| Altec Industries | Manufacturing | 906 |
| Beahringer Ingelheim Vetmedica, Inc. | Pharmaceuticals | 802 |
| Wal-Mart | Retail | 780 |
| American Family Insurance | Insurance | 777 |
| City of Sint Joseph | Government | 665 |
| Sara Lee Foods | Food Processing | 650 |
| Western Reception, Diagnostic and Correctional Center | Government | 576 |

Source: Missouri Economic Development, HSP

As shown, the largest employers in the City of St. Joseph are Heartland Health and Triumph Foods, providing over 6,000 jobs between them. The Saint Joseph School District and Altec Industries employ 1,877 and 906 individuals, respectively.

Higher Education

The presence of colleges, universities, and educational institutions can serve as a major demand base for meeting, event and hotel facilities.

The table below shows colleges and universities in the St. Joseph area.

Table 1-5

| Saint Joseph Area Colleges & Universities | | | | |
|---|-------------------|----------------------------|------------------------|------------|
| Institution | Location | Distance from Saint Joseph | Highest Degree Offered | Enrollment |
| Northwest Missouri State University | Maryville, MO | 45 miles | Master | 7,200 |
| Benedictine College | Atchison, KS | 20 miles | Master | 1,300 |
| Hillyard Technical Center | Saint Joseph, MO | 0 miles | Associate | 1,650 |
| Vatterott College | Saint Joseph, MO | 0 miles | Associate | 700 |
| Missouri Western State University | Saint Joseph, MO | 0 miles | Graduate | 5,500 |
| Other Regional Colleges and Universities, not within the immediate St. Joseph marketplace | | | | |
| University of Kansas | Lawrence, KS | 75 miles | Master | 29,500 |
| Baker University | Baldwin City, KS | 93 miles | Bachelor | 2,730 |
| Central Missouri University | Warrensburg, MO | 113 miles | Master | 11,000 |
| University of Missouri Kansas City | Kansas City, MO | 60 miles | Graduate | 15,000 |
| Metropolitan Community College* | Kansas City, MO | 40-75 miles | Bachelor | 18,000 |
| Johnson County Community College | Overland Park, KS | 65 miles | Bachelor | 22,000 |
| <i>Total</i> | | | | 98,230 |
| * Five locations through the Kansas City Area | | | | |
| Source: Missouri Economic Development, HSP | | | | |

There are several educational institutions in the area that offer degree programs and certifications including five universities, two colleges, one technical center and one community college. The largest is Northwest Missouri State University, with over 7,000 students. In addition to providing educational opportunities for area residents, these colleges and universities offer attractive employment opportunities that provide increased spending power in the market. The immediate St. Joseph regional schools enroll approximately 16,000 students and this provides significant economic activity to the community. Farther out from St. Joseph, closer to Kansas City, an additional 98,000 students are attending colleges and universities in the area.

Educational Attainment

The level of education in a community is generally linked to income potential and hence, disposable income and long-term growth. Highly educated people have more choices in their decision to locate themselves and their families. The higher the education level, the stronger the labor market and the more disposable income that is available for spending on eating out and attending events.

The table below shows the educational attainment in the area.

Table 1-6

| Educational Attainment | | |
|----------------------------|------------|---------------|
| Age 25+ Population | St. Joseph | United States |
| High School or Above | 80.9% | 84.9% |
| Bachelors Degree or Higher | 17.1% | 17.6% |
| Graduate Degree | 5.7% | 10.4% |

Source: CLR Research, HSP

St Joseph’s adult population falls behind the national average in terms of high school graduates and graduate degrees, by 4 and 5 percentage points, respectively. The percentage of adults achieving a bachelors degree nearly equals the U.S. average. These metrics are typical for smaller micropolitan areas that are not part of a major metropolitan area. Attracting those with higher degrees is not as necessary except in health care and at certain corporations. Since these are few in number, the number of those with graduate degrees is also lower.

Tourism

Tourist attractions provide visitors activities while in town and if compelling enough, induce visitation. The more tourist attractions, the better the community can lure meetings, events and hotel stays.

The table below shows the St. Joseph area top tourist attractions.

Table 1-7

| City of St. Joseph Tourist Attractions | |
|---|----------------------------|
| Attraction | Type |
| Albrecht-Kemper Museum of Art | Cultural |
| Glore Psychiatric Museum | Cultural |
| Jesse James Home Museum | Cultural |
| National Military Heritage Museum | Cultural |
| Patee House Museum Carousel | Cultural |
| Pony Express National Museum | Cultural |
| Robidoux Row Museum | Cultural |
| Society of Memories Doll Museum | Cultural |
| Agency Ford Museum | Cultural |
| Sally Rand Museum/Barnard House 1877 | Cultural |
| The Saint Joseph Fire Museum | Cultural |
| Mount Mora Cemetery | Cultural |
| Pony Express Monument | Cultural |
| Northwest Missouri Genealogical Society Library | Cultural |
| Missouri Theater | Entertainment |
| Terrible St. Jo Frontier Casino | Entertainment |
| Buchanan County Courthouse | Historic |
| Saint Joseph Museum | Historic |
| The Black Archives Museum | Historic |
| Twin Spires Cathedral | Historic |
| Wyeth-Tootle Mansion | Historic |
| Bartlett Park | Recreational |
| St. Joseph Aquatic Park | Recreational |
| Remington Nature Center | Recreational/Entertainment |
| Civic Arena | Recreational/Entertainment |
| Civic Center Park | Recreational/Entertainment |
| Bode Sports Complex | Sports |
| Phil Welch Stadium | Sports |
| Noyes Sports Complex | Sports/ Recreation |
| Source: St. Joseph CVB, HSP | |

St. Joseph was, at the time of the American Civil War, the state’s second largest city after St. Louis. It was a bustling center of commerce, particularly because it was the farthest point of westward expansion of railroad service in America, and from there, all western travel continued over land via horses and wagon. Because of this early development relative to the Plains States west of the Mississippi River, it is home to a large volume of historic buildings, including architecturally and culturally significant structures. Included within the array of tourist offerings is a variety of cultural, entertainment, historic and recreational attractions such as the Jesse James Home Museum, Pony Express National Museum, the Northwest Missouri Genealogical Society Library and recreational attractions such as the St. Joseph Aquatic Park and Bode Sports Complex. The collection of so many historic museums is a strong focal point for St. Joseph and its visitors.

Several attractions are further described below.

- **Albrecht-Kemper Museum** – Housing American art from the 18th to the 20th century, the museum begun in 1913 with one painting – “A Venetian Balcony” by William Merrit Chase and the creation of the St. Joseph Art League. Currently, the museum is one of the more relevant in the Midwest, with its collection that includes American landscape paintings, American impressionism and colonial portraits.
- **Glore Psychiatric Museum** – Founded by George Glore, a Missouri Department of Mental Health Care researcher, in 1874, the museum comprises one of the largest and comprehensive exhibitions explaining the evolution of mental health care since its beginning. The museum is housed in what used to be the States “Lunatic Asylum No. 2” and it features full-size replicas, displays, audio-visuals, artifacts and documents for visitors to understand the treatment of mental illness. It has been featured in numerous television documentaries and shows as well as included in the book “1,000 Places to See Before You Die in the USA and Canada”.
- **Jesse James Home Museum** – The Jesse James Home Museum allows visitors to tour Jesse James’ home and murder location. The museum’s current location is not its original. In 1939 the house was moved behind Pattee House, two blocks away from the original location. The house features the bullet hole that killed James, family items and, since 1996, the museum includes new exhibits based on the 1995 Jesse James grave exhumation,
- **Patee House Museum** – What started as a hotel in 1858 was then transformed into a girls college twice as well as a hotel. The museum is a National Historic Landmark due to its time as headquarters for the Pony Express in 1860. In 1965, after six years of vacancy, the building became the Patee Museum, featuring communications and transportation exhibits.
- **Pony Express National Museum** – Located in Penn Street, the museum illustrates and exhibits the history and evolution of transport and the Pony Express line.
- **Robidoux Row Museum** – Built in 1850, the Robidoux Row Museum is a row of four (originally seven) connected brick houses built by the city’s founder, Joseph Robidoux and is preserved with family belongings for tourists to experience. The houses were restored by the Saint Joseph Historical Society and are listed in the National Register of Historic Places of the United States.
- **The Black Archives Museum** – Originally known as Knea-Von Black Archives, the museum celebrates the history, legacy and personalities of black Americans in St. Joseph and the nation. Exhibits at the museum educate about the Underground Railroad, sports and notable personalities in a hall of fame.
- **Society of Memories Doll Museum** – The museum features over 600 dolls dating back to the 1840s, including Barbie Dolls.
- **St. Jo Frontier Casino** – The only casino in Northwestern Missouri; it features 556 slots and 11 gaming tables, restaurants and entertainment. It is part of the subject of this study.

- **Missouri Theater** – Originally a movie palace in 1927, the Missouri Theatre was renovated in 2001 and currently hosts social events and facility tours.
- **Antique Stores** – There are many antique stores in this historic city, and include the Jesse James Antique Mall, Kat & Company, Rusty Chandelier, St Joseph Auction & Antique Mart, and Apex Buffalo Antiques.
- **Remington Nature Center** – is an interpretive facility on the Missouri River next to the current location of the St. Jo Frontier Casino. It is the focal point of an indoor-outdoor experience featuring a beehive, beaver dam, 7,000-gallon native fish aquarium, and paths to experience the native prairie and woods.

Downtown St. Joseph

Downtown St. Joseph has been the subject of much attention over the past several years as an area for potential redevelopment. As the heart of any community, a downtown signifies a center point and heartbeat of a community. It is often where the civic and cultural institutions of the community are located as well as major businesses. However, even with some of these components, many downtowns, like St. Joseph's have suffered over the years as a result of the auto-centric suburbanization of communities. While this happened in all communities of essentially all sizes across the U.S., some started to recover sooner than others, depending on a number of factors.

St. Joseph has a rich past. It was a frontier trading post, the place where the road to California began, and where the Pony Express originated.

Downtown St. Joseph is home to many historic buildings -- some of them on the National Register of Historic Places – but half of them are currently empty or not fully utilized. As the City began to see a shift in how residents shopped and did business, downtown St. Joseph started to lose business to shopping centers built out of downtown. The biggest was the East Hills shopping center that started the flight of business from downtown. A new interstate highway was built on the West side of downtown as a double decker freeway that closed off downtown from the Missouri River.

In the mid-1960s, downtown businesses started to move east and the city started searching for a strategy to reactivate downtown. First came urban renewal where many old buildings were demolished and replaced by new and undistinguished office structures and parking garages. The demolition of the Old Market Square Complex to make way for the Holiday Inn is a prime example of this trend.

The decline continued so urban planners decided a pedestrian mall might be what could bring people back downtown. Streets were redesigned and cars were banned on some of them. The project actually had an adverse effect on downtown.

In the last 20 years, downtown St Joseph has seen resurgence in interest from both local and out of town developers, mainly for their interest in large historic empty buildings available at a low

cost. One by one, block by block, pockets of downtown have begun to improve, signaling that downtown is trying to rebound from decades of decay.

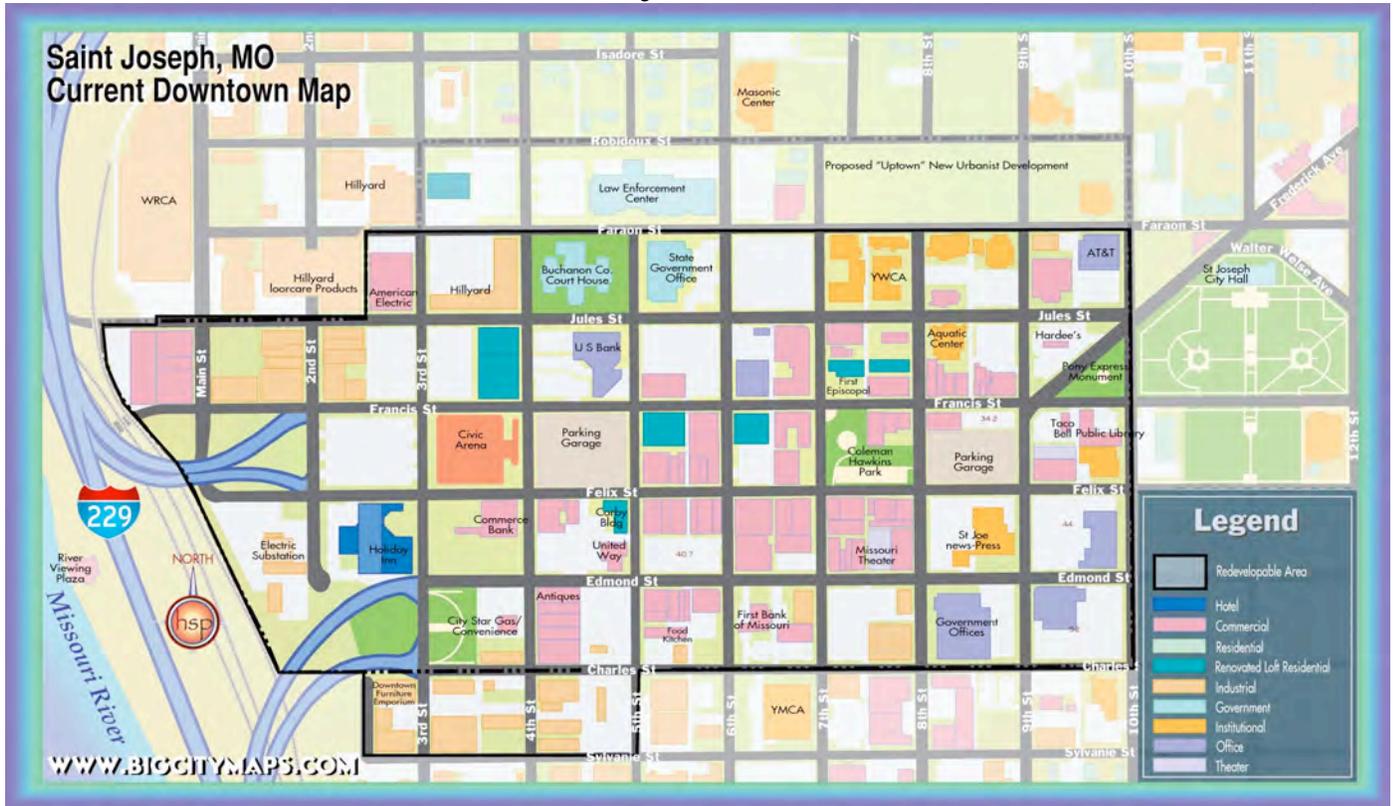
Downtown St Joseph is no longer competing with the newest shopping developments but is now beginning to market itself for the unique specialty shops it has to offer as well as becoming its own residential community with the success of historic buildings being converted into loft apartments.

With the support of the current City Council and help from the State of Missouri through the DREAM (Downtown Revitalization and Economic Assistance for Missouri) program, St. Joseph is beginning to create a blue print for downtown revitalization to rebuild this neighborhood block by block. The project recommended here would be the largest catalytic development in downtown with the intention of both revitalizing a major part of downtown, yet also tying all parts of downtown together, generating tourism, creating jobs and overall making downtown a hub of economic and community activity again.

St. Joseph's organic approach comes in the form of approval of a downtown TIF and in its applying for federal stimulus funds for downtown projects. In addition, by conducting a number of studies related to various elements of downtown, it has shown it is serious about moving downtown forward.

The following figure shows the redevelopment area in downtown St. Joseph, which coincides with the newly approved downtown TID district.

Figure 1-5



The downtown TIF area is defined as the central business district (CBD) and encompasses roughly 48 city blocks between Faraon St. to the north, Sylvania and Charles Streets on the south, 10th St. on the east and I-229 on the west. However, the proposed project will be situated between the Holiday Inn, Civic Arena, I-229 and the American Electric building on the west portion of downtown. This will help tie the eastern portion with the more active central and western part of downtown, which has several active bars, restaurants and businesses.

Ten Building Blocks to Downtown Revitalization

St. Joseph, Missouri has historically had a difficult time redeveloping its downtown area. There have been several studies that have detailed elements of downtown including a TIF Redevelopment Plan, a Housing Market Analysis, Convention Center and Hotel Feasibility Analysis, an Organizational Structure Review and the Land Use and Building Infrastructure and Community and Consumer surveys. These surveys and studies were instrumental in identifying and formalizing the Ten Building Blocks to Downtown Revitalization. The work completed as a part of the building blocks has profiled downtown and provided in depth analyses of downtown components.

Below is a summary of the items previously considered in prior studies (or the results of specific studies) that are being used to cohesively and comprehensively, revitalize downtown St. Joseph and that ultimately have led to the proposed project in this report.

Housing – According to the Housing Market Analysis of downtown St. Joseph produced in 2007, approximately 130 market-rate renters, 60 limited-income seniors and 250 to 275 potential for-sale homeowners would be attracted to living in the downtown market area between 2007 and 2012. Due to current economic conditions, the timeline for development of these units will likely be extended. However, there are currently 277 market rate units downtown and 318 affordable housing units.

Entertainment District – The area along Felix Street corridor between 9th Street on the east and 5th Street on the west is known as the “entertainment district.” A retail study conducted by E.D. Hovee in 2007 suggests four guiding principles for the success of a downtown entertainment district.

The study recommends that it is important to create a program to encourage property and business owners to make improvements in existing retail storefronts by providing low interest loans and/or grants for storefront improvements. In addition, in the experience of HSP, restaurants and other related nightlife is a key element to the success of an entertainment district, so long as it is carefully calibrated to entice all demographics to spend time and money there. The types of tenants and younger demographics must not frighten potential older customers from the entire district. This report suggest that the entertainment district have an western anchor on Felix as part of the mixed-used district that is the subject of this study to compliment the existing establishments on the balance of Felix Street. The goal is to create the climate for new and improved developments in this area.

Convention/Events Center – In 2007, HSP, with support from PGAV, completed a feasibility study for a downtown convention center and hotel. Originally, the report was supposed to consider this as an expansion of the Civic Arena, however the HSP/PGAV team concluded that the arena was not in condition to be expanded nor was the available land/street grid conducive to the idea. Based on further study and the deteriorating condition of the Civic Arena, HSP believes that a combination ‘events center’ (combination of arena and convention center) will be a better

alternative development as is described and recommended in this study. This type of facility is much more efficient and generates both convention and arena-style events within a single building and do not create the deficits that the current arena and a new convention center would have together. In combination with a casino, expanded hotel offerings and the new restaurant district recommended, the facility would be the centerpiece of downtown.

Hotels – As part of its earlier studies, HSP determined that additional hotels and/or improved hotels would be required to support the operations of an event center. Meeting and event planners will not host events in event facilities without a larger block of quality hotel rooms adjacent, connected or easily walkable from the event. As such, HSP had originally suggested an expansion of the Holiday Inn, a new hotel and/or the redevelopment of the American Electric Building into a boutique hotel. This report, with a revised mixed-use entertainment district project plan, brings these hotel elements together to suggest a hotel package that helps make the project work, yet not too much additional hotel room supply that would come at the expense of existing hoteliers.

Streetscape – In addition to the Felix Streetscape improvements, which have recently occurred, the city suggests streetscape design improvements for other future projects downtown including the Uptown project and the San Regis building. The City will work with developers to ensure similar streetscape design across downtown to create a more pedestrian friendly environment by creating a sense of place. A Community Improvement District (CID) will help to provide funding for public facilities or improvements in the district area including shopping plazas, parks, landscaping, infrastructure improvements, parking lots/garages and lighting, benches, trash receptacles and awnings.

Public Parking – A parking study for Downtown St. Joseph, completed in 2005, outlined the parking situation downtown. There are approximately 4,700 parking spaces available downtown, 55 percent of which are city owned and operated. Parking available on weekdays is sufficient while there is a lack of spaces available during peak hours and for special events. Many residents say parking regulations downtown are confusing and inconsistent. The Parking Plan created a list of options that could address these issues. It recommended the following options: reintroducing parking meters, providing free spots for shoppers that would be paid for by imposing a surcharge on all merchants in the area, or proving free downtown parking paid for by an additional CID sales tax. The parking needs of the proposed project will be significant, so these needs are being addressed by the design in this report, which should improve conditions for all of downtown.

Grocery/Pharmacy – The existence of a downtown grocery and pharmacy are always considered critical to residential development, yet are the most difficult businesses to support (especially grocery). There are several obstacles that downtown faces in order to incorporate new grocery and drug stores. There is a lack of available land to place a 25,000 - 50,000-square foot store, the grocery market is not currently interested in locating in older downtowns and most importantly, there are too few residents to make any such project feasible. These amenities, especially groceries, require a large concentration of residential units nearby in order to succeed. This will continue to be a challenge for downtown, but a goal for a small pharmacy that provides minimal groceries, may be achievable by 2020, if the proposed project is developed and other residential and office activity follows.

The opportunity to locate the casino downtown is a major catalyst for other synergistic development and was not a consideration prior to the floods that knocked the facility out of business temporarily. With such a project, a number of the prior studied uses, such as an events center, hotels, restaurants, retail and housing begin to become potential realities if the funding plan is feasible. It also suggests that a determination needs to be made regarding the Civic Arena and its future.

Summary

St. Joseph is a significant, historically important city and lives on today through legends and its historic urban built environment. The arts are alive and strongly supported. The city has compiled a reserve of historic city blocks and buildings rare for a city, particularly of its size, and as such, is in a position to capture tourists' interest and can result into longer stays, creating need for more attractions and more revenue for the local economy.

Despite this rich identity in its history and arts, in 2012, it lags behind the state and nation in income, education and professional opportunity. With nearly 14 million people in the four-state region and weekend travel getaways being the choice of so many families in lieu of more expensive vacations, the city's decision to bundle together downtown entertainment, dining, shopping and historic attractions into a tourism magnet for the region is highly resourceful and a reflection of the city's desire to serve its residents with economic stimuli and resources for growth and enjoyment.

The project is proposed to be developed in an area of downtown, the western portion near I-229, that is currently in need of connectivity to the more historic and dense center part of downtown. The trade area of the community is nearly 450,000 and approximately one-third of this population lies outside of Missouri, suggesting that a successful project will generate significant out of state spending in Missouri. This helps both the local community and the state, which rationalizes the use of state financing programs, which will be discussed later in this document.

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GAMING MARKET ANALYSIS

One of the catalysts for the proposed downtown mixed-use entertainment district project is the redevelopment of the St. Jo Frontier Casino in downtown St. Joseph. Due to a flood in 2011 that closed the facility from June 28th until September 28th of that year, there is a desire to move to a safer location. The move presents three opportunities:

- A new, expanded and improved casino that is more competitive in today's market, including the addition of various amenities that will make it more attractive relative to the competition. These include restaurants, meeting/event space and entertainment/concert facilities, as well as structured parking and an adjoining hotel.
- The ability to re-use the existing riverfront site for other community purposes, such as a park, restaurant, marina and community gathering spaces or multi-purpose event fields.
- The ability to provide a demand generator for the already-proposed downtown projects from the past downtown plans/studies: hotels, convention/event center, retail/restaurants. By combining the projects, it helps all of the projects, by making them easily accessible from each other and providing shared markets/audiences.

This chapter profiles the regional gaming market characteristics such as gaming square footage, lodging establishments, gaming statistics and gross gaming revenues, including an overview of each establishment in relation to the City of St. Joseph and the St. Jo Frontier casino. At the conclusion of the chapter, implications for the development of a new casino in downtown St. Joseph will be discussed.

Some terminology is important to understand when considering the business of casino gaming operations. These include:

- **Gross Gaming Revenue (GGR)** is the net win from gaming activities, which is the difference between gaming wins and losses before deducting costs and expenses.
- **Adjusted Gross Receipts (AGR)** is similar to GGR and is defined as gross receipts less payments made to wagers.
- **Drop or Slot Handle.** The gross amount wagered on a table or slot machine and does not include any deductions for payouts.
- **Hold Percentage.** Typically associated with table games, it is the percentage that the casino keeps (the AGR) after paying out player winnings. It often ranges from ten percent to 35 percent, depending on the type of table game.
- **Payout Percentage.** Typically associated with slot machines, it is the percentage that the players win, as a percentage of total monies 'dropped' or wagered. The percentage ranges from 85 to 95 percent in most cases, although can go over 100 percent on certain days or months if players 'beat the odds' for one or more large payouts.

St. Jo Frontier Casino

The St. Jo Frontier Casino is one of the key subjects of this study. Its potential move to a downtown St. Joseph location within the statutory limit of 1,000 feet from the river's edge would be a catalyst and synergistic development to the proposed mixed-use entertainment district project. It is owned by Affinity Gaming of Las Vegas, Nevada. The company has eleven total gaming properties: eight in Nevada, two in Missouri (including St. Jo Frontier and the Mark Twain outside of the competitive market) and one in Iowa, discussed in this chapter.

The figure below shows an aerial view of the facility in its current location.

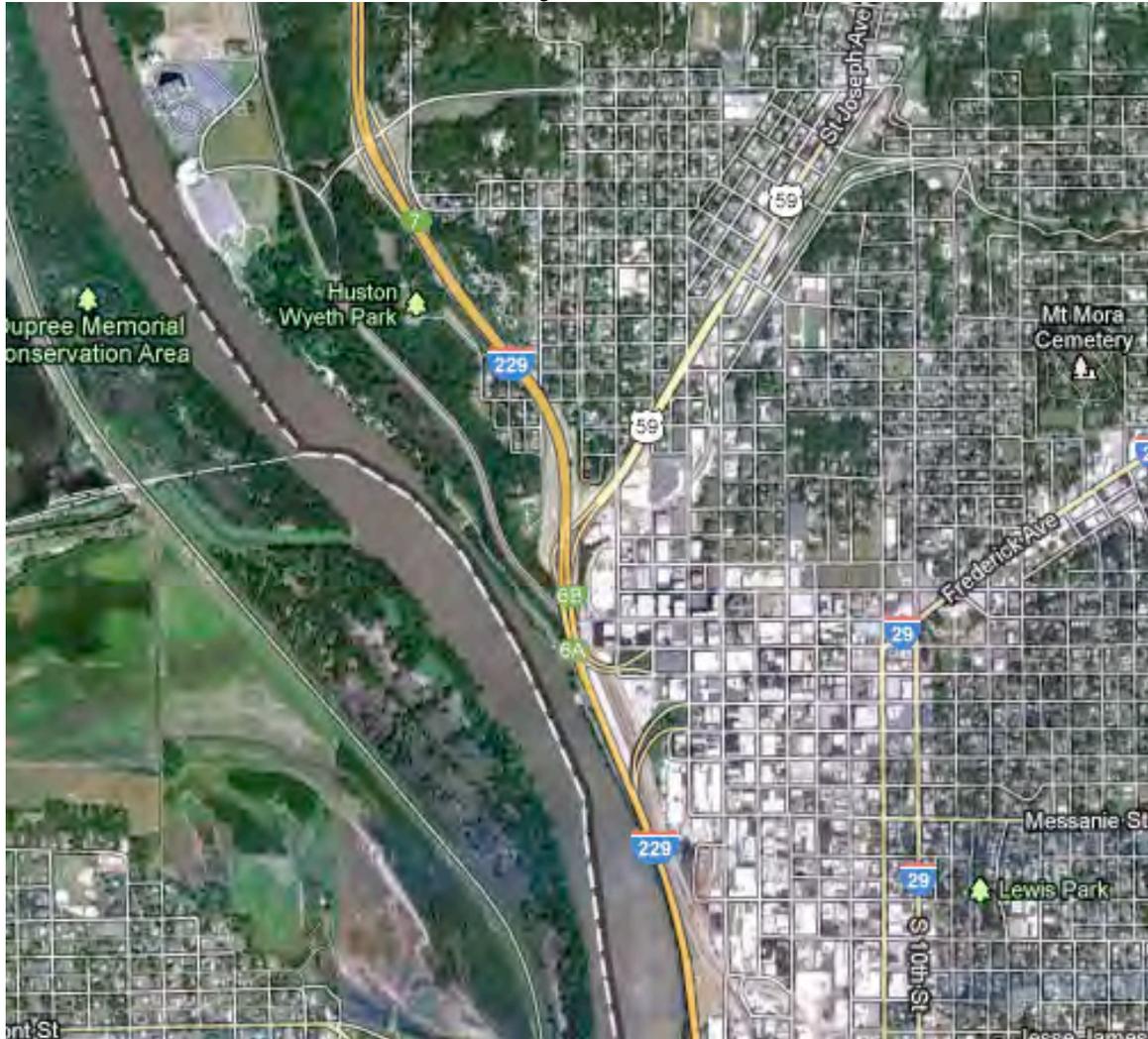
Figure 2-1



As shown, the property is easily accessible off of I-229 and includes an expansive amount of surface parking. The casino itself sits in a man-made moat to comply with the legal requirements for gaming facilities in Missouri.

The next photo shows the distance from the casino to downtown, from an aerial perspective.

Figure 2-2



The casino is located in the upper left corner of the image, while the downtown area is located a couple of miles to the south. Currently, the casino is not easily accessible for downtown visitors and vice versa, except via car.

The St. Jo Frontier Casino is a stationary casino boat located in St. Joseph, Missouri. The property opened in February of 2005.

The following table shows certain facts regarding the facility.

Table 2-1

| St. Jo Frontier Casino - St. Joseph, MO | |
|--|--------------|
| Licensed | Feb-05 |
| Total Capital Investment in Property since company Purchase | \$36,712,925 |
| Total Capital Investment in Property for Fiscal Year | \$1,841,527 |
| Total Employees | 266 |
| Total Rooms | 0 |
| Food and Beverage Outlets | 1 |
| Total Function Space | None |
| Source: St. Jo Frontier Casino, Missouri Gaming Commission HSP | |

The property is the smallest in the trade area, with only 18,000 square feet of gaming floor and with the fewest number of tables, slot machines and amenities. There are 266 employees.

There is only one restaurant, which includes a buffet. There is no significant meeting or event space, no opportunity to bring in entertainment and no hotel rooms, spa, additional restaurants or retail. Compared with many of the other competitors in the region, it is a very basic casino operation without much lure to those who could easily drive to other facilities. Therefore, its catchment area is much smaller than it could be otherwise, if competitive amenities were included.

At this point, its only true competitive advantage is for those who live closer to this casino than to others. It is very convenient to the St. Joseph market area and those to the north relative to the competitors, but not to the vast population located to the south.

The following figure shows a photo of the exterior of the St. Jo Frontier Casino.

Figure 2-3



The next figure shows the interior of the casino's non-gaming area.

Figure 2-4



The following table shows the property's revenues per table game and electronic gaming.

Table 2-2

| St. Jo Frontier Casino - St. Joseph, MO | | | | | | | |
|---|--------------------------|------------|---------------------|--------------------------|--------------------|-------------------------|-----------------------------|
| | Games | Units | Drop | Drop per Unit per Day | AGR | AGR per Unit per Day | Actual Hold Percentage |
| Tables | Black Jack | 3 | \$124,183 | \$1,380 | \$12,835 | \$143 | 10.3% |
| | Craps | 2 | \$206,338 | \$3,439 | \$37,991 | \$633 | 18.4% |
| | Roulette | 1 | \$59,918 | \$1,997 | \$18,952 | \$632 | 31.6% |
| | Three Card Poker/Stud | 1 | \$84,242 | \$2,808 | \$17,740 | \$591 | 21.1% |
| | Texas Shootout | 1 | \$131,304 | \$4,377 | \$29,794 | \$993 | 22.7% |
| | 21 Plus 3 | 3 | \$446,859 | \$4,965 | \$91,518 | \$1,017 | 20.5% |
| | Total Table Games | 11 | \$1,052,844 | \$3,190 | \$208,828 | \$633 | 19.8% |
| | Slots | Units | Slot Handle | Drop per Unit per Day | AGR | AGR per Unit per Day | Actual Payout Percentage |
| Electronic Gaming | 1 cent | 496 | \$27,814,396 | \$1,869 | \$2,707,572 | \$182 | 90.3% |
| | 25 cents | 30 | \$3,260,149 | \$3,622 | \$177,108 | \$197 | 94.6% |
| | \$1.00 | 36 | \$2,554,004 | \$2,365 | \$188,920 | \$175 | 92.6% |
| | \$5.00 | 4 | \$377,235 | \$3,144 | \$27,010 | \$225 | 92.8% |
| | Total Slots | 566 | \$34,005,784 | \$2,003 | \$3,100,610 | \$183 | 90.9% |
| Total AGR for June 2012 | | | | | 3,309,438 | | |

Source: Missouri Gaming Commission, HSP

The facility has eleven gaming tables and 566 slot machines. The variety of both table games and slot machines is more limited than the other competitors in the region, as will be shown throughout this chapter. In addition, as will be shown in the summary tables of competitive performance, the St. Jo Frontier Casino performs at the lowest levels of total financial performance and on a per table or per slot machine basis in most categories of measurement.

Implications. The market for the St. Jo Frontier Casino is large enough for the casino to be performing better if it included more gaming options as well as the amenities that gamers have come to expect. As will be shown in this chapter, it can 'own' the northern part of the region as the most easily accessible casino. In addition, there are many locals as well as those to the south who currently make the drive to the northern Kansas City market casinos that provide more gaming and related amenity options. Gamers are attracted to a wide variety of slots and the newest slot options, as well as consistent table action. Smaller, lesser amenitized casinos with fewer gaming options cannot compete as well with those with more options and amenities. Many customers will travel and extra 15 to 45 minutes in many cases to get a better experience. Based on the performance figures for this casino, the facility is not penetrating the local market as it should and is substantially underperforming any outlying areas.

Regional Competition

The following table shows all the casinos within 60 miles from the City of St. Joseph. Green figures represent the highest in a category, while red figures represent the lowest in a category.

Table 2-3

| Casinos Within 60 miles of St. Joseph, MO | | | | | | | | | |
|---|-------------------|-------------------------------|------------------|---------------|---------------|-------------|---------------------------|---------------------|----------------------|
| Casino | City | Distance from St. Joseph (mi) | Gaming Area (SF) | Slot Machines | Gaming Tables | Hotel Rooms | Food and Beverage Outlets | Function Space (SF) | Entertainment Venues |
| Missouri | | | | | | | | | |
| Ameristar Casino Hotel | Kansas City | 58 | 140,000 | 2,401 | 71 | 184 | 9 | 15,000 | 2 |
| Argosy Casino Hotel & Spa | Riverside | 50 | 62,000 | 1,674 | 33 | 258 | 5 | 27,666 | -- |
| Harrah's North Kansas City Casino & Hotel | North Kansas City | 54 | 63,300 | 1,498 | 63 | 392 | 6 | 10,000 | 3 |
| Isle of Capri Casino | North Kansas City | 54 | 45,300 | 1,068 | 20 | 0 | 3 | 0 | 1 |
| St. Jo Frontier Casino | St. Joseph | 0 | 18,000 | 566 | 11 | 0 | 1 | 0 | 0 |
| Kansas | | | | | | | | | |
| 7th Street Casino | Kansas City | 51 | 20,000+ | 600+ | 0 | 0 | 3 | 0 | 0 |
| Casino White Cloud | White Cloud | 40 | 21,000 | 380+ | 0 | 4* | 1 | 0 | 0 |
| Hollywood Casino at Kansas Speedway | Kansas City | 51 | 100,000 | 2,000 | 52 | 0 | 5 | 0 | 1 |
| Iowa | | | | | | | | | |
| None | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Total | | n/a | 449,600 | 9,207 | 250 | 834 | 33 | 52,666 | 7 |
| Average | | 45 | 64,229 | 1,535 | 31 | 119 | 4 | 6,583 | 1 |
| St. Jo Frontier Compared to Average | | -45 | -46,229 | -969 | -20 | -119 | -3 | -6,583 | -1 |

*Country Cabins
 ** Three Adjacent Hotels
 Source, Missouri Gaming Casino, Iowa Racing and Gaming Commission, Respective Casinos, HSP

As shown, there are four Missouri casinos within 60 miles, three Kansas casinos within that distance and no Iowa casinos within that distance. The addition of new amenities, in terms of hotels, entertainment, restaurants and meeting/event space has been a continuing trend over the past several years, leaving those without such amenities lacking in competitiveness.

The St. Joseph casino is the smallest full-service casino (gaming tables and slots) of the competitors in every category. The White Cloud has fewer slots. Only those Kansas casinos without gaming tables have fewer table games. The largest casino is the Ameristar, which is double the size of its nearest competitors (Argosy and Harrah's). The Ameristar has the most slots (2,401) and tables (71) and it has two entertainment venues, a 184-room hotel, nine food and beverage outlets and 15,000 square feet of function space.

The most function space in the region is located at the Argosy, which boasts nearly 30,000 square feet, however it does not have an entertainment venue at this time. Harrah's includes the most hotel rooms, with nearly 400 as well as three entertainment venues. The Isle of Capri in Kansas City is a modest facility without any outstanding features. It is larger than the St. Jo Frontier, but

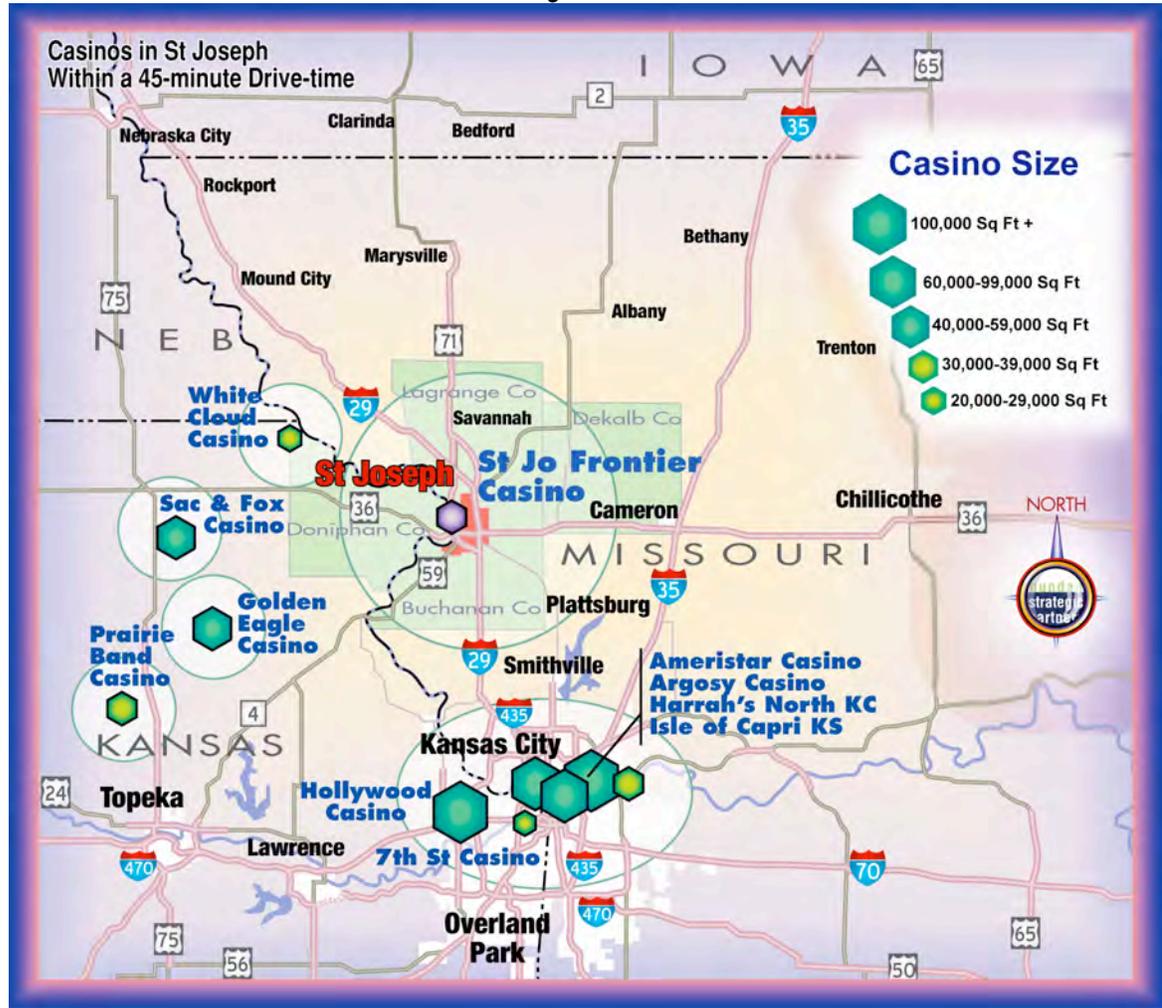
smaller than all of the others and while it has some of the amenities of the others, it is not as larger and does not offer the number or size of amenities as the others.

As shown, the St. Jo Frontier is essentially the smallest and most lacking of all of the facilities in Missouri.

In Kansas, the largest casino by far is the Hollywood Casino located at the Kansas Speedway development, with 100,000 square feet of gaming, 52 tables and five restaurants. While there is no hotel onsite yet, there are a number of hotels within the Legends development area, including a Great Wolf Lodge and others.

The following figure shows the casinos within a 45-minute drive from St. Joseph. Kansas City Casinos are accessible via a quick drive southward along Interstate 29. White Cloud Casino is the only non-Kansas City casino within the 45-minute typical drive-time.

Figure 2-5



There are other casinos within a larger radius from St. Joseph. These are shown in the following figure.

Figure 2-6



As shown, outside of the sixty-mile radius but within 100 miles, there is quite a separation of facilities. The St. Jo Frontier's sister property (it is owned by the same company), Lakeside Casino in Osceola, Iowa is the only Iowa or Nebraska property within 100 miles that is outside of the Omaha-Council Bluffs market. Since, the casino is owned by the same company and includes some of the recommended amenities as the new casino in downtown St. Joseph, such as a hotel (150 rooms), event/meeting space (6,500 square feet of ballroom space divisible into multiple meeting rooms), as well as entertainment facilities (amphitheater seating 800), the company has experienced how these amenities assist a property in enhancing its performance. Other casinos

within 100 miles are located along a line north of Topeka in Kansas, as well as in Boonville, Missouri. None of these are expected to pose a competitive threat that is not already being felt by the Kansas City metro area facilities.

The competitive gaming facilities within 60 miles are each profiled below.

Missouri Casinos

The state of Missouri legalized gaming in 1993 with the first casino opening in 1993; the state only features two gaming formats: Native American and Riverboat. Currently, excluding Native American casinos, there are 12 operating casinos in the state, which generated \$1.7 billion in gross gaming revenue in 2010.

The Native American casino is located in Seneca, Missouri, along the Oklahoma border along I-44 and features three-card poker, blackjack, craps, poker and slot machines.

The table below shows the historic admissions and revenues for the riverboats in the state and does not include Native American results.

Table 2-4

| Missouri Riverboats Attendance and Revenue | | | | | |
|--|--------------------|--------|----------------|----------------|----------------|
| Year | Admissions (000's) | GGR* | Percent Change | GGR per Person | Percent Change |
| 1999 | 40,788 | \$0.90 | -- | \$22.07 | -- |
| 2000 | 48,523 | \$0.98 | 8.9% | \$20.20 | -8.5% |
| 2001 | 47,086 | \$1.00 | 2.0% | \$21.24 | 5.2% |
| 2002 | 48,850 | \$1.20 | 20.0% | \$24.56 | 15.7% |
| 2003 | 51,166 | \$1.30 | 8.3% | \$25.41 | 3.4% |
| 2004 | 52,834 | \$1.40 | 7.7% | \$26.50 | 4.3% |
| 2005 | 54,295 | \$1.50 | 7.1% | \$27.63 | 4.3% |
| 2006 | 53,888 | \$1.60 | 6.7% | \$29.69 | 7.5% |
| 2007 | 51,185 | \$1.60 | 0.0% | \$31.26 | 5.3% |
| 2008 | 50,693 | \$1.60 | 0.0% | \$31.56 | 1.0% |
| 2009 | 52,335 | \$1.70 | 6.3% | \$32.48 | 2.9% |
| 2010 | 53,799 | \$1.70 | 0.0% | \$31.60 | -2.7% |

* Gross Gaming Revenue - Billions
Source: Ernst & Young, HSP

Admissions have increased from 41 million in 1999 to nearly 54 million 2010, with a peak attendance in 2005. The gross gaming revenue per person (amount lost by each gambling visitor on average) has increased form \$22 to nearly \$32 over the period.

Gaming establishment performance for June 2012 for Missouri facilities within 60 miles from the City of St. Joseph are profiled below.

Table 2-5

| Missouri Casinos Within 60 miles of St. Joseph, MO - June 2012 Performance (000s) | | | | | | | |
|---|-------------------|-----------|----------|-----------|---------------|--------------|--------------------|
| Casino | City | Table AGR | Slot AGR | Total AGR | AGR per Table | AGR per Slot | Total AGR per Unit |
| Missouri | | | | | | | |
| Ameristar Casino Hotel Kansas City | Kansas City | \$2,125 | \$16,368 | \$18,493 | \$29.9 | \$6.2 | \$6.8 |
| Argosy Casino Hotel & Spa | Riverside | \$1,012 | \$11,281 | \$12,293 | \$30.7 | \$6.7 | \$7.2 |
| Harrah's North Kansas City Casino & Hotel | North Kansas City | \$2,324 | \$13,364 | \$15,688 | \$36.9 | \$8.8 | \$9.9 |
| Isle of Capri Casino Kansas City | Kansas City | \$481 | \$6,405 | \$6,886 | \$24.0 | \$6.0 | \$6.3 |
| St. Jo Frontier Casino | St. Joseph | \$209 | \$3,101 | \$3,309 | \$19.0 | \$5.5 | \$5.7 |
| Total | | \$6,151 | \$50,519 | \$56,669 | n/a | n/a | n/a |
| Average | | \$1,230 | \$10,104 | \$11,334 | \$28.1 | \$6.6 | \$7.2 |
| St. Jo Frontier Compared to Average | | -\$1,021 | -\$7,003 | -\$8,024 | -\$9.1 | -\$1.2 | -\$1.5 |
| % Less than Average | | -83% | -69% | -71% | -32% | -17% | -20% |

Source, Missouri Gaming Casino, Iowa Racing and Gaming Commission, Respective Casinos, HSP

The Ameristar boasts the most slot AGR and total AGR, with \$16.4 and \$18.5 million, respectively, while Harrah's generated the most table AGR, with \$2.3 million. Total AGR per table for the month ranged from \$19,000 for the St. Jo Frontier to nearly \$37,000 for Harrah's, averaging \$28,100. The AGR per slot machine for the month ranged from \$5,500 at St. Jo Frontier to \$8,800 at Harrah's and averaged \$6,600 per unit. Total AGR per unit (tables and slots combined) ranged from \$5,700 at the St. Jo Frontier to \$9,900 at Harrah's and averaged \$7,200.

For the month of June as in indicator, the St. Jo Frontier Casino had the lowest metrics in all categories and was below the average by between 17 and 83 percent, depending upon the metric. It was closest to the average in AGR per slot and per table game, but was still significantly underperforming the competitive set.

Ameristar Casino Hotel

The Ameristar Casino Hotel is a stationary boat casino and hotel located on 183 acres in Kansas City, Missouri, roughly 58 miles southeast of the City of St. Joseph. The property opened as an independent property in 1997 and was acquired and re-licensed three years later by Ameristar, a Las Vegas-based gaming and entertainment company that operates eight other properties across the country.

The following table shows data points for the facility.

Table 2-6

| Ameristar Casino Hotel Summary | |
|---|---------------|
| Licensed | Dec-00 |
| Total Capital Investment in Property since company Purchase | \$413,551,300 |
| Total Capital Investment in Property for Fiscal Year | \$10,013,712 |
| Total Employees | 1,318 |
| Total Rooms | 184 |
| Food and Beverage Outlets | 9 |
| Total Function Space | 15,000 SF |
| Parking Spaces | 2,660 |

Source: Ameristar Casino Hotel, HSP

The property includes a 140,000-square foot casino; a AAA three-diamond full-service hotel with 184 guestrooms and suites; nine food and beverage outlets; several entertainment venues; an 18-screen movie theatre; a children’s entertainment complex; a video arcade, 15,000 square feet of meeting and event space and 2,660 parking spaces in a five-level parking garage.

The casino consists of 140,000 square feet of gaming that includes a selection of 2,639 electronic gaming devices such as high-limit slot machines and 70 table games, including a 15-table live poker room.

The nine food and beverage outlets are located throughout the casino and hotel grounds; two of the establishments are fast food locales and are located in a food court area whereas the remaining seven dining options include a brew pub featuring 52 television screens and an on-site brewery; an oyster bar offering Creole and Cajun cuisine; a 72-seat steakhouse with a private dining room; a bakery and a deli for snacks and desserts and a barbeque establishment featuring southern cooking.

The Ameristar’s entertainment venues include two live music venues, DEPOT #9, a small concert venue that hosts local and regional bands playing live blues, rock and country music and the Casino Cabaret, located on the casino floor. The Kansas City Theatres, Kids’ Quest and the Hi-Vi Arcade are three other entertainment offerings at the property.

The following figure shows the interior of the casino.

Figure 2-7



The next figure is a picture of the exterior of the casino's entrance.

Figure 2-8



The facility includes a five-level, 2,660-space parking garage connected to the casino and entertainment facility via an enclosed, climate-controlled walkway. Valet parking is also available.

The Ameristar's gaming revenue for the last fiscal year recorded nearly totaled \$250 million and received over 6 million visitors.

This property is one of the largest in the Kansas City area, featuring the most games, as well as one of the largest poker rooms in the Midwest. The property's license was granted in December 2000 after a capital investment of \$413 million.

The following table shows the property's revenues per table game and electronic gaming.

Table 2-7

| Ameristar Casino Hotel - Kansas City, MO | | | | | | | | |
|--|--------------------------------|-------|---------------|----------------------|-----------------|----------------------|--------------------------|--------------|
| | Games | Units | Drop per Unit | | AGR | AGR per Unit per Day | Actual Hold Percentage | |
| | | | Drop | per Day | | | | |
| Tables | 4 Card Poker | 1 | \$159,726 | \$5,324 | \$38,000 | \$1,267 | 23.8% | |
| | Bad Beat Poker (Player Funded) | 1 | \$85,488 | \$2,850 | \$85,488 | \$2,850 | 100.0% | |
| | Black Jack | 10 | \$78,357 | \$261 | \$3,227 | \$11 | 4.1% | |
| | Craps | 4 | \$1,116,417 | \$9,303 | \$379,860 | \$3,166 | 34.0% | |
| | Craps No More | 1 | \$587,335 | \$19,578 | \$183,486 | \$6,116 | 31.2% | |
| | Double Deck Black Jack | 6 | \$1,887,041 | \$10,484 | \$244,825 | \$1,360 | 13.0% | |
| | EZ Bacarrat | 1 | \$128,854 | \$4,295 | \$35,599 | \$1,187 | 27.6% | |
| | EZ Pai Gow | 3 | \$411,306 | \$4,570 | \$135,143 | \$1,502 | 32.9% | |
| | Flop Poker | 1 | \$101,848 | \$3,395 | \$22,742 | \$758 | 22.3% | |
| | Let It Ride 3 Card Bonus | 1 | \$139,428 | \$4,648 | \$31,390 | \$1,046 | 22.5% | |
| | Mini Bacarrat | 4 | \$1,509,027 | \$12,575 | \$170,500 | \$1,421 | 11.3% | |
| | Mississippi Stud | 1 | \$296,907 | \$9,897 | \$35,988 | \$1,200 | 12.1% | |
| | Poker w/o Bad Beat | 15 | \$197,609 | \$439 | \$197,609 | \$439 | 100.0% | |
| | Prime 21 | 14 | \$2,416,484 | \$5,754 | \$257,647 | \$613 | 10.7% | |
| | Roulette | 4 | \$599,993 | \$5,000 | \$136,637 | \$1,139 | 22.8% | |
| | Table Tournaments | -- | \$68,185 | -- | \$12,414 | -- | 18.2% | |
| | Texas Shootout | 2 | \$206,732 | \$3,446 | \$63,308 | \$1,055 | 30.6% | |
| | Three Card Poker Progressive | 1 | \$218,260 | \$7,275 | \$38,605 | \$1,287 | 17.7% | |
| | Ultimate Texas Hold'Em | 1 | \$153,035 | \$5,101 | \$52,525 | \$1,751 | 34.3% | |
| | Total Table Games | | 71 | \$10,362,032 | \$4,865 | \$2,124,990 | \$998 | 20.5% |
| | Slots | Units | Drop per Unit | | AGR | AGR per Unit per Day | Actual Payout Percentage | |
| | | | Slot Handle | per Day | | | | |
| Electronic Gaming | 1 cent | 1,628 | \$96,682,440 | \$1,980 | \$11,090,577 | \$227 | 88.5% | |
| | 2 cents | 4 | \$384,590 | \$3,205 | \$26,664 | \$222 | 93.1% | |
| | 5 cents | 237 | \$21,060,054 | \$2,962 | \$1,196,051 | \$168 | 94.3% | |
| | 25 cents | 524 | \$29,663,964 | \$1,887 | \$2,133,272 | \$136 | 92.8% | |
| | 50 cents | 40 | \$3,238,333 | \$2,699 | \$194,839 | \$162 | 94.0% | |
| | \$1.00 | 170 | \$18,447,501 | \$3,617 | \$1,345,473 | \$264 | 92.7% | |
| | \$2.00 | 8 | \$773,204 | \$3,222 | \$51,524 | \$215 | 93.3% | |
| | \$5.00 | 21 | \$5,395,410 | \$8,564 | \$290,591 | \$461 | 94.6% | |
| | \$10.00 | 3 | \$385,360 | \$4,282 | -\$9,595 | -\$107 | 102.5% | |
| | \$25.00 | 3 | \$657,800 | \$7,309 | \$48,300 | \$537 | 92.7% | |
| | Total Slots | | 2,638 | \$176,688,656 | \$2,233 | \$16,367,696 | \$207 | 90.7% |
| | Total AGR for June 2012 | | | | | \$18,492,686 | | |

Source: Missouri Gaming Commission, HSP

The facility has one of the largest varieties of table games and slot machines in the Midwest, with slots from the 1,628 penny slots to three \$25 dollar machines. As shown, in June of 2012, the

\$10 slot machines actually paid out nearly \$10,000 more than the \$385,000 wagered. For the table games, besides Bad Beat Poker (100 percent held by casino), which is a poker game where it is extremely rare to win the full pot, the most profitable games were Craps, Pai Gow and Texas Hold'em. The least profitable table games were Blackjack (four percent), Mini Baccarat and Mississippi Stud. The most profitable slots were the penny slots, while the casino lost money on the \$10 slots.

Argosy Casino Hotel & Spa

The Argosy Casino Hotel & Spa is in Riverside, Missouri, 50 miles southeast of the City of St. Joseph and seven miles northwest of downtown Kansas City. Opened in 1994, the property includes a hotel, spa, 15,000 square feet of meeting space and a casino.

Owned and operated by Penn National Gaming, Inc., a Pennsylvania company that owns and operates 19 casinos and five racetracks in the US and Canada, Argosy's hotel and spa features 258 guestrooms, eight of which are high-end suites. Additional amenities include a 24-hour fitness center, a business center and a gated, key-only parking garage that accommodates 120 cars.

The hotel and casino gaming revenue in the previous fiscal year nearly reached \$200 million while admissions surpassed 5 million visitors.

The hotel was recently awarded the 2012 TripAdvisor Certificate of Excellence.

The following table shows a summarized profile of the property.

Table 2-8

| Argosy Casino Hotel & Spa Summary | |
|---|---------------|
| Licensed | Jun-94 |
| Total Capital Investment in Property since company Purchase | \$235,864,076 |
| Total Capital Investment in Property for Fiscal Year | \$7,822,744 |
| Total Employees | 946 |
| Total Rooms | 258 |
| Food and Beverage Outlets | 6 |
| Total Function Space | 27,000+ SF |
| Parking Spaces | 120 |

Source: Argosy Casino Hotel & Spa, Missouri Gaming Commission, HSP

The casino includes over 1,600 slot machines and 30 table games, including popular games such as black jack, poker and Caribbean stud. The 67,000-square foot gaming floor includes two giant video screens and over 50 televisions, as well as over 800 strobe lights.

The five dining selections at the property include The Journey Steakhouse; the Terrace Buffet that offers a “Vegas-style” buffet prepared for every meal of the day; Crazy Olives, a high-end sports bar; a deli and a coffee bar.

Meeting facilities at Argosy include six meeting rooms, one boardroom and one 8,000-square foot ballroom divisible into four separate rooms: Athens, Casablanca, Cordoba and Marrakesh. The Athens features a balcony with views of downtown Kansas City. The 27,000 square feet of meeting and events space also includes over 5,000 square feet of pre-function space designated for cocktails and social gatherings.

The following figure shows the exterior entrance of the casino.

Figure 2-9



The next figures are photos of the casino's interior.

Figure 2-10



The following table shows the casino's gaming activity for June of 2012.

Table 2-9

| Argosy Casino - Riverside, MO | | | | | | | |
|-------------------------------|--------------------------|--------------|----------------------|----------------|---------------------|----------------------|--------------------------|
| | Games | Units | Drop per Unit | | AGR | AGR per Unit per Day | Actual Hold Percentage |
| | | | Drop | per Day | | | |
| Tables | Black Jack 21+3 | 5 | \$1,325,974 | \$8,840 | \$243,379 | \$1,623 | 18.4% |
| | Black Jack | 13 | \$650,781 | \$1,669 | \$106,821 | \$274 | 16.4% |
| | Caribbean Stud | 1 | \$84,695 | \$2,823 | \$40,728 | \$1,358 | 48.1% |
| | Craps | 2 | \$776,244 | \$12,937 | \$158,820 | \$2,647 | 20.5% |
| | Double Deck Black Jack | 2 | \$717,810 | \$11,964 | \$34,740 | \$579 | 4.8% |
| | Let It Ride | 1 | \$116,203 | \$3,873 | \$30,019 | \$1,001 | 25.8% |
| | Mississippi Stud | 1 | \$209,708 | \$6,990 | \$71,777 | \$2,393 | 34.2% |
| | No Craps, Craps | 1 | \$339,361 | \$11,312 | \$116,581 | \$3,886 | 34.4% |
| | Pai Gow Poker | 2 | \$297,461 | \$4,958 | \$67,522 | \$1,125 | 22.7% |
| | Roulette | 2 | \$316,315 | \$5,272 | \$76,143 | \$1,269 | 24.1% |
| | Spanish 21 | 1 | \$145,677 | \$4,856 | \$26,710 | \$890 | 18.3% |
| | Three Card Poker/Stud | 1 | \$109,672 | \$3,656 | \$48,511 | \$1,617 | 44.2% |
| | Ultimate Texas Hold'Em | 1 | \$222,504 | \$7,417 | -\$9,630 | -\$321 | -4.3% |
| | <i>Total Table Games</i> | <i>33</i> | <i>\$5,312,405</i> | <i>\$5,366</i> | <i>\$1,012,118</i> | <i>\$1,022</i> | <i>19.1%</i> |
| | Slots | Units | Drop per Unit | | AGR | AGR per Unit per Day | Actual Payout Percentage |
| | | | Slot Handle | per Day | | | |
| Electronic Gaming | 1 cent (tokenized) | 1,193 | \$78,211,109 | \$2,185 | \$8,308,393 | \$232 | 89.4% |
| | 5 cents | 59 | \$6,736,914 | \$3,806 | \$396,789 | \$224 | 94.1% |
| | 25 cents | 223 | \$16,373,935 | \$2,448 | \$1,159,901 | \$173 | 92.9% |
| | 50 cents | 6 | \$325,610 | \$1,809 | \$17,543 | \$97 | 94.6% |
| | \$1.00 | 161 | \$15,773,122 | \$3,266 | \$986,602 | \$204 | 93.7% |
| | \$2.00 | 18 | \$3,002,725 | \$5,561 | \$242,325 | \$449 | 91.9% |
| | \$5.00 | 14 | \$2,565,710 | \$6,109 | \$169,492 | \$404 | 93.4% |
| | <i>Total Slots</i> | <i>1,674</i> | <i>\$122,989,125</i> | <i>\$2,449</i> | <i>\$11,281,044</i> | <i>\$225</i> | <i>90.8%</i> |
| Total AGR for June 2012 | | | | | \$12,293,163 | | |

Source: Missouri Gaming Commission, HSP

While the Argosy does not have the number and variety of table games and slots as the Ameristar, it still has one of the largest and widest varieties in the region. Its most profitable table games were Caribbean Stud and Three Card Stud/Poker. The least profitable table games were Texas Hold'em (it lost \$321) and Doubledeck Blackjack, where sometimes card counters can improve the player's odds. The best slots for the casino were the nearly 1,200 penny slots and the least profitable were the fifty cent slots.

Harrah's Hotel and Casino

The Harrah's Hotel and Casino in North Kansas City first opened in September 1994 under Caesar's Entertainment corporation (formerly Harrah's Entertainment) ownership and operation. Caesar's Entertainment is the largest gaming company in the world, operating over 50 casinos, seven golf courses and hotels under several brands that include the Harrah's brand.

Located approximately 54 miles southeast of the City of St. Joseph, along the riverfront in North Kansas City, the property features a 392-room hotel, a 12,960-square foot meeting facility and a 63,300-square foot casino.

The 63,300-square foot casino features a selection of 1,522 slot machines and 63 table games that include 18 blackjack tables, 15 poker tables and other tables such as "21 plus 3" and roulette.

The Harrah's 392-room hotel, rated 3.5 stars, offers six food and beverage outlets, business amenities and recreation and entertainment areas such as a nightclub and pool area.

The six food and beverage establishments are in the casino and hotel grounds; options include a sports grill, a casual American cuisine restaurant, an Italian restaurant, a coffee house, a steakhouse and the traditional Vegas-style buffet. Most nightlife and entertainment venues at the property are within the casino grounds and include Voodoo Lounge, a bottle-service nightclub; VIP lounge, a resting lounge offering full bar and buffet to VIP and Diamond guests; The Diamond, a live-music venue and Purple Twist, another gaming area.

Meetings and events at the property can be held in the 416-square foot boardroom or at the 728-square foot Laughlin Room with a capacity for 40 people, both areas located in the hotel tower. For larger events of up to 600 people, the adjacent convention center features the 10,000-square foot "Nevada" divisible ballroom and the "Tahoe" room, a 3,000-square foot space divisible into three rooms that accommodate up to 70 people (theatre style) each.

The facility's gaming revenue for the last recorded fiscal year approached \$200 million with over 4 million admissions.

The following table shows the property's details.

Table 2-10

| Harrah's Casino Hotel Summary | |
|---|---------------|
| Licensed | Sep-94 |
| Total Capital Investment in Property since company Purchase | \$335,246,533 |
| Total Capital Investment in Property for Fiscal Year | \$1,730,736 |
| Total Employees | 1,061 |
| Total Rooms | 392 |
| Food and Beverage Outlets | 6 |
| Total Function Space | 14,104 SF |
| Parking Spaces | -- |

Source: Harrah's Casino Hotel, Missouri Gaming Commission, HSP

The property boasts a total capital investment of \$335 million and \$1.7 million invested in the property for the fiscal year. There are more than 1,000 total employees.

The following figure shows the interior of the casino.

Figure 2-11



The next figures are pictures of the exterior.

Figure 2-12



The following table shows the casino's itemized gaming results for June of 2012.

Table 2-11

| Harrah's Casino - North Kansas City, MO | | | | | | | |
|---|--------------------------------|--------------|----------------------|-----------------------|---------------------|----------------------|--------------------------|
| | Games | Units | Drop | Drop per Unit per Day | AGR | AGR per Unit per Day | Actual Hold Percentage |
| Tables | Black Jack 21 Plus 3 | 11 | \$2,074,639 | \$6,287 | \$325,875 | \$987 | 15.7% |
| | Bad Beat Poker - Player Funded | 1 | \$39,196 | \$1,307 | \$24,296 | \$810 | 62.0% |
| | Black Jack | 18 | \$3,387,671 | \$6,273 | \$680,717 | \$1,261 | 20.1% |
| | Craps | 4 | \$1,945,903 | \$16,216 | \$393,433 | \$3,279 | 20.2% |
| | Crazy 4 Poker | 1 | \$198,970 | \$6,632 | \$49,217 | \$1,641 | 24.7% |
| | Fortune Pai Gow | 2 | \$210,163 | \$3,503 | \$70,859 | \$1,181 | 33.7% |
| | Let It Ride | 1 | \$141,837 | \$4,728 | \$9,866 | \$329 | 7.0% |
| | Mini Bacarrat | 2 | \$507,597 | \$8,460 | \$135,404 | \$2,257 | 26.7% |
| | Mississippi Stud | 1 | \$339,485 | \$11,316 | \$110,439 | \$3,681 | 32.5% |
| | Poker w/o bad beat | 15 | \$148,510 | \$330 | \$148,510 | \$330 | 100.0% |
| | Roulette | 3 | \$520,163 | \$5,780 | \$150,298 | \$1,670 | 28.9% |
| | Table Tournaments | -- | \$171,617 | -- | \$32,091 | -- | 18.7% |
| | Texas Hold'Em | 1 | \$172,683 | \$5,756 | \$39,022 | \$1,301 | 22.6% |
| | Texas Shootout | 1 | \$143,530 | \$4,784 | \$46,866 | \$1,562 | 32.7% |
| | Three Card Poker/Stud | 2 | \$331,060 | \$5,518 | \$107,336 | \$1,789 | 32.4% |
| | Total Table Games | 63 | \$10,333,024 | \$5,467 | \$2,324,227 | \$1,230 | 22.5% |
| | Slots | Units | Slot Handle | Drop per Unit per Day | AGR | AGR per Unit per Day | Actual Payout Percentage |
| Electronic Gaming | 1 cent | 1,029 | \$69,828,234 | \$2,262 | \$8,832,276 | \$286 | 87.4% |
| | 5 cents | 47 | \$7,867,982 | \$5,580 | \$500,152 | \$355 | 93.6% |
| | 25 cents | 278 | \$35,538,408 | \$4,261 | \$2,030,310 | \$243 | 94.3% |
| | 50 cents | 11 | \$861,434 | \$2,610 | \$89,244 | \$270 | 89.6% |
| | \$1.00 | 99 | \$18,275,519 | \$6,153 | \$1,330,047 | \$448 | 92.7% |
| | \$2.00 | 26 | \$4,298,717 | \$5,511 | \$286,891 | \$368 | 93.3% |
| | \$5.00 | 24 | \$2,784,360 | \$3,867 | \$214,235 | \$298 | 92.3% |
| | \$10.00 | 2 | \$287,090 | \$4,785 | \$9,679 | \$161 | 96.6% |
| | \$25.00 | 3 | \$414,000 | \$4,600 | \$63,510 | \$706 | 84.7% |
| | \$100.00 | 3 | \$2,066,400 | \$22,960 | \$7,499 | \$83 | 99.6% |
| | Total Slots | 1,522 | \$142,222,144 | \$3,115 | \$13,363,842 | \$293 | 90.6% |
| Total AGR for June 2012 | | | | | \$15,688,069 | | |

Source: Missouri Gaming Commission, HSP

As the table above shows, the table games with the biggest presence at the casino are blackjack with 18 tables and poker without “bad beat” with 15 tables. The table game with the highest hold percentage after poker is bad beat poker (player funded) with a 62 percent hold. For electronic gaming, the casino floor features 1,029 penny slot machines with an 87 percent payout. With only three machines, the \$100 slots had a nearly 100 percent payout for the players.

Isle of Capri Casino – Kansas City, MO

The Isle of Capri Casino is a riverboat casino located in Kansas City, Missouri, approximately 54 miles southeast of the City of St. Joseph. Acquired by Isle of Capri Casinos Inc. in the year 2000, the establishment amenities include a 45,000-square foot gaming floor, one entertainment venue, four food and beverage outlets and a 1,731-spaces parking lot.

Isle of Capri Casinos, Inc. is a developer, owner and operator of gaming facilities with and without lodging and entertainment facilities in regional markets in the United States. The company owns and operates 15 facilities in Colorado, Florida, Iowa, Louisiana, Mississippi and Missouri.

The table below shows some of the key data point for the casino.

Table 2-12

| Isle of Capri Casino Hotel, Kansas City Summary | |
|---|--------------|
| Licensed | Jun-00 |
| Total Capital Investment in Property since company Purchase | \$98,177,114 |
| Total Capital Investment in Property for Fiscal Year | \$3,066,614 |
| Total Employees | 485 |
| Total Rooms | 392 |
| Food and Beverage Outlets | 4 |
| Total Function Space | 12,000 SF |
| Parking Spaces | 1,731 |
| Source: Isle of Capri, Missouri Gaming Commission, HSP | |

The Kansas City property leases 28 acres of land from the Kansas City Port Authority. The lease, renewed for five years in 2006, includes seven additional five-year renewal options. Lease rates are 3.25 percent of gross revenues or a minimum of \$2.6 million. During 2010, the property generated gaming revenues of approximately \$82 million.

Comprised of 1,161 slot machines and 22 table games, the casino features additional amenities that include 2,932 square feet of meeting and events space accommodating from 25 to 100 attendees; one entertainment venue, The Lone Wolf, that doubles as a bar and grill and provides a full menu and live entertainment as well as additional acts on weekends.

Food and beverage options include the 285-seat Vegas-style Calypso buffet that is open for breakfast, lunch and dinner. The 58-seat Tradewinds Marketplace is a deli suited for grab-and-go meals as well as quick snacks. Java Bay is a coffee house featuring a delicatessen menu that includes sandwiches, wraps and salads.

The following figure shows the interior of the casino.

Figure 2-13



The next figure is a picture of the casino's exterior.

Figure 2-14



The following table shows the establishment's generated revenue for June 2012.

Table 2-13

| Isle of Capri Casino - Kansas City, MO | | | | | | | |
|--|--------------------------|--------------|---------------------|----------------|--------------------|----------------------|--------------------------|
| | Games | Units | Drop per Unit | | AGR | AGR per Unit per Day | Actual Hold Percentage |
| | | | Drop | per Day | | | |
| Tables | Double Deck Black Jack | 3 | \$643,680 | \$7,152 | \$144,964 | \$1,611 | 22.5% |
| | Single Deck Black Jack | 2 | \$76,547 | \$1,276 | \$7,593 | \$127 | 9.9% |
| | Ultimate Texas Hold'Em | 1 | \$94,434 | \$3,148 | \$27,487 | \$916 | 29.1% |
| | Six Card Poker | 1 | \$67,269 | \$2,242 | \$18,441 | \$615 | 27.4% |
| | 21 plus 3 | 6 | \$695,463 | \$3,864 | \$127,436 | \$708 | 18.3% |
| | Mississippi Stud | 1 | \$19,464 | \$649 | \$5,495 | \$183 | 28.2% |
| | Craps | 1 | \$407,534 | \$13,584 | \$100,839 | \$3,361 | 24.7% |
| | No Craps | 1 | \$32,923 | \$1,097 | \$8,431 | \$281 | 25.6% |
| | Mini Bacarrat | 2 | \$4,280 | \$71 | \$307 | \$5 | 7.2% |
| | Roulette | 1 | \$131,177 | \$4,373 | \$38,225 | \$1,274 | 29.1% |
| | Pai Gow | 1 | \$1,710 | \$57 | \$1,460 | \$49 | 85.4% |
| | Total Table Games | 20 | \$2,174,481 | \$3,624 | \$480,676 | \$801 | 22.1% |
| | Slots | Units | Drop per Unit | | AGR | AGR per Unit per Day | Actual Payout Percentage |
| | | | Slot Handle | per Day | | | |
| Electronic Gaming | 1 cent | 744 | \$49,814,276 | \$2,232 | \$5,308,776 | \$238 | 89.3% |
| | 5 cents | 31 | \$2,704,488 | \$2,908 | \$142,784 | \$154 | 94.7% |
| | 25 cents | 151 | \$6,577,860 | \$1,452 | \$501,293 | \$111 | 92.4% |
| | 50 cents | 12 | \$490,699 | \$1,363 | \$27,480 | \$76 | 94.4% |
| | \$1.00 | 106 | \$4,920,914 | \$1,547 | \$345,330 | \$109 | 93.0% |
| | \$5.00 | 21 | \$857,165 | \$1,361 | \$55,175 | \$88 | 93.6% |
| | \$10.00 | 2 | \$161,550 | \$2,693 | \$21,670 | \$361 | 86.6% |
| | \$25.00 | 1 | \$19,325 | \$644 | \$2,800 | \$93 | 85.5% |
| | Total Slots | 1,068 | \$65,546,277 | \$2,046 | \$6,405,308 | \$200 | 90.2% |
| Total AGR for June 2012 | | | | | \$6,885,984 | | |

Source: Missouri Gaming Commission, HSP

As the table above shows, the property does not have the variety of table games and slots compared with the larger casinos. Its slots and table game winning/hold percentages are similar to the other casinos and all of these range on a month-to-month basis.

Kansas Casinos

The state of Kansas has four designated commercial gaming zones that were established after the Kansas Expanded Lottery Act (KELA) passed authorizing electronic gaming machines at racetracks within the gaming-zone limits.

Three of the casinos in the state of Kansas are profiled below. The casinos were chosen in relation to their distance from the City of St. Joseph, Missouri.

Hollywood Hotel and Casino at Kansas Speedway

The Kansas Speedway built the \$380 million Penn National Gaming Hollywood Hotel and Casino at the track overlooking turn two. Penn National Gaming owns and operates gaming and racing facilities with a focus on slot machine entertainment. The Company presently operates 19 facilities in 15 locations.

Opened in February 2012, the Hollywood Hotel and Casino is the newest addition to the Kansas City gaming market. Located in Kansas City, Kansas (not Kansas City, Missouri), the establishment is located 51 miles from the City of St. Joseph. It is part of the larger Legends development in Kansas City, Kansas, which includes the Kansas Speedway, a minor league baseball stadium and numerous big box retailers like the Nebraska Furniture Mart. The area was developed with the assistance of Kansas STAR Bonds, a similar program to MoDESA in Missouri.

The casino features a 100,000-square foot gaming floor with 2,300 slot machines and 86 table games. In addition to the gaming area, the facility also features 28,000 square feet of entertainment and dining amenities.

One entertainment venue, Turn 2 Sports Bar & Grill, forms part of the casino grounds and features live music weekends. The venue hosts local and regional bands as well as broadcasts sports games of national and local interest.

Dining options for Speedway and casino visitors include Final Cut Steakhouse, Epic Buffet, Turn 2 Sports Bar and Restaurant, Hollywood Grind coffee house and Marquee Café, a high end coffee house with more extensive dining options than a standard coffee house.

The following figure shows the interior of the casino.

Figure 2-15



The next figure is a picture of the casino and surrounding area.

Figure 2-16



The casino's gaming revenue has totaled \$74.1 million since its opening: \$54.6 million during the first fiscal year and \$19.5 million through June of 2012, which part of the 2012-2013 fiscal year.

The Kansas Speedway estimates that the addition of Hollywood Casino will bring nearly 440,000 tourists per year and create over 1,000 jobs.

7th Street Casino

7th Street Casino is a Native American casino located on 7th Street in downtown Kansas City, Kansas, 51.4 miles southeast from St. Joseph, Missouri. Owned by the Wyandotte Tribe of Oklahoma, the casino opened in 2008. The casino grounds consist of solely slot gaming machines, with over 600.

The following figure shows the interior of the casino.

Figure 2-17



The next figure is a picture of the exterior.

Figure 2-18



Casino White Cloud

Opened in 1998, Casino White Cloud is located in White Cloud, Kansas, on a tribal reservation owned by the Iowa Tribe of Kansas and Nebraska, nearly 40 miles from St. Joseph.

Casino White Cloud consists of 21,000 square feet of gaming space that includes over 380 slot machines and six live and virtual table games. Dining is provided by Mahuska Restaurant, offering buffet and menu choices.

The establishment does not include a hotel but offers four cabins near the casino. Each cabin's average cost per night is \$60 and amenities emulate those of a limited service hotel.

The following figure shows the exterior of the casino.

Figure 2-19



Iowa Casinos

Gaming legalization in the game of Iowa occurred in 1989 with the first casino opening in 1991; three gaming formats are present in the state: Native American, racino - racing casinos- and riverboats. There are 17 operating casinos in the state, which seven are riverboats, seven are land based (native American) and three are racinos.

The following table shows the riverboat casinos attendance and revenue from 1999 to 2010.

Table 2-14

| Iowa Riverboats Attendance and Gross Gaming Revenue | | | | | |
|---|-----------------------|--------|-------------------|----------------------|-------------------|
| Year | Admissions (000's) | GGR* | Percent Change | GGR per Admission | Percent Change |
| 1999 | 12,387 | \$0.51 | -- | \$41.17 | -- |
| 2000 | 13,450 | \$0.58 | 13.7% | \$43.12 | 4.7% |
| 2001 | 12,622 | \$0.59 | 1.7% | \$46.74 | 8.4% |
| 2002 | 13,155 | \$0.65 | 10.2% | \$49.41 | 5.7% |
| 2003 | 12,661 | \$0.67 | 3.1% | \$52.92 | 7.1% |
| 2004 | 12,896 | \$0.72 | 7.5% | \$55.83 | 5.5% |
| 2005 | 13,399 | \$0.75 | 4.2% | \$55.97 | 0.3% |
| 2006 | 13,427 | \$0.76 | 1.3% | \$56.60 | 1.1% |
| 2007 | 15,086 | \$0.86 | 13.2% | \$57.01 | 0.7% |
| 2008 | 16,992 | \$0.95 | 10.5% | \$55.91 | -1.9% |
| 2009 | 16,270 | \$0.95 | 0.0% | \$58.39 | 4.4% |
| 2010 | 15,685 | \$0.93 | -2.1% | \$59.29 | 1.5% |

* Gross Gaming Revenue - Billions
Source: Ernst & Young, HSP

Gaming admissions have increased from 12.4 million in 1999 to 15.7 million in 2010, although the peak for admissions was in 2008 with nearly 17 million. Gross gaming revenue has increased from \$510 million to \$930 million over the period. Gross gaming revenue per admission has increased from \$41 to \$59 over the period and is significantly higher than the GGR per admission in Missouri, however is lower than the approximately \$65 in GGR for the St. Jo Frontier.

Casinos in the state of Iowa are all over 100 miles northeast of the City of St. Joseph; five of which are within 200 miles.

The three most prominent casinos in the Council Bluffs market are the Ameristar, Harrah's and Horseshow Casino (owned by Harrah's). Average patrons visit from the Omaha-Council Bluffs metro area; Lincoln, Nebraska is a crucial feeder market as well as people throughout the state, Nebraska and Missouri.

The five casinos are briefly profiled below.

- Ameristar Casino – Located in Council Bluffs, Iowa, the Ameristar has a 38,500-square foot gaming floor that includes 1,588 slot machines and 33 gaming tables. Amenities include nearly 16,000 square feet of event and meeting space, five dining venues and one entertainment venue. The property also features three adjacent hotels that provide 444 guestrooms for visitors.
- Harrah's Council Bluffs Hotel and Casino – Owned by one of the largest gaming groups in the world, Harrah's Council Bluffs has 792 slot machines and 26 table games on a 28,000 square foot gaming floor, two entertainment venues, 21,000 square feet of meeting space and four food and beverage outlets.

- Horseshoe Casino – Located in Council Bluffs, Iowa, the Horseshoe Casino, formerly Bluffs Run Casino, is the only land-based casino and the largest in the state of Iowa. Opened in 2006, the casino includes a 153-room Hilton Garden Inn Hotel, nearly 100,000 square feet of gaming space and greyhound racing. Live entertainment is provided at the Whiskey Roadhouse, the in-house entertainment venue that attracts nationally recognized artists as well as local acts. The casino features over 1,700 slot machines and 72 table games, three dining venues and approximately 3,000 square feet of meeting and event space.
- Prairie Meadows Racetrack and Casino – Located in Altoona, Iowa, 187 miles from St. Joseph, and the casino provides 1,935 slot machines and 50 gaming tables in approximately 67,000 square feet of gaming area. The property includes 53,000 square feet of meeting space, one entertainment venue, 168 hotel guestrooms and four dining outlets.
- Lakeside Casino – 130 miles from St. Joseph in Osceola, Iowa. Lakeside Casino is comprised of a 36,000-square foot gaming floor with 1,018 gaming slots and 14 table games, 90 hotel guestrooms, three dining outlets and nearly 7,000 square feet of meeting space.

Implications

One of the catalysts for the proposed downtown mixed-use entertainment district project is the redevelopment of the St. Jo Frontier Casino in downtown St. Joseph. Due to a flood in 2011 that closed the facility from June 28th until September 28th of that year, there is a desire to move to a safer location. The move presents three opportunities:

- A new, expanded and improved casino that is more competitive in today's market, including the addition of various amenities that will make it more attractive relative to the competition. These include restaurants, meeting/event space and entertainment/concert facilities, as well as structured parking and an adjoining hotel.
- The ability to re-use the existing riverfront site for other community purposes, such as a park, restaurant, marina and community gathering spaces or multi-purpose event fields.
- The ability to provide a demand generator for the already-proposed downtown projects from the past downtown plans/studies: hotels, convention/event center, retail/restaurants. By combining the projects, it helps all of the projects, by making them easily accessible from each other and providing shared markets/audiences.

The property is the smallest in the trade area, with only 18,000 square feet of gaming floor and with the fewest number of tables, slot machines and amenities.

In addition, there are very few amenities to lure players. There is only one restaurant, there is no significant meeting or event space, no opportunity to bring in entertainment and no hotel rooms, spa, additional restaurants or retail. Compared with many of the other competitors in the region, it is a very basic casino operation without much lure to those who could easily drive to other

facilities. Therefore, its catchment area is much smaller than it could be otherwise, if competitive amenities were included.

At this point, its only true competitive advantage is for those who live closer to this casino than to others. It is very convenient to the St. Joseph market area and those to the north relative to the competitors, but not to the vast population located to the south.

The opportunity to rebuild a larger facility with more gaming options as well as more amenities will put the St. Jo Frontier back in the market at 100 percent penetration relative to its peers. Currently it is underperforming on every metric available to this analysis. This should lure non-Missouri gamers from the north (Iowa and Nebraska) and west (Kansas) back to St. Joseph to both gamble, see shows, spend the night, shop, eat and drink downtown and elsewhere in the city. The implied amenities for the new facility include a hotel of at least 150 rooms, at least four food and beverage outlets, an entertainment center, a meeting facility, covered parking and a spa. These happen to be the very amenities that St. Joseph has been planning to develop in its downtown for the past seven years, so the synergy with a casino is both apparent and logical. Not combining the new casino with these amenities in downtown would be a serious lost development and economic impact opportunity.

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CIVIC ARENA ANALYSIS

The Civic Arena has been the focus of a prior HSP study to determine its competitive position within an event hosting market, its ability to join with a convention center to host events and a physical review to determine what improvements would be necessary to make the facility competitive in today's event market.

The Civic Arena comprises a full city block in downtown St. Joseph and its ability to succeed versus other alternatives that may exist is a critical concern of this study and will be determined by future decisions by the leadership of St. Joseph. A new type of facility is proposed for downtown that can act like both an arena and convention facility. This new hybrid event center is a cost-effective solution for communities that would not alone be able to financially support both types of facilities or where the market for each is not justified due to lack of events.

This chapter provides a profile of the arena and suggests the implications relative to the critical questions for the community:

- Can the Civic Arena be renovated to be competitive for all types of events in the competitive arena market while also accommodating ADA requirements and today's audience expectations for bathrooms and services? Are there options for adding suites and club seats to help lure corporate and other high dollar relationships?
- Can the Civic Arena be renovated to be competitive within the convention market?
- What is the cost of improving the arena to be competitive for arena events?
- What is the cost of developing a convention facility to be competitive for convention events?
- Is the cost of developing a convention facility and renovating the Civic Arena more or less than developing a new Event Center that would be able to accommodate both types of events?
- Is there a higher and better use for the Civic Arena site?

Profile of St. Joseph Civic Arena

The St. Joseph Civic Arena (SJCA) was built in 1980 and covers an entire city block in downtown St. Joseph. It is bounded by 3rd and 4th Streets, as well as Felix and Francis Streets. The facility is a basic concrete and brick public assembly facility and similar to many built in the past. The facility is owned by the City of St. Joseph and managed by the Parks and Recreation Department. There are no anchor sports franchises or groups that call the Civic Arena home.

These types of facilities can become entertainment destinations that cater to a wide spectrum of fans, provide flexible opportunities for various events and offer more amenities to allow for greater revenue, if designed properly. However, the venues designed and built more than 20

years ago often do not have the ability to host such a variety of events or generate the revenue opportunities needed. Pre-1992 arenas are considered obsolete today for a variety of reasons.

Venues today are including suites, club seats, dedicated meeting facilities, upscale food and beverage options, multiple concession points of sale, and adequate bathrooms.

The St. Joseph Civic Arena currently consists of an arena floor and four meeting rooms. The table below shows the detail of the function space.

Table 3-1

| Current St. Joseph Civic Arena | |
|---------------------------------------|------------------|
| Exhibit Space | |
| Arena Floor | 19,000 SF |
| Total | 19,000 SF |
| Meeting Space | |
| Meeting Room 1 | 1,000 SF |
| Meeting Room 2 | 1,000 |
| Meeting Room 3 | 1,000 |
| Meeting Room 4 | 1,000 |
| Total | 4,000 SF |
| Total Function Space | 23,000 SF |
| Source: St. Joseph Civic Arena | |

The arena floor is 19,000 square feet and is surrounded by 2,290 permanent seats. There are also four meeting rooms, each 1,000 square feet. The facility has an additional 1,512 portable seats that may be arranged on the arena floor for a variety of configurations and capacities:

- Concerts: 5,000 (includes floor seating)
- Basketball: 3,742
- Boxing: 4,274
- Circus: 3,000
- Soccer: 3,100

There is no capability to produce ice in the building for hockey or other family ice show events. There is an unlimited floor load and a 36' x 48' portable stage. Freight doors are 14' x 12' and face west (toward the potential convention center site). The ceiling height in the building is 37 feet.

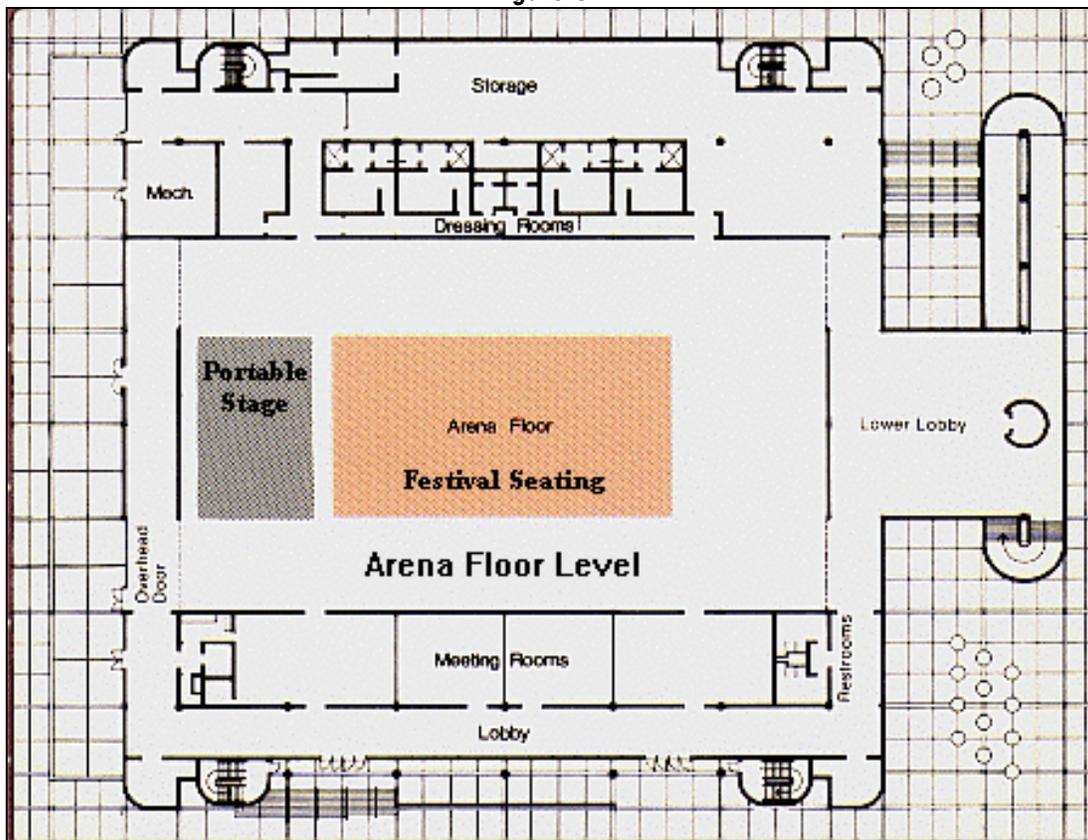
In terms of capacity, if the total arena floor were used for a convention, it would be able to accommodate 95 booths (10 feet by 10 feet each, plus circulation of 100 square feet per booth, for a total of 200 square feet). However, given the lack of meeting and ballroom space, in

addition to the lack of hotels in the downtown, the building is not equipped to support the needs of most conventions. Alternately, trade shows can be held successfully in the building, as they require little ancillary function space.

Additionally, a strong marketing effort would need to be in place to lure such conventions and events and the city would likely need to “buy” these events (essentially paying the event’s rent) since other communities in the area have better space in more improved buildings and more compelling destinations.

The figure below shows the layout of the facility.

Figure 3-1



HSP reviewed the operational history of the St. Joseph Civic Arena in an effort to understand any implications for improvement, expansion, or a new facility dedicated to meetings.

The table below shows the attendance at the facility from 2004 through April 2012.

Table 3-2

| St. Joseph Civic Arena Attendance | |
|--|-------------------|
| Year | Attendance |
| 2004 | 113,581 |
| 2005 | 96,849 |
| 2006 | 102,862 |
| 2007 | 73,130 |
| 2008 | 113,444 |
| 2009 | 73,258 |
| 2010 | 50,420 |
| 2011 | 68,643 |
| 2012* | 62,740 |
| Average 2004-2011 | 86,523 |

* 2012 Attendance is through August
Source: HSP, St. Joseph Civic Arena

Attendance fluctuated between 2004 and 2010 and decreased substantially to a low of 50,420 in 2010. Overall the last couple years the Civic Arena has shown increasing attendance. The attendance figures for 2012 are on pace to surpass the 2011 attendance of 68,643. However, total attendance is nowhere near the highs of 113,000 achieved in 2004 and 2008.

Some of the larger events held at the facility since it opened are shown in the table below.

Table 3-3

| Sample Events Held at the St. Joseph Civic Arena since 1980 | | |
|--|---------------------------------|---------------------|
| Sports | Family Shows | Public Shows |
| NFPB Bull Riding Championships | Moila Shrine Circus | Car Shows |
| Harlem Globetrotters | Royal Lipizzaner Stallions | Tire Shows |
| Kansas City Kings Basketball | Winnie the Pooh | Craft Festivals |
| St. Joseph Express Basketball | Sesame Street Live | Sport Shows |
| St. Joseph Explorers Indoor Football | Ninja Turtles | Home Shows |
| Missouri State High School Basketball Playoffs | Spirit of the Dance | Farm Shows |
| Olympic Weightlifting Trials | Ice Capades | Dog Shows |
| Womens NCAA Division II Elite 8 Championships | Outlaw Monster Truck Show | Food Shows |
| Kart Racing | Elk Sales | Antique Shows |
| Tractor Pulls | High School Basketball Jamboree | |
| Roller Derby | Darcee's Dance Recitals | |
| Wrestling events including WWF, WCW | | |

Source: St. Joseph Civic Arena

HSP analyzed recent arena activity to understand the character of demand for the facility. The results are shown in the table below.

Table 3-4

| St. Joseph Civic Arena Events by Type - 2011 | | | | | |
|---|-------------------|-------------------|------------------|----------------|--------------------|
| | Event Days | % of Total | Attendees | % Total | Avg. Atten. |
| Trade | 9 | 13% | 2,500 | 4% | 278 |
| Association | 3 | 4% | 1,286 | 2% | 429 |
| Sporting Event | 14 | 19% | 17,635 | 26% | 1,260 |
| Corporate | 3 | 4% | 1,900 | 3% | 633 |
| Local | 20 | 28% | 19,848 | 29% | 992 |
| Government | 10 | 14% | 1,810 | 3% | 181 |
| SMERF | 13 | 18% | 23,664 | 34% | 1,820 |
| Total | 72 | 100% | 68,643 | 100% | 953 |

Source: HSP, St. Joseph Civic Arena

In 2011 there were 72 event days, resulting in 68,643 attendees at the facility. The average attendance per event day was at 953. The category with the most event days was local events, with 20 event days and an average attendance of 992. The largest events are SMERF events (social, military, educational, religious and fraternal), which average 1,820 attendees each. In 2011 there were a total of 13 SMERF event days. There were only three association events with an average attendance of 429 per event. There were nine trade and public show days, resulting in 2,500 attendees. Unlike most arenas that generate most of their attendance from sports, concerts and family shows, it appears that the Civic Arena is not acting as the concert and family show destination for events or attendees. In fact, there are very few concerts or family shows in the past few years. Sporting events are still occurring at the facility, but for a variety of physical obsolescence reasons, concerts and family shows are choosing to go to other venues.

As will be shown later in this report, a good facility of this size should be hosting numerous concerts, family shows, comedy acts and sports events, in addition to the events already being hosted. Total attendance should be more than double the current amount. When combined with the convention space, the facility should be inducing nearly four times as many attendees.

HSP then analyzed the financial activity at the St. Joseph Civic Arena. The table below shows the results.

Table 3-5

| St. Joseph Civic Arena | |
|---|----------------------------------|
| Fiscal 2011 Operating Income & Expense | |
| Revenue | |
| Events | \$116,904 |
| Meeting Room Rental | \$700 |
| Equipment Rental | \$27,521 |
| Special Civic Arena Promotions | \$25,409 |
| Concessions | \$75,042 |
| Transfer from Gaming Initiative | \$62,000 |
| Other | \$17,094 |
| Total Operating Revenue | \$324,671 |
| Expenses | |
| Event Expenses | |
| Personnel | \$323,892 |
| Food and Beverage | \$78,407 |
| Equipment Rental | \$3,165 |
| Supplies | \$12,904 |
| Total Event Expenses | <u>\$418,367</u> |
| General Operating Expense | \$173,807 |
| Total Expenses | \$592,175 |
| Net Operating Income | <u><u>(\$267,504)</u></u> |
| Source: HSP, City of St. Joseph | |

Total revenue in FY 2011 was \$324,671, made up primarily by event rental revenue (\$116,904) and concession revenue (\$75,042). Equipment rental and special civic arena promotions generated \$27,500 and \$25,400, respectively. In addition, a non-operating subsidy of \$62,000 from a gaming initiative helps the facility.

Total expenses were nearly \$600,000, leading to a net operating loss of \$267,500 in FY 2011. The second largest expense item was general operating expenses, at \$221,337. The largest expense was personnel at roughly \$276,362 that almost equaled the total operating revenue for the year. Without the gaming initiative, the net deficit is nearly \$330,000. The Civic Arena was able to mitigate the net operating loss by receiving a hotel/motel tax subsidy in the amount of \$443,000.

St. Joseph Arena Improvement Recommendations

After an examination of the Civic Arena, the following comments and recommendations have been suggested, as reported by PGAV and Hunden Strategic Partners originally in 2007.

Strengths

Location: The civic arena is located on the western edge of downtown St. Joseph. This location provides easy access for both local users as well as out of town visitors. The easy access to Interstate 229 / Highway 59, allows visitors easy entrance to the arena site as well as quick and easy exit.

Delivery access: Access to the delivery and staging areas are conveniently located off of north 4th Street. The access from the street is at the arena floor level, providing the ultimate service access for this facility type

Open concourse: On the western edge of the arena, a large and open concourse at two levels provide good pre-function space for spectators. Within this area, vending kiosks and novelty stands are used to enhance the experience. These zones are important when large crowds attend an event.

Event Floor: The event floor, with easy access to loading areas, is approximately 175' x 100'. The floor is equipped with power on a 30' grid for exhibit and trade show use. Some access points also have water and natural gas utilities, according to information provided.

Meeting Rooms: The meeting room space of approximately 4,500 square feet is easily accessible from the street or arena floor, as well as the ticket /entry lobby. The ceiling height for the meeting rooms may be considered too low, however, for some types of events and presentations. With approximately 9'-5" ceiling heights, this may not allow adequate space to erect a large projection screen or stage in these rooms.

Minimum Recommended Improvements & Lost Opportunities

The first improvements discussed are those that will bring the facility up to the minimum standards seen in the industry. These improvements include both spectator comfort and amenities as well as minimum required accessibility standards.

Restrooms: Currently, the event floor has few and small public restrooms for men and women to serve the meeting room spaces. For exhibit or trade show use, the dressing room toilet facilities are often used to supplement the other restrooms, which is necessary due to the increased attendance, but this is not ideal. The concourse located behind the seating area provides access to restrooms for both men and women, with pairs on both the north and south sides. The men's restrooms contain a total of seven water closets and seven urinals. The women's restrooms contain a total of ten water closets.

Industry standards of recent years would recommend toilet fixtures in the following ratios:

MEN'S RESTROOMS

- Water Closets 1:400
- Urinals 1:100

- Lavatories 1:150

WOMEN'S RESTROOMS

- Water Closets 1:75
- Lavatories 1:150

Based upon recent industry standards, the Civic Arena should have men's restrooms with five water closets and 21 urinals. This would mean an expansion of 12 fixtures to the men's restrooms. The women's restrooms should be provided with 28 total fixtures. This would mean an expansion of 18 fixtures to the women's restrooms.

Code required fixture counts for *new* facilities being built today are:

MEN'S RESTROOMS:

- Water Closets 1:75 for the first 1,500 spectators and 1:120 thereafter
(urinals may be substituted for 2/3 of water closets)
- Lavatories 1:200

WOMEN'S RESTROOMS:

- Water Closets 1:40 for the first 1,500 spectators and 1:60 thereafter
- Lavatories 1:150

Based on the requirements for NEW FACILITIES, the Civic Arena should have men's restrooms with 27 total fixtures. Eighteen of these fixtures may be urinals. This would mean an expansion of 13 fixtures to the men's restrooms would be required to meet the current minimum code requirements for new facilities. The women's restrooms should be provided with 48 total fixtures. This would mean an expansion of 38 fixtures to the women's restrooms would be required to meet the current minimum code requirements for new facilities.

Note: These ratios are based on a maximum seating capacity of 4,222. This was found to be the maximum seating during an event where the arena floor was being used.

Based upon requirements in the International Existing Buildings Code, the code that is generally used to set requirements for renovation projects, additional plumbing fixtures would only be required to be added to a floor of a building when the occupant load of that floor is increased by 20 percent. However, it is recommended that, at a minimum, the existing toilet facilities be supplemented to meet the plumbing fixture ratios equal to recent industry standards. In addition, all bathrooms should be made to be accessible to persons with disabilities. This would include a portion of the additional fixtures be added as unisex, family toilet facilities with one water closet and one lavatory per toilet room.

Disabled spectator accessibility: The recommended minimum seating for disabled spectators using wheelchairs is one percent of the seating capacity plus one additional wheelchair seating

space. One companion seat must accompany each wheelchair seating location. In addition, seating for semi-ambulatory spectators is required at aisle seat locations using seats without armrests or retractable armrests. These seats, in addition to the wheelchair and companion seating locations, must be provided in a quantity equal to 1 percent of the total seating capacity. It is the goal of the Americans with Disabilities Act to distribute disabled seating throughout the arena. Therefore, it is recommended that wheelchair and companion seating locations as well as semi-ambulatory seats be provided at each distinct seating section and throughout all different seat price categories. These may include upper bowl seating, lower bowl seating and arena floor or other areas based upon the arena ticketing policy. This will allow for distributed seating throughout the facility.

Based on recent ADA case law, sightline studies should be performed to ensure that all disabled spectators have full visibility of the action, even when spectators in front of them are standing. In addition, the Americans with Disabilities Act will require assisted listening devices be provided for those spectators who are hard of hearing. An assistive listening system that broadcasts a signal to headset receivers must be provided if none currently exists. Signage notifying spectators that assisted listening receivers are available must be posted and receivers should be provided equal to four percent of the seating capacity.

Accessible Paths into the Arena: Through site observations, the only accessible entrance into the arena is through a door on the northeast side of the site. This door leads to elevators and an internal ramp. Once inside the arena door, the paths become accessible. Unfortunately, the path to the door from the street drop-off zone is not an acceptable accessible route. The maximum slope the site can contain, without the use of ramps, is five percent in the direction of travel with a two percent cross slope. The slope appears to exceed the minimum requirement. To comply with current building code and recommendations of the ADA, a renovation to the arena would require that an accessible route be provided to the building from accessible parking locations, public transit stops and drop off zones. The number and location of accessible parking spaces should also be evaluated as part of any major building renovation.

Additional Recommended Improvements

Concession Stands: Currently, the Civic Arena contains six points of sale (POS) for the concession operations. The industry standard for concession ratios is one point of sale per 250 spectators. Based on a maximum seating capacity of 3,382 permanent seats and an additional 840 on the floor during concert events, it is recommended the facility contain a minimum of 14 points of sales and an additional three to four vending kiosks during a concert event. This means additional concession stands containing eight points of sale should be added. These ratios are almost double those used 20 or more years ago. Additionally, locating video monitors that simulcast the event at points-of-sale reduces the annoyance of waiting in line.

The food and beverage offered at a typical concession stand has also expanded beyond the staple hot dog and beer. Regional and international influences can be found in almost any market. For example, fans are finding sushi, burritos and wraps as easily as hot dogs or hamburgers in

venues. Exclusive or private club and suite levels offer even finer fare. The variety, prices, and profit margins of all food service generate revenue and impact the game experience.

Kitchen: The food service kitchen as currently configured provides minimal food preparation capabilities, serving as a basic catering or warming pantry. This kitchen cannot currently supply upscale menu items to the concession stands or meeting rooms, which could generate additional revenue with higher price points. Additional kitchen equipment and required exhaust hoods would be necessary to provide deep fried or grilled foods, brick oven pizza, etc., which many guests have come to expect in an entertainment venue.

New entrance plaza: After careful observation of both the Civic Arena and the surrounding context, a possible enhancement to the arena that could have a major impact on both the image of the arena as well as its incorporation into the surrounding context, would be to enhance the design of the entrance plaza. Currently, the northeast and southeast entrance plazas serve as the main pedestrian entrance into the arena. The plaza is very steep and contains minimal site amenities found in similar size arenas. It is recommended improvements occur to both the hardscape and the softscape. This could be done in various ways: through different types of pavement patterns; addition of steps on the southeast plaza to help with grades; addition of planting materials to help soften the space, provide shade and keep the heat of the pavement to a minimum; addition of banners to add color and life to the plaza; possible graphics and canopies added to the curtain wall system to add color and life to the building facade.

Life Safety Systems and General Handicapped Accessibility: This report addresses general issues regarding accessible spectator seating, accessible route and restroom facilities. However, it is recommended that prior to establishing budgets or plans for renovation, a full assessment of the existing building be performed to evaluate all aspects of accessibility on the property as they relate to building code requirements and recommendations of the Americans with Disabilities Act. In addition, an assessment of existing Life Safety systems should be conducted to understand the extent of building systems (including such items as fire alarm, fire protection systems, smoke evacuation, egress systems, etc.) that may require modification in order to meet building code requirements for renovation of the arena.

Premium Seating. Venues throughout the global sports marketplace are evolving their amenities and the visitor experience as the paths of sports and entertainment are converging. Venues are refining their seating options to emphasize a greater fan experience. These same venues are taking strategic measures to ensure the premium-seating marketplace continues to be a significant revenue channel.

Increasingly, spectator venues are designed with an eye toward accommodating different sizes of premium seating, as well as an understanding of how these areas fit in with surrounding concourses and clubs. The absence of premium seating and a “one size fits all” seating concept does not allow the Civic Arena to accommodate the specific preferences and tastes of visitors. An expanded product mix would provide greater flexibility to meet the specific needs and budgets of visitors. Since it is becoming more critical to be flexible, a shift toward tiered and dynamic pricing is underway.

Venues are creating premium-seating options that include:

Club Seat. A premium seat with an exceptional location in the seating bowl of the venue. It may included access to a 'party room or lounge area with the ticket.

Loge Suite. Four to six comfortable, movable swivel chairs sit at a counter facing the game action, and a back counter holds that night's spread of food and drinks — but there's no living room to speak of for socializing. Guests wanting a larger communal experience walk back to a club that services all of the private suites on that level.

Luxury Suite. Typically located in the midsection of a stadium grandstand, usually providing the best views of the event. The luxury box typically includes a bar, televisions, a small seating area, and a private bathroom. The luxury box usually includes catered food and beverage, parking, ticket allotment and access to separate entrances. Most luxury boxes are leased by contract on a yearly or multi-year basis. These agreements usually grant access to the box by the leaseholder or owner for every event held at the venue.

Party Deck. Neither upscale nor downscale, it's still a "special" configuration of seating that sometimes doesn't even have seats. It is a component of many modern ballparks and stadiums that is now being incorporated into arenas.

Courtside Bunker. It's a room with no view — a large private suite underneath the stands in the lower part of the venue with access to courtside seats for basketball, for example.

Developing these types of facilities will be difficult due to the existing structure and could be cost prohibitive, which would keep the facility from maximizing revenue and partnerships.

Naming Rights and Sponsorships. Naming rights and sponsorships have become common practice for venues while acceptance is continually growing amongst the public. In both naming rights and sponsorships, venues can generate sufficient revenue that can help alleviate the rising costs of venue construction, event hosting and operating expenses. These types of agreements are becoming more and more attractive as cities and facility managers face the rising costs of building the state-of-the-art venues spectator event markets increasingly expect. As properties formulate their debt servicing plans, revenues secured by long-term naming rights agreements are now a prominent part of the mix. Venues with an anchor tenant continue to attract the most interest while venues without a tenant still have interest albeit in reduced quantities and at lower price points.

The bottom line is that both naming rights and sponsorship markets have something for all budgets. The investment requirements do differ in the overall cost of deals, as a consequence of facility naming rights agreements typically being longer in duration than sponsorships. Although the global financial crisis has tempered the willingness to commit to the very longest-term agreements that reached well over ten years, the multi-year naming right agreements are settling in the range of five to ten years.

Operations. Our review of the facility provided two primary observations regarding operations:

- **Meeting space/Offices.** Currently, there is space being utilized for staff offices that could be rented for meetings and events and could service as premium suites during events. Offices could be moved to other locations within the building. However, major construction would be required to install the number and type of suites and support facilities normal in today's new buildings.
- **Management.** It was noted that Parks and Recreation Departments rarely manage arena facilities. Typically, private management companies or an authority-appointed management team runs such a facility in order to produce a profit at the facility (or break even). Missing from the current management is a strong out-bound sales operation, which seeks to bring in new business. Instead, most bookings occur via an inbound call. With private management or one with a profit motive, there would likely be more activity in the facility and the net loss would likely decrease. If a convention facility is developed adjacent to the Civic Arena, it is suggested putting the management of both facilities out for a single management contract. The expertise of private management to generate top and bottom line sales revenue and minimize expenses has been documented in a variety of instances. Placing all the facilities within a single management contract would allow such a company to create economies of scale resulting in minimized expenses. In addition, the professional sales staff would more likely generate the type of sales activity that would better support the financial needs of the facilities.

Improvements to the restrooms, concession stands and handicap accessibility are basic requirements to have a well functioning, comfortable environment for spectators, while matching the industry standards of competing markets. Spectator comfort cannot be underestimated in its importance. However, there are a number of improvements that are difficult yet generally needed to make the facility adequate for the next generation of arenas. The choice with many aged and somewhat obsolete buildings is a choice between a large cost for a modified and passable facility that does not advance the community, or a new facility that optimally penetrates the market, moves the community forward for the next 30 years and attracts attendance and spending from surrounding areas, including other states. Currently, the facility appears to be hosting small events that average only 25 to 33 percent capacity and attract mostly local citizens.

The following table shows the expected costs to bring the Civic Arena up to a competitive and compliant level, as described above.

Table 3-6

| Estimated Costs to Renovate St. Joseph Civic Arena | | | |
|--|-------------------------------------|---------------------|---------------------|
| Item | Quantity | Low Cost | High Cost |
| ADA Compliant | | | |
| ADA Seating Areas | Various areas in arena | \$125,000 | \$300,000 |
| ADA compliant signage | | \$50,000 | \$100,000 |
| Expand access | Doorways, pathways | \$875,000 | \$1,000,000 |
| Premium Seating | | | |
| Suites | Add 12 | \$1,175,000 | \$1,750,000 |
| Club Seats | Center section of seats | \$125,000 | \$600,000 |
| Restrooms | | | |
| Men's Fixtures | Add 13 | \$200,000 | \$275,000 |
| Women's Fixtures | Add 38 | \$580,000 | \$800,000 |
| Concessions Stands | | | |
| POS Stations | Add 8 | \$250,000 | \$350,000 |
| Space for Kiosks | | | |
| Kitchen | Upgrade for catering capabilities | \$600,000 | \$900,000 |
| Scoreboard | Center hung or end screen | \$800,000 | \$1,250,000 |
| Sound System | | \$80,000 | \$250,000 |
| Sponsorship Signage | LEDs, static signage, ribbon boards | \$300,000 | \$450,000 |
| Facade or naming rights signage | | \$50,000 | \$100,000 |
| New Front Entrance | | \$2,700,000 | \$3,500,000 |
| Upgrade Life Safety Systems | | \$170,000 | \$250,000 |
| Admin Office Space | | \$750,000 | \$960,000 |
| Improve circulation/flow of foot traffic | | \$270,000 | \$450,000 |
| Upgrade IT Infrastructure | | \$250,000 | \$350,000 |
| Architectural integrity improvements | | \$2,750,000 | \$4,200,000 |
| Subtotal | | \$12,100,000 | \$17,835,000 |
| Coningency 10% | | \$1,210,000 | \$1,783,500 |
| Total | | \$13,310,000 | \$19,618,500 |

Source: Convergence Design, HSP

As shown, the costs to improve the facility so that it can host the types of events in today's market that are clearly not coming to St. Joseph now, as well as costs to bring the facility up to ADA compliance, attract corporate sponsors and other revenue streams, ranges from \$13.3 million to nearly \$20 million. This is a significant investment in an aged facility.

Implications

The St. Joseph Civic Arena is an aging facility with a variety of obsolescence issues. As a result of age, advances in venue design and technology, the current functionality and physical limitations of the Civic Arena have ultimately become an impediment to its own revenue generating potential. St. Joseph is missing out on critical revenue opportunities by not having adequate premium seating options or necessary sponsorship inventory. It is suggested St. Joseph upgrade its facilities to include the access, amenities and experience spectators and

performers have come to expect if the city intends to improve its competitive position within the region. One of the major goals in the design of arenas and event centers is flexibility. The ability for the Civic Arena to transform from an arena to an intimate concert setting to a trade show floor and maximize revenue opportunities will be critical to the sustainability of the arena.

Due to a number of physical constraints, while the Civic Arena could be improved to accommodate the needs of those with disabilities, it would not be able to be easily renovated to mitigate all three of the arena's primary deficiencies: complying with ADA requirements as well as bathroom and concession demands of today's audiences would be difficult and costly; adding premium seating options such as suites and club seats would be quite difficult and expensive; and upgrading the arena to be able to host the types of sports and entertainment events in today's market would be possible, but also complicated and expensive. So while the answer to the first question posed (can the Civic Arena be renovated to accommodate the needs of the events and today's audiences as well as the ADA) is mostly yes, the costs would be high and it is likely that very few suites could be developed.

Can the Civic Arena be renovated to attract and accommodate convention events? Unfortunately, there are few convention events that can or would be attracted to this facility, even with certain renovations. Usually conventions demand three types of space: exhibit space, ballroom space and meeting rooms and so without a ballroom onsite and few if any meeting rooms, a convention is unlikely to choose the Civic Arena for its event, even after a renovation. Therefore, a facility that has these facilities is required in order to attract such events.

The cost of improving the Civic Arena to be competitive for arena events and attract audiences as well as corporate partners has been estimated as of 2007 to be \$10 million or more. In today's prices and will other soft costs, the renovation is likely to cost between \$13.3 and nearly \$20 million.

As determined in a prior study of the convention market, a basic convention center with 20,000 - 25,000 square feet of exhibit space, a 10,000-square foot ballroom and a strong complement of meeting rooms (4,000 - 5,000 square feet), as well a pre-function space would cost between \$30 and \$40 million. In 2007, the recommended facility was projected to cost \$32 million, however with soft costs and inflation, the cost could be in excess of \$40 million.

Together, the cost of developing a separate convention facility and renovating the Civic Arena could be \$60 million or more. It would still leave an aging and inflexible arena facility, but one that would be able to attract events for another 20 to 25 years. However, neither facility would likely be busy enough to keep them from running significant operating deficits. Also, the facilities would take up at least 2.5 blocks, if not three.

As will be shown later in this report, a combined events center that includes all of the elements of an arena and a convention center would take up one block for the primary facility and another potential half block for the ballroom and meeting room facilities. The cost of that facility is estimated to be \$40 to \$48 million, depending upon a number of factors.

While there is much sentimental value associated with the Civic Arena, most communities that have faced this quandary have ultimately realized that the highest and best use of scarce downtown parcels and obsolete event arenas is to replace them with flexible event spaces that are best able to penetrate the market and generate a the most number of events and impact for the community.

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ENTERTAINMENT FACILITY TRENDS AND COMPARABLE FACILITIES

Arena or event center development for communities and markets comparable to St. Joseph has increased in the last decade for a variety of reasons. For small markets with or without a university, small arenas provide an opportunity to host sports teams, concerts, family and ice shows, community events, trade shows and conventions. Events for smaller arenas continue to be developed. These events can find success in small metropolitan areas.

The market provides many reasons to consider an arena in St. Joseph, for winter sports, concerts and other events, and the potential that exists because nearly 500,000 people reside within the surrounding counties in Missouri and bordering states.

The Arena Industry in the United States

The nationwide trend to build new sports and entertainment facilities in recent years has affected markets large and small. The majority of large metropolitan areas with major professional sports franchises have opened new arenas in the last ten to 15 years, and even small markets with minor-league sports teams have done the same.

In addition to hosting sports events, the venues are also typically multipurpose facilities that can accommodate events such as concerts, family shows, and other community-oriented events. Depending on a facility's orientation and a market's needs, it can also be used for events such as meetings, conventions, and trade and consumer shows. The advent of amenities such as luxury suites, club seating, private restaurant areas, and others have created new, potentially lucrative revenue streams for facility owners, although these are not always present in facilities – especially if there is not anchor sports tenant. In addition, naming rights and expanded sponsorship programs have also significantly increased opportunities for facility-based revenues.

In order for a facility to have the ability to generate these revenue streams, it is sometimes helpful, but not always, for it to have one or more full-time tenants, such as a college or a professional sports franchise. A professional basketball or hockey team, for example, provides a facility with approximately 40 or more guaranteed event dates. A men's or women's collegiate basketball program will generally play approximately 15 to 20 home games per season and a volleyball program can add another 10 to 15 home matches. In addition, the revenues generated from premium seating, luxury suites, naming rights and other sponsorships are heavily dependent on the existence of one or more sports tenants. These sporting events allow customers and advertising partners with regular access to a venue and a schedule of annually repeating, relatively high-profile events for entertaining clients and friends, rewarding employees and maintaining a strong local presence. Facilities without an anchor tenant can generate similar revenue streams, but not to the extent of a facility with an anchor tenant.

Because of the availability of these new revenues, facilities can now be partially financed through project-based revenues such as naming rights and long-term commitments for premium seating and/or sponsorships rather than purely through general obligation bonds, municipal property tax

revenue, or outside sources of university revenues or borrowing. However, these revenues are often not sufficient to entirely finance and operate a project such as an arena. As a result, facility development typically still involves other forms of private investment or contributions and public assistance, such as land contributions, dedicated tax revenue or fees, property tax abatement, individual and corporate giving, or others.

This section describes relevant aspects of the arena industry as they relate to the St. Joseph market, including a review of recent and planned arena construction, discussion of event types and their characteristics, and others. Many university arenas are not used for non-university events, therefore both university and non-university facilities are discussed.

Recent and Planned Arena Development in the U.S.

The following table summarizes a sample of smaller arena projects (defined as having 10,000 or fewer seats) that have opened since 2003. Other projects have been built or are in various stages of planning, but this table lists a representative set of facilities that have been completed. This table will begin to demonstrate the size and type of facilities that are being built, as well as the markets that are expected to support them, their tenants, and their offerings.

Table 4-1

| Facility Name | MSA | New Arenas Since 2003 with Less Than 10,000-seat Capacity | | | | | | | Total Naming rights | Estimated Cost (millions) | Opened/ Expected Opening |
|--|---|---|-------------------------------|----------------------|--------------------|-----------------|----------------------|--------------|---------------------|---------------------------|--------------------------|
| | | 2010 MSA Population (000s) | Tenant(s) | # of Permanent Seats | # of Luxury Suites | # of Club Seats | Annual Naming Rights | Term (Years) | | | |
| Pro Sports/Municipal Use | | | | | | | | | | | |
| Allentown Arena | Allentown, PA | 816.0 | AHL | 8,500 | 36 | 986 | -- | -- | -- | \$272.0 | 2014 |
| Cross Insurance Center | Bangor, ME | 153.9 | None | 8,078 | 12 | n/a | \$200,000 | 15 | \$3,000,000 | \$65.0 | 2013 |
| Cedar Park Center | Austin, TX | 1,783.5 | AHL, NBADL | 6,660 | 22 | 541 | -- | -- | -- | -- | 2009 |
| ShoWare Center | Seattle-Tacoma-Bellevue, WA | 3,309.0 | WHL, WFTDA | 7,500 | 20 | 500 | \$317,500 | 10 | \$3,175,000 | \$68.0 | 2009 |
| Huntington Center | Toledo, OH | 651.0 | ECHL | 8,000 | 20 | n/a | \$300,000 | 7 | \$2,100,000 | \$105.0 | 2009 |
| Town Toyota Center | Wenatchee, WA | 110.0 | NAHL, IFL | 5,000 | 26 | 397 | \$200,000 | 5 | \$1,000,000 | \$45.0 | 2008 |
| US Cellular Arena | Bloomington-Normal, IL | 158.0 | MISL | 7,000 | 24 | 700 | \$345,000 | 6 | \$2,070,000 | \$37.0 | 2006 |
| 1stBANK Center | Denver-Boulder-Greeley, CO | 3,090.0 | None | 6,000 | 25 | 900 | -- | 5 | Not Disclosed | \$45.0 | 2006 |
| Santa Ana Star Center | Albuquerque, NM | 887.0 | NAHL, IFL | 6,500 | 26 | 500 | \$500,000 | 5 | \$2,500,000 | \$43.0 | 2006 |
| Tim's Toyota Center | Prescott, AZ | 211.0 | CHL, AIF | 5,100 | 20 | 500 | \$175,000 | 10 | \$1,750,000 | \$24.0 | 2006 |
| Stockton Events Center | Stockton-Lodi, CA | 649.0 | ECHL, AIF | 10,000 | 24 | 500 | -- | -- | -- | \$45.0 | 2005 |
| Covelli Centre | Youngstown-Warren, OH | 565.0 | USHL, WFTDA | 5,700 | 24 | 500 | \$120,000 | 3 | \$360,000 | \$41.0 | 2005 |
| American Bank Center | Corpus Christi, TX | 428.0 | Texas A&M-CC, NAHL, LSFL | 6,000 | 11 | 302 | -- | 10 | Not Disclosed | \$50.0 | 2004 |
| Budweiser Events Center | Fort Collins - Loveland, CO | 299.0 | ECHL, IFL | 5,211 | 24 | 777 | \$75,000 | 20 | \$1,500,000 | \$25.0 | 2003 |
| Comcast Arena at Everett Events Center | Seattle - Tacoma - Bellevue, WA | 3,168.0 | WHL, NLL, RDCL | 8,250 | 20 | 750 | \$740,000 | 10 | \$7,400,000 | \$63.0 | 2003 |
| State Farm Arena | McAllen - Edinburg - Mission, TX | 774.0 | CHL, D-League, LSFL | 5,500 | 25 | 500 | \$200,000 | 5 | \$1,000,000 | \$20.0 | 2003 |
| Orleans Arena | Las Vegas - Paradise, NV | 1,649.0 | ECHL, WCC, WAC, LFL, PASL-Pro | 7,000 | 22 | 220 | -- | -- | -- | \$150.0 | 2003 |
| Ford Arena | Beaumont - Port Arthur, TX | 383.0 | ABA | 8,200 | 15 | 750 | \$250,000 | 5 | \$1,250,000 | \$70.0 | 2003 |
| Tyson Events Center | Sioux City, IA-NE | 143.0 | USHL, APFL | 10,000 | 27 | 0 | \$200,000 | 20 | \$4,000,000 | \$28.1 | 2003 |
| Average | | 1,012.0 | | 7,063 | 22 | 548 | \$278,654 | 9 | \$2,392,692 | \$66.5 | 2006 |
| College-Led Arenas | | | | | | | | | | | |
| College Park Center at UTA | Dallas-Fort Worth-Arlington, TX | 6,526.5 | Univ. Texas - Arlington | 5,000 | 3 | 1,000 | -- | -- | -- | \$79.0 | 2012 |
| Xavier Univ. of Louisiana Arena | New Orleans, LA | 1,024.6 | Xavier Univ. of Louisiana | 5,000 | 0 | 0 | -- | -- | -- | \$24.0 | 2012 |
| Compton Family Center | South Bend-Mishawaka, IN-MI | 318.0 | Univ. of Notre Dame | 5,141 | 4 | 250 | -- | Major Gift | -- | \$48.0 | 2011 |
| Stroh Center | Toledo, OH | 650.0 | Bowling Green State Univ. | 5,000 | 8 | 500 | \$7,700,000 | Major Gift | \$7,700,000 | \$26.0 | 2011 |
| Grand Canyon University Arena | Phoenix-Mesa-Scottsdale, AZ | 4,192.8 | Grand Canyon Univ. | 5,000 | yes | yes | -- | -- | -- | \$38.0 | 2011 |
| Auburn Arena | Albany, GA | 164.0 | Auburn | 9,600 | 12 | 450 | -- | -- | -- | \$92.5 | 2010 |
| O'Reilly Family Event Center | Springfield, MO | 436.0 | Drury Univ. | 4,000 | yes | 0 | \$6,000,000 | Major Gift | \$6,000,000 | \$12.0 | 2009 |
| Bank of Kentucky Arena | Cincinnati-Middletown, OH-KY-IN | 2,134.0 | Northern KY Univ. | 9,000 | 12 | 0 | -- | -- | \$6,000,000 | \$64.0 | 2008 |
| TD Arena | Charleston-North Charleston, SC | 664.0 | Coll. of Charleston | 5,000 | 0 | 0 | \$100,000 | 6 | \$600,000 | \$36.0 | 2008 |
| McLeod Center | Waterloo-Cedar Falls, IA | 163.0 | Univ. of Northern Iowa | 7,000 | 0 | 0 | \$4,000,000 | Major Gift | \$4,000,000 | \$20.0 | 2006 |
| McCarthy Athletic Center | Spokane, WA | 471.0 | Gonzaga | 6,000 | 0 | 0 | -- | Major Gift | -- | \$25.0 | 2004 |
| BankUnited Center | Miami-Fort Lauderdale-Pompano Beach, FL | 5,413.0 | Univ. of Miami | 7,000 | 25 | 0 | -- | 10 | Not Disclosed | \$48.0 | 2003 |
| Average | | 1,846.4 | | 6,062 | 6 | 200 | \$4,450,000 | 8 | \$4,860,000 | \$42.7 | 2009 |

* Includes hotel and casino.

Source: US Census Bureau, Venues Today, Revenues from Sports Venues, Individual Facilities

As the table shows, markets of various sizes have built sports and entertainment facilities. The arenas shown in the table range in size from 4,000 to 10,000 seats and most have a significant supply of premium seating. These facilities demonstrate what each market feels is an appropriate venue, given its market characteristics. All but the 1stBANK Center in Colorado have at least one sports tenant, including collegiate and minor league teams. The number of suites averages 22 and the number of club seats averages 548 for non-collegiate facilities. Naming rights revenue per year averaged nearly \$300,000.

The facility in St. Joseph is not expected to have a collegiate or professional sports tenant. This will allow for many types of events and an open calendar, but will also remove a built-in event and attendance stream during the year. It also suggests that premium seating is not likely in St. Joseph. This reduces the revenue, but also the cost of the facility. It also suggests that fewer suites and club seats are appropriate. For most facilities of the size in St. Joseph, the number of suites would range from six to 12 and the number of club seats would range from 250 to 500. Naming rights should be marketable, but at a rate ranging from \$75,000 to \$150,000 per year.

Other Entertainment Events – Concerts and Family Shows

Aside from sporting events and conventions/meetings, other typical uses of arenas are for entertainment events such as concerts and family shows. The text below describes these entertainment events and their characteristics as they relate to St. Joseph.

Concert and Event Trends

Concerts can be a major source of revenue for an arena. Arenas today are often designed and operated as much as music venues as sports venues.

Because of recent consolidation in the music industry, a few large event promoters generally control the concert industry and the availability of acts. As a result, it is wise for management of an independent arena to explore forming a strong alliance with at least one key promoter, depending on the local/regional competitive landscape. This type of arrangement would not have to be exclusive, and the arena would be able to contract with all interested promoters. Further, the facility itself could also promote, or co-promote with another organization, certain events (by taking on some of the risk and funding some upfront expenses in exchange for a higher share of event revenues) to keep a vibrant calendar going.

In 2011, industry operators became more conservative with the price, size and number of events booked and provided customers with more ticket pricing options to better reflect consumer demand and per capita disposable income improvements. The industry's largest players cut back the number of large amphitheater shows and focused on filling smaller venues. The strategy paid off, and although the total volume of ticket sales declined modestly over 2011, industry revenue increased 2.5 percent. Industry revenue will continue to increase over 2012. Over the year, industry operators will benefit from a more strategic approach to event planning and pricing as well as a growing focus on revenue from sponsorships, ancillary sales, artist management services and other non-traditional revenue streams.

The following table shows the revenue breakdown for the concert and music promotion industry.

Table 4-2

| Concert & Event Promotion Industry - Products & Services Segmentation | | |
|---|--------------------------------|-----------------------------|
| Event Type | Percentage of Industry Revenue | Industry Revenue (millions) |
| Live Music Concerts | 58.1% | \$13,305 |
| Theater and Opera Performances | 15.6% | \$3,572 |
| Non-franchise Sporting Events | 14.6% | \$3,343 |
| Fairs, Pageants, Ethnic Festivals, Other | 8.6% | \$1,969 |
| Symphony and Classical Music Concerts | 1.7% | \$389 |
| Dance Performances | 1.0% | \$229 |
| Public Appearances and Speeches | 0.4% | \$92 |
| Total | 100% | \$22,900 |

Source: IBISWorld

As shown, live music concerts are the largest touring segment in the industry. Live music concerts are responsible for \$13.3 billion, nearly 60 percent of the industry’s total revenue. Theater and opera performances and non-franchise sporting events that are growing segments are responsible for \$3.6 billion and \$3.3 billion in industry revenue respectively.

Live music concerts - The Concert and Event Promotion industry promotes different events, including dance performances, sporting events and concerts. Live music concerts generate the majority of industry revenue: an estimated 58.1 percent. Events in this segment include live music performances at clubs, music theaters, arenas and amphitheaters, as well as local and regional music festivals. Events can range in size from an attendance of fewer than 500 people to more than 100,000. As a proportion of industry revenue, this industry segment has experienced slight increases during the five years to 2012. The number and popularity of club and theater-level concerts has risen in line with consumers' increasing use of the Internet as a tool for music discovery.

Non-franchise sporting events – Non-franchise sports, such as boxing matches and rodeos, are estimated to bring in about 14.6 percent of industry revenue in 2012. Sporting events tend to be less price sensitive than arts-related events. This nature is partly due to the partisanship surrounding sports teams. Moreover, sporting teams can perform using the same equipment at every show (e.g. an ice hockey rink or basketball court), which also lowers the cost of staging a performance.

Theatrical performances - Theatrical performances, such as plays, musicals and operas, account for an estimated 15.6 percent of industry revenue. Demand for this segment has declined slightly over the past five years due to declines in gifts, donations and grants supporting performing arts. Other events include state fairs, agricultural fairs, pageants and all other festivals and events that are not related to sports or performing arts.

Typically, to initiate live entertainment events or tours, booking agents directly contract with performers to represent them for defined periods. Booking agents then contact promoters, who

will contract with them or directly with performers to arrange events and tours. Booking agents generally receive fixed or percentage fees from performers for their services. Promoters earn revenue primarily from the sale of tickets, as well as percentages of revenue from concessions and ancillary services. Promoters pay the performers under one of several different formulas, which may include fixed guarantees, percentages of ticket sales or the greater of guaranteed amounts or profit sharing payments based on total ticket revenue.

Admission Fees - Nearly half of industry revenue (47.3 percent) is received from admission fees to the events promoted. As stated above, venues typically share revenue from ticket sales under a number of different formulas, including a fixed percentage of box-office receipts, profit collected over artist guarantees or through ticketing or facilities fees included in ticket prices. The proportion of industry revenue collected by promoters through ticket sales has fallen from 53.3 percent of industry revenue in 2007. This decline can be attributed to promoters expanding their revenue streams to include receipts from the sale of concessions, merchandise and ancillary services.

Food and Beverage - Food, beverage and merchandise sales have grown as a proportion of industry revenue over the five years to 2012 to make up about 15.8 percent of industry revenue. Revenue from these operations generally has a higher profit margin than revenue from other services. Therefore, fluctuations in these revenue streams can have notable impacts on operating income.

Advertising and Sponsorships - Advertising and corporate sponsorship deals generate about 12.7 percent of total industry revenue. Common advertising and sponsorship deals include signage and promotional programs, venue naming rights, on-site representation and the sale of online ad space. Contributions, gifts and grants also make up a significant proportion of industry revenue, particularly for establishments that operate as nonprofits. While this segment comprises 8.2 percent of total industry revenue, the proportion is closer to 40 percent for tax-exempt establishments. For the vast majority of these contributions, \$9 of every \$10 comes from the private sector. Government programs, such as the National Endowment for the Arts, provide additional funding opportunities.

The industry has also been helped by the popularity of other touring events that are typically considered to be concerts, although many could also be called family shows. Other positives for the industry include the continued growth in the theater and club-level event segment and increasing per-head ancillary spending. Music theaters that typically have a capacity of between 1,000 and 6,500 people and clubs with capacities of less than 1,000 have grown increasingly popular over the past five years. Events held at these venues are considerably more affordable to attend on average than their arena and amphitheater counterparts, making them attractive to consumers who find attending larger events too expensive given the current economic conditions.

Additionally, there are more theater and club-level acts touring successfully than ever before, with the Internet helping expand the public's ability to discover new music and artists. A national tour can typically include 25 to 75 performances and most arena concerts are held from the fall to

spring. In the summer, most concerts take place in amphitheaters and other outdoor venues, particularly in recent years with the growing popularity of music festivals in the U.S.

The most popular, well-established acts that once toured only large stadiums are now filling arenas and amphitheaters for multiple shows to smaller audiences. While stadium tours and limited stadium performances will continue to be staged, even groups like the Rolling Stones, Billy Joel, Elton John, and U2 are also booking performances at smaller arenas and amphitheaters.

The table below shows the market segmentation for the concert and music promotion industry.

Table 4-3

| Concert & Event Promotion Industry - Market Segmentation | | |
|--|-------------------|-----------------------------|
| Demographic Type | Market Percentage | Industry Revenue (millions) |
| Men ages 21 to 45 | 26.4% | \$6,046 |
| Women ages 21 to 45 | 24.3% | \$5,565 |
| Women ages 46 and older | 12.6% | \$2,885 |
| Men ages 46 and older | 12.1% | \$2,771 |
| Corporations | 10.0% | \$2,290 |
| Men ages 20 and younger | 7.5% | \$1,718 |
| Women ages 20 and younger | 7.1% | \$1,626 |
| Total | 100% | \$22,900 |

Source: IBISWorld

The Concert and Event Promotion industry targets very diverse audiences depending on the scale and type of event. Performances range from those of child entertainers, such as Disney on Ice, to classical symphonies by philharmonic orchestras that are more popular with older generations. The bulk of events (live music concerts and sporting events) target men and women aged 21 to 45. This age demographic makes up 50 percent of the target market and is responsible for \$11.5 billion of industry revenue. Over the five years to 2012, this segment has remained consistent because this age group is most consistently employed and thus, has the disposable income to spend on industry events. Additionally, the number of attendees older than 45 has increased slightly over the past five years as more touring artists and events have appealed to this demographic, which tends to have more disposable income and available leisure time.

Men and women between the ages of 21 and 45 account for 26.4 percent and 24.3 percent of the visitors to the average performing arts venue. Combined, this age group accounts for more than half of the industry’s market. The corporate market is primarily associated with the largest establishments in the industry, those facilities with premium seating and entertainment areas such as stadiums and arenas. Therefore, the corporate market might be a smaller segment for St. Joseph facilities.

The size of events can range from large festivals hosting upwards of 100,000 attendees to local community events with fewer than 500 attendees. Corporate support for this industry is usually in the form of purchasing premium seating, luxury suites or sponsoring events. Corporate interest is

most often directed toward large sporting events, sponsorship of music concerts, tours and major arts festivals within the industry. Domestic economic conditions generally influence corporate support. This segment is estimated to generate 10 percent of revenue in 2012.

Secondary and Tertiary Markets for Concerts

Secondary and tertiary markets have demonstrated over the past few years that they can sustain a robust concert business. Recent years have been excellent for secondary markets, with such top acts as Cher, the Eagles, and many others playing a number of venues in smaller markets. According to industry sources, many acts are finding that they do not reach all their fans by only playing major markets. While smaller markets typically have facilities with smaller capacities and are less likely to support high-ticket prices, adding smaller-market dates to touring schedules, on top of the standard primary-market dates, creates additional revenue for these acts and allows them to reach a broader base of fans. In addition, the trend to tour more, as well as the construction of new small facilities across the country, has also helped to attract concerts to small markets.

In recent years, a number of popular touring concerts performed in smaller arenas throughout the country. For the most part, these acts would not be expected to sell out an arena the size of Sprint Arena, particularly for multiple dates, and would therefore be more likely to book a smaller arena, like one in St. Joseph. But in other cases, major acts have also performed in small facilities in smaller markets, as previously described. The following information provides examples of recent tours that are relevant to this discussion.

The tour of the popular High School Musical included stops in many NBA and NHL arenas, but also in smaller facilities such as the 2,700-seat Civic Center of Greater Des Moines. In Des Moines, eight performances had an average attendance of approximately 2,000 with ticket prices ranging from \$10 to \$60.

The Jonas Brothers, who perform in both small and large arenas, performed at the 7,100-seat Sovereign Center in Reading, PA and the 6,800-seat State Farm Arena in Hidalgo, TX. Both concerts were near sellouts with ticket prices ranging from \$30 to \$75, and gross sales of \$300,000 to \$400,000.

The Blue Man Group's tour included performances in NBA/NHL arenas as well as smaller community venues (including the Allen County War Memorial Coliseum in Fort Wayne).

An example of a major act that can sell out 20,000-seat arenas but also plays smaller venues is the Foo Fighters. Their recent tour included NBA/NHL arenas as well as 5,000- to 10,000-seat arenas such as Wachovia Arena in Wilkes-Barre, PA; the Glens Falls (NY) Civic Center; the Mid-America Center in Council Bluffs, IA; and the Pensacola Civic Center. With ticket prices from \$23 to \$55, shows at the Mid-America Center and Pensacola Civic Center generated more than \$300,000 in gross ticket sales.

James Taylor's previous tour stops included the 5,100-seat Tim's Toyota Center in Arizona and the 6,700-seat Cumberland County Civic Center in Portland, Maine.

As discussed, there are a variety of non-sports events that play in smaller arenas. The key then is to have a competitive niche within the overall regional market and a strong management company that can book strong acts.

Family Shows

Family shows generally are not as great a revenue producer for facilities as top concerts, but they have shown notable growth in the past few years. Tickets for family shows typically cost less than concerts in order to entice families to attend. Yet what family shows may lack in revenue, they more than make up for in reliable year-round bookings, as the touring schedules are more consistent than those of concerts. Further, family shows can agree to long-term booking arrangements with a facility and commonly hold several performances over multiple consecutive days. However, like the concert industry, most of the larger family shows are controlled by a small group of companies. The following table shows the various companies and family show productions across the country.

Table 4-4

| 2011 Family Events Productions | | | |
|---|-----------------------|---------------|-------------------|
| Company | # of US Touring Units | # of US Shows | Avg. Ticket Price |
| AEG Themestar LLC | 2 | 550 | \$15.50 |
| AMP Live Events | 5 | 100 | \$17.50 |
| Feld Entertainment | 18 | 5,000+ | \$20 - \$25 |
| Feld Motor Sports | 11 | 500 | \$29 |
| Harlem Globetrotters | 2-3 | 278 | \$29 |
| HIT Entertainment | 4 | NA | \$10 - \$39 |
| Koba Entertainment | 7 | 600 | \$25 |
| NETworks Presentations | 10 | 650 | \$40 - \$240 |
| Live Nation Motor Sports | 12 | 600 | \$43.50 |
| DreamWorks Theatricals/ Broadway Across America | 30+ | 4,000+ | \$89 |
| S2BN Entertainment | 1 | -- | \$40 |
| Stars on Ice, an IMG Production | 1 | 50 | \$48 |
| VEE Corporation | 6 | 1,600 | \$10-\$35 |
| White Stallion Productions | 1 | 110 | \$19.50 - \$22.50 |
| World Wrestling Entertainment | 4 | 241 | \$42 |

Source: Venues Today, Various Organizations

In addition to the companies listed above, other organizations also produce dirt-show events, such as various types of rodeos and other events. In general, family shows are more willing to play smaller markets than are other live events such as concerts. Ringling Bros. recently introduced a one-ring event for smaller markets and facilities, and the Harlem Globetrotters occasionally play in high school gyms. The events listed above typically play in a wide range of

markets and facilities, including smaller markets such as St. Joseph. For example, DreamWorks Theatricals will make stops in a number of NBA and NHL arenas, in addition to small facilities.

An additional category of events is non-university and non-tenant sporting events, similar to concerts and family shows, there is also often overlap between what can be considered a sporting event and a family show. For example, professional wrestling or a motorsports event can be categorized as either. Other sporting events that would not be considered family shows, such as a high school game or tournament, could also be held in a new arena.

Actual Event Demand at Comparable Arenas and Event Centers

The number of entertainment events held at arenas and event centers across the country varies considerably, based on many factors such as arrangements with promoters and facility managers, the demographics of each market, facility size, the number and type of other arena users, competing local facilities and others. However, actual event demand at similar facilities will begin to demonstrate the range of use that could be expected in St. Joseph or another mid-sized arena.

Minor League Sports

As previously stated, many event/arena facilities have professional sports tenants. St. Joseph would not be expected to attract or support a major-league team (such as an NBA or NHL franchise), and this section discusses various minor leagues that could potentially identify St. Joseph as a place to locate a team.

The following table summarizes the characteristics of numerous minor leagues that would play in a mid-sized arena, including their average attendance and seating capacity, average market size, presence of premium seating, season, geography and availability of new or expansion franchises.

Table 4-5

| Potential Minor League Opportunities for Arenas | | | | | | | | | |
|---|-------------------------|-------------|---------------|-------------------------|---------------------------------|--------------|---|--|------------------------------|
| | Number of Current Teams | Avg. Atten. | Avg. Capacity | Range of Arena Capacity | Median Market Population (000s) | Season | Geographic Territory | Franchise Availability? | Regional Existing Teams |
| Basketball | | | | | | | | | |
| NBA D-League | 16 | n/s | 8,806 | 3,200 to 19,000 | 649 | Nov. - April | Nationwide | League is expanding | Des Moines |
| ABA | 55 | n/s | 5,735 | 1,500 to 12,750 | 2,091 | Nov. - April | Nationwide | Annual expansions, relocations and teams folding | Grandview |
| PBL | 9 | new league | 3,738 | 1,000 to 12,000 | 3,738 | Dec. - April | Upper Midwest | Unclear Health | St. Louis |
| Football | | | | | | | | | |
| AFL | 17 | 12,654 | 17,654 | 10,500 to 23,000 | 2,465 | Feb. - July | Nationwide | Reconstituted after collapse in 2008 | Kansas City and Des Moines |
| IFL | 11 | n/s | 6,226 | 2,110 to 11,215 | 362 | March - July | Nationwide | Annual expansions or relocations | Omaha |
| AIFA | 13 | n/s | 7,314 | 4,800 to 10,500 | 375 | March - July | All but Midwest Currently | Expansion planned; teams often relocate | None |
| APFL | 7 | n/s | 7,880 | 5,000 to 10,000 | 625 | April - July | Midwest and Central US | Questionable, league not stable | Council Bluffs |
| CIFL | 6 | n/s | 7,329 | 2,500 to 14,800 | 781 | March - June | Midwest | Annual expansions or relocations | None |
| Hockey | | | | | | | | | |
| AHL | 30 | 7,076 | 12,559 | 5,400 to 20,562 | 749 | Oct. - June | Nationwide | No expansion planned; relocation possible | None |
| CHL | 12 | n/s | 7,460 | 2,000 to 19,675 | 505 | Oct. - May | Primarily South Central U.S. | Adding St. Charles team in 2013 | Independence and St. Charles |
| ECHL | 23 | 3,779 | 9,712 | 3,974 to 19,023 | 587 | Oct. - June | Nationwide | Expansion and relocation is possible | None |
| Soccer | | | | | | | | | |
| MISL* | 7 | 4,707 | 11,868 | 9,000 to 17,380 | 2,668 | Oct. - March | Primarily Northeast and Midwest | Restructured | Independence |
| PASL-Pro | 18 | new league | 4,031 | 1,500 to 10,050 | 2,299 | Oct. - Feb. | Midwest and Southwest, affiliated with Mexican and Canadian leagues | New and Expanding | None |
| Lacrosse | | | | | | | | | |
| NLL | 9 | 10,475 | 17,396 | 9,300 to 21,500 | 2,465 | Dec. - April | East, Midwest, West and Canada | Expansion and relocation is possible | None |

*League folded in June 2008 but restructured
Source: Revenues from Sports Venues, ERA, HSP

Basketball. Professional basketball has several minor league options. The Continental Basketball Association (CBA) historically is the oldest and most well known minor league basketball league, begun in 1946 and serving for decades as an unofficial farm program for the NBA. However, in 2002 the NBA formed its own minor league, the National Basketball Development League, or the “D-League”. The loss of the NBA relationship, combined with poor management decisions by the league, has led to a decline of the CBA.

The NBA Development League, the D-League, started with eight teams in 2002, and for the 2012-13 season the league has sixteen teams. The goal of the NBA is to have a farm team for each NBA franchise, however not all have an affiliation. At this point the D-League is in fair demand, so a franchise may be difficult to obtain. The nearest team is in Des Moines.

Other basketball leagues include the Premier Basketball League, a new league as of the 2008-09 season, and the American Basketball Association, an existing league. The ABA includes the Missouri Rhythm, but the PBL has no regional teams. The ABA and the NBA D-League are the most likely options for basketball at an events center in St. Joseph.

Football. Arena football is another sport that has a minor league using arenas for games. The Arena Football League (AFL) plays in larger arenas and recently folded and reconstituted. The AFL franchises play in larger arenas, with average capacity of over 17,000 seats. The nearest teams are in Kansas City and Des Moines and St. Joseph is not likely to host an AFL team.

Arena football has other minor leagues that are in constant state of change, developing and dissolving. Currently there are two leagues that have relative stability: the Indoor Football League (IFL), a new name for two leagues that have merged (the former Intense Football League and United Indoor Football) and the Continental Indoor Football League. The IFL has a regional team in Omaha.

One issue that a proposed minor league indoor football program would face is the cost of development and yearly operations of the team. Each league charges a franchise fee for joining the league, but the fees vary from a low of \$10,000 for the APFL to \$300,000 for the IFL league. The initial startup costs, including the field turf, goalposts, nets, and player equipment, would make the first year the most expensive. Yearly operations costs vary as well, with more than fifty percent of the costs going to player salaries and worker’s compensation insurance. Also included in the cost is the annual franchise fee that the league charges to pay for administrative costs. The IFL estimates that the yearly budget for its team average \$420,000 per year per team. The APFL does not pay its players but provides equipment, transportation, and health insurance for those who do not have it through other means. Therefore, the yearly budget for each team is much less, averaging approximately \$150,000 per year.

The downtown center complex should consider the space requirements for arena football to leave the option available. Arena football requires a field size of 200 feet by 85 feet, a size larger than that required by basketball. The height clearance, including any hanging scoreboard, has to be at least fifty feet.

Hockey. One of the most successful and stable minor league sports for an arena, especially one not affiliated with a university, is minor league hockey. Several minor leagues exist in different areas of the country.

The American Hockey League (AHL) is a more regional league that serves as a development league for the NHL. With 30 teams in Canada and the United States, the league has four divisions and teams located primarily in the Northeast and Midwest. The league has the best average attendance in minor league hockey, with 5,638 people per game, as well as the largest average capacity, at 12,500 seats per arena.

Only the CHL has teams in the region, in Independence and St. Charles, Missouri. The Bode Ice arena is the only facility in St. Joseph that supports ice sports like hockey or figure skating.

Hosting hockey would require the expense of adding ice capacity. The added benefit to the Project and community compared with the cost is not clear, however HSP believes the cost, scheduling issues and likelihood of attaining a hockey franchise all point to a recommendation not to pursue this option unless it is an amateur team.

Soccer & Lacrosse. Other possible indoor sports are indoor soccer and indoor lacrosse. The latest indoor soccer league, the Major Indoor Soccer League, folded in 2008 and reconstituted in 2009. There are no soccer leagues with teams in the region and it is unlikely that professional indoor soccer will be an initial tenant of a facility in St. Joseph.

Indoor lacrosse, primarily played in the northeast and Canada, has one professional league, the National Lacrosse League (NLL) and these are generally in larger markets.

Based on the above discussion, St. Joseph may want to consider a minor league team as a major tenant to supplement the use of the facility. Several reasons exist to recruit a minor league team to the proposed Project, but the most important would be to create and maintain a consistent revenue stream for the facility. When considering a minor league team, several factors should be considered, as follows:

- **History of Stability of Leagues and Teams.** If a league is stable and has teams that have existed for several years, those teams are viable and would have a better revenue stream that insures use and revenue to the facility. Except for the NBA D-League, basketball leagues and teams do not have a record of stability. Arena and indoor football has some stability, but may not have a franchise available. Other indoor football leagues have a less attractive history of stability.
- **Community Interest.** A major factor in determining whether to recruit a minor league team is interest in the community for that team. Without community support attendance will be low and the team would be unsuccessful.

Arena Size Requirements. Certain minor leagues have seating capacity requirements or floor area requirements that a developer must consider. Arena football requires field area that is larger than some basketball-only arenas, but arenas with ice hockey usually have a floor-area that meets arena football requirements.

Based on the above, and other factors set forth in the description of the minor leagues, it appears that the best minor league options for a facility in St. Joseph would be indoor football and basketball.

In 2011, IAVM conducted a benchmarking survey report that provides valuable insights into where a 3,000 to 4,000-seat venue may be positioned in relation to the industry. The survey also inquired as to the nature of facility ownership and management. Results were broken out into three different groupings based on size. This was determined by the operational differences between large, medium and small-sized arenas. The groups included facilities with over 12,000 seats, those with 7,500 to 12,000 seats, and those with less than 7,500 seats.

The table below provides insights into arena operations regarding capacity, attendance and events.

Table 4-6

| | All Facilities | Less than 7,500 Seats | 7,500 to 12,000 Seats | More than 12,000 Seats |
|---|----------------|-----------------------|-----------------------|------------------------|
| Maximum approved occupancy capacity | 12,255 | 6,788 | 10,519 | 18,580 |
| Annual number of attendees (000s) | 501.7 | 172.8 | 313.0 | 1,109.3 |
| Number of event days | 111 | 102 | 114 | 138 |
| Annual number of events/clients | 61 | 76 | 53 | 59 |
| Number of fixed seats, including suites | 10,083 | 4,773 | 8,437 | 16,933 |
| Number of accessible seats | 486 | 263 | 199 | 291 |
| Number of courtside seats | 247 | 253 | 122 | 286 |
| Total of number of suites | 31 | 16 | 13 | 44 |
| Premium seating is available | 59% | 43% | 47% | 83% |
| Standing room only is permitted | 44% | 52% | 37% | 42% |

Source: IAVM Benchmarking Survey Report 2010

As shown, the proposed St. Joseph Project would mostly compare to the smaller sized venues. Venues with seating capacities less than 7,500 averaged an annual attendance of approximately 175,000 and 76 total events, averaging roughly 2,300 visitors per event. It is important to note that, even with small seating capacities, 43 percent of arenas have premium seating adding critical revenue the bottom line.

The following table shows the nature of arena ownership based on venue size.

Table 4-7

| | Nature of Facility Ownership | | | | | |
|------------------------|------------------------------|-------|-----------|---------|--------|-------|
| | City | State | Authority | Private | County | Other |
| All Facilities | 33% | 21% | 18% | 11% | 8% | 9% |
| Less than 7,500 seats | 48% | 10% | 10% | 14% | 9% | 9% |
| 7,500 to 12,000 seats | 37% | 32% | 11% | 5% | 5% | 10% |
| More than 12,000 seats | 17% | 22% | 30% | 13% | 9% | 9% |

Source: IAVM Benchmarking Survey Report 2010

One third of all such venues are owned by the city. Only eleven percent of all such facilities are privately owned, likely due to the difficult nature of making a profit.

The following table shows the nature of facility management.

Table 4-8

| | Nature of Facility Management | | | | |
|------------------------|-------------------------------|-----------|----------|-------------|-------|
| | Government | Authority | Contract | Independent | Other |
| All Facilities | 32% | 15% | 17% | 18% | 18% |
| Less than 7,500 seats | 44% | 0% | 17% | 17% | 22% |
| 7,500 to 12,000 seats | 42% | 21% | 16% | 11% | 10% |
| More than 12,000 seats | 13% | 22% | 17% | 26% | 22% |

Source: IAVM Benchmarking Survey Report 2010

The most common facility management structures, when considering independent and private management as non-governmental, would be 35 percent for this category, followed by government at 32 percent. As the seating capacity increases, management tends to shift away from government oversight. This may be a result of governments outsourcing facility management to outside parties in the efforts to run their venues more efficiently and minimize operating deficits. This has been a trend recently, with many public assembly facilities shifting to private management, from small facilities to the largest, such as McCormick Place in Chicago and Cobo Hall in Detroit.

Implications

Arena and multipurpose center development for small metropolitan markets and suburban areas have been increasing in the last decade for a variety of reasons. Mid-size arenas provide an opportunity to host sports teams, concerts, family and ice shows, and community events, not to mention trade shows and conventions. In larger metropolitan areas, these facilities often attract events that are too small for the large major facilities in the local urban market.

More content (events, performing acts, etc.) has been developed to tour these smaller arenas. St. Joseph should be able to host a number of concerts, family shows and other events and should acquire at least one, preferably indoor football or basketball.

Performing Arts Industry and Trends

This section profiles the performing arts industry as a whole, with a specific focus on performing arts centers. Because the St. Joseph development facilities may include elements of a theater/performing arts facility, the project is impacted by multiple industry trends. This section provides information related to the performing arts facility industry. These trends assist in understanding how the St. Joseph development can translate changes in the industry to the local market and provide context related to potential supply and demand of the facility.

The St. Joseph programming will not differ much from similar markets. The facility’s operational and management stance will resemble what is traditionally found in multi-purpose performing arts facilities, convention centers and arenas, with a focus on driving revenue and usage, maximizing the facility’s physical space for a wide range of programs. However, most of these types of facilities run operating deficits.

The following tables discuss program segmentation as well as revenue and expenses averages across the industry. Performing Arts venues host a wide range of live performances and special events. While these programs remain at the core of these facilities’ programming, most venues have expanded these services to drive additional revenue through cultural arts education and outreach.

The following table shows event segmentation in the industry by revenue percentage.

Table 4-9

| Industry Revenue Segmentation by Event | |
|--|--------------------|
| Event Type | Revenue Percentage |
| Concerts | 58.1% |
| Theatre and Opera | 15.6% |
| Classes/Educational Events | 14.6% |
| Fairs, Pageants, Ethnic Events | 8.6% |
| Symphony and Classical Concerts | 1.7% |
| Dance Performances | 1.0% |
| Public Appearances and Speeches | 0.4% |
| <i>Total</i> | <i>100.0%</i> |

Source: IBISWorld, HSP

As shown, concerts are responsible for roughly 58 percent of the industry revenue. This is not surprising given the amount of performers in all the various genres. The majority of performers in the industry do not release music in any format, such as CDs or digital downloads, and derive almost all of their income from playing live. Events such as theatre and opera and educational events account for nearly 16 percent and 15 percent of industry revenue. The remaining event types only account for approximately 10 percent of the total industry revenue.

The following table presents the revenue percentage generated by typical revenue channels within the industry.

Table 4-10

| Revenue Items as a Percent of Revenue | |
|--|-----------------|
| Line Item | Industry |
| Admission and User Fees | 47.3% |
| Events* | 19.3% |
| Food, Beverage and Merchandise | 15.8% |
| Grants & Donations | 8.2% |
| Rentals | 6.5% |
| Other | 2.9% |
| <i>Total</i> | <i>100.0%</i> |

* Includes event sponsorship and advertising
Source: IBISWorld, HSP

As shown, the most significant revenue item for venues is admissions and user fees at 47.3 percent. Nearly half of industry revenue is attributed to admission and user fees to events. The events and food and beverage revenue channels attribute approximately 19 percent and 16 percent of revenue to the industry. Revenue from food and beverage can have notable impacts on operating incomes because these operations generally have a higher profit margin than other services. Other revenue streams include grants, donations and rentals. Tax-exempt venues are usually heavily dependent upon contributions through gifts, donations and grants. Many of these establishments in the industry also rely to some extent on federal funding, particularly grants from the National Endowment for the Arts

The following table presents the percentage of expenses generated by typical revenue channels within the industry.

Table 4-11

| Expense Items as a Percent of Revenue | |
|--|-----------------|
| Line Item | Industry |
| Facility Operations | 44.1% |
| Personnel | 22.5% |
| Programming | 11.1% |
| Non-Cash* | 7.9% |
| Administrative/Other | 5.1% |
| Marketing/Advertising | 2.1% |
| <i>Total</i> | <i>92.8%</i> |
| Profit | 7.2% |

* Interest, Depreciation, etc.
Source: IBISWorld, HSP

Facility Operations make up the industry's largest expense, averaging about 44.1 percent of revenue. Personnel form the industry's second-largest expense, accounting for an estimated 22.5 percent of revenue. Non-cash expenses such as interest and depreciation account for an estimated 7.9 percent of revenue. Operators must maintain high-quality venues and meet all

federal and state health, safety and disability legislation since venue quality is a major point of industry competition. Marketing costs account for about 2.1 percent of revenue. Marketing is an essential expense to promote and attract top performers and fill facilities.

The IAVM benchmarking survey report also looked at the operations of performing arts facilities. The survey also presented statistics as to the nature of facility ownership and management of performing arts facilities. Results were broken out into three different groupings based on size. This was determined by the operational differences between large, medium and small-sized performing arts center. The groups included facilities with over 2,500 seats, those with 1,501 to 2,500 seats, and those with less than 1,500 seats.

The table below provides insights into industry statistics for auditoriums and performances.

Table 4-12

| Auditorium Capacity and Performances | | | | |
|--------------------------------------|----------------|--------------------------|-------------------------|--------------------------|
| | All Facilities | Less than 1,500 Seats | 1,500 to 2,500 Seats | More than 2,500 Seats |
| Total Seating | | | | |
| Primary Auditorium | 2,067 | 933 | 2,337 | 3,002 |
| All Auditoriums | 2,599 | 1,295 | 2,777 | 3,956 |
| Total Rentable Space | | | | |
| Area (sq. ft.) | 14,124 | 11,195 | 12,017 | 23,392 |
| Maximum Occupancy | 1,224 | 1,025 | 1,387 | 1,548 |
| Primary Auditorium | | | | |
| Annual Attendance | 132,778 | 75,417 | 152,781 | 185,435 |
| Total Days Booked | 184 | 198 | 179 | 159 |
| Total Performance Days | 120 | 124 | 118 | 115 |
| Resident Performance Days | 59 | 63 | 44 | 66 |
| Non-Resident Performance Days | 81 | 82 | 99 | 64 |
| Total Load-In/Tech/Rehersal Days | 62 | 59 | 73 | 57 |
| Total Maintenance/Dark Days | 166 | 153 | 156 | 188 |
| Resident Performances | 69 | 75 | 48 | 66 |
| Non-Resident Performances | 77 | 69 | 90 | 69 |
| Total Performances | 127 | 132 | 121 | 131 |
| All Auditoriums Combined | | | | |
| Annual Attendance | 165,439 | 84,891 | 182,083 | 199,456 |
| Resident Performances | 105 | 135 | 88 | 108 |
| Non-Resident Performances | 131 | 113 | 152 | 104 |
| Total Performances | 214 | 232 | 212 | 200 |

Source: IAVM Benchmarking Survey Report

As shown, the proposed St. Joseph Project would mostly associate with primary auditorium venues. Venues with seating capacities more than 2,500 averaged an annual attendance of

185,435 and 131 total performances, averaging 1,416 visitors per event. The number of non-resident performances is just slightly higher than resident performances.

The following table shows the nature of facility ownership based on venue size.

Table 4-13

| | Nature of Facility Ownership | | | | | | |
|-----------------------|------------------------------|-----------|-------|--------|---------|------------|-------|
| | City | Authority | State | County | Private | Non-Profit | Other |
| All Facilities | 56% | 1% | 14% | 7% | 7% | 8% | 7% |
| Less than 1,500 seats | 52% | 2% | 12% | 7% | 12% | 7% | 8% |
| 1,500 to 2,500 seats | 59% | 0% | 15% | 9% | 3% | 12% | 2% |
| More than 2,500 seats | 54% | 0% | 18% | 4% | 4% | 7% | 14% |

Source: IAVM Benchmarking Survey Report

More than half of all such venues are owned by the city. Less than ten percent of all such facilities are privately owned, likely due to the difficult nature of making a profit.

The following table shows the nature of facility management.

Table 4-14

| | Nature of Facility Management | | | | | |
|-----------------------|-------------------------------|-----------|----------|-------------|------------|-------|
| | Government | Authority | Contract | Independent | Non-Profit | Other |
| All Facilities | 46% | 7% | 8% | 7% | 25% | 9% |
| Less than 1,500 seats | 46% | 7% | 12% | 19% | 17% | 8% |
| 1,500 to 2,500 seats | 47% | 6% | 9% | 3% | 29% | 6% |
| More than 2,500 seats | 43% | 7% | 0% | 7% | 29% | 14% |

Source: IAVM Benchmarking Survey Report

The two major facility management structures are government at 46 percent and non-profit at 25 percent. The lower percentage of management versus ownership demonstrates governments are outsourcing facility management to outside parties in the efforts to run their venues more efficiently and minimize operating deficits. However, similar to facility ownership, a significant amount of facilities are managed by governments.

Implications

As part of a multipurpose development, the Project is subject to a variety of elements that are similar to the rest of the industry. Emerging trends identified in the chapter are not new to the current or potentially new facility. This understanding of the industry, along with its comparable financial performance, indicates that the Project can be a strong performer within the live events and performance industry.

Actual Event Demand at Performance Venues

The proposed event center in St. Joseph could host performing arts acts, such as Broadway, comedy, rock/country concerts as well as family shows, in addition to the sports and other events it could host. The number of entertainment events held at performance venues and event centers across the country varies considerably, based on many factors such as arrangements with promoters and facility managers, the demographics of each market, facility size, the number and type of other arena users, the existence of resident companies (theater, symphony, etc.), competing local facilities and others. However, actual event demand at similar facilities will begin to demonstrate the range of use that could be expected in St. Joseph.

The following table summarizes the top-grossing performance venues of 5,000 or fewer seats, in the United States. (Rankings are based on concert and event grosses.)

Table 4-15

US Top Grossing Venues-5,000 or Fewer Capacity - 2012 Mid Year Report

| | Location | Capacity | Number of Performances | Avg. Attendance | Avg. Ticket Price | Gross Ticket Sales |
|--|--------------------|----------|------------------------|-----------------|-------------------|--------------------|
| 2,000 or Fewer Seats | | | | | | |
| Van Wezel Performing Arts Hall | Sarasota, FL | 1,736 | 76 | 1,396 | \$56.54 | \$5,999,468 |
| The Hershey (Pa.) Theatre | Hershey, PA | 1,904 | 64 | 1,105 | \$48.10 | \$3,401,910 |
| Paris Theatre, Las Vegas | Las Vegas, NV | 1,500 | 20 | 952 | \$122.93 | \$2,339,911 |
| Holland Performing Arts Center | Omaha, NE | 2,000 | 56 | 933 | \$35.48 | \$1,853,534 |
| City National Grove of Anaheim (Calif.) | Anaheim, CA | 1,700 | 58 | 963 | \$30.68 | \$1,713,413 |
| Newmark Theatre | Portland, OR | 880 | 82 | 560 | \$32.82 | \$1,507,898 |
| Regency Ballroom | San Francisco, CA | 1,400 | 61 | 889 | \$27.81 | \$1,507,192 |
| Olympia Theatre | Montreal, Canada | 1,238 | 27 | 1,172 | \$39.56 | \$1,251,659 |
| The Fonda | Los Angeles, CA | 1,250 | 45 | 1,042 | \$26.49 | \$1,241,763 |
| Royal Oak (Mich.) Music Theatre | Detroit, MI | 1,700 | 45 | 982 | \$27.99 | \$1,236,566 |
| The Vic Theatre | Chicago, IL | 1,400 | 35 | 1,180 | \$27.82 | \$1,149,027 |
| Sovereign Performing Arts Center | Reading, PA | 1,821 | 26 | 1,064 | \$40.03 | \$1,107,756 |
| Mount Baker Theatre | Bellingham, WA | 1,517 | 58 | 512 | \$36.74 | \$1,090,111 |
| El Rey Theatre | Los Angeles, CA | 771 | 84 | 548 | \$23.60 | \$1,086,777 |
| Parker Playhouse | Ft. Lauderdale, FL | 1,167 | 36 | 502 | \$49.14 | \$888,067 |
| Wagner Noel Performing Arts Center | Midland, TX | 1,819 | 13 | 1,434 | \$46.43 | \$865,749 |
| Fox Theatre | Pomona, CA | 2,000 | 10 | 1,690 | \$35.18 | \$594,434 |
| Sandler Center for Performing Arts | Virginia Beach, VA | 1,200 | 13 | 887 | \$51.13 | \$589,621 |
| Carolina Theatre | Greensboro, NC | 1,075 | 31 | 600 | \$30.20 | \$561,748 |
| Park West | Chicago, IL | 1,000 | 29 | 712 | \$27.05 | \$558,301 |
| 2,001 to 5,000 Seats | | | | | | |
| Colosseum at Caesars Palace | Las Vegas, NV | 4,148 | 64 | 3,890 | \$155.55 | \$38,721,934 |
| Fox Theatre | Atlanta, GA | 4,678 | 106 | 2,780 | \$51.52 | \$15,185,015 |
| Beacon Theatre | New York, NY | 2,894 | 90 | 2,564 | \$62.89 | \$14,511,106 |
| Broward Center for Performing Arts | Ft. Lauderdale, FL | 2,688 | 145 | 1,568 | \$61.29 | \$13,936,022 |
| Keller Auditorium | Portland, OR | 2,992 | 105 | 2,263 | \$55.34 | \$13,148,238 |
| Orpheum Theatre | Minneapolis, MN | 2,600 | 83 | 2,155 | \$70.60 | \$12,626,285 |
| David A. Straz, Jr. Center for Performing Arts | Tampa, FL | 2,610 | 260 | 818 | \$53.34 | \$11,340,628 |
| Landmark Theater | Richmond, VA | 3,565 | 61 | 2,719 | \$60.21 | \$9,987,561 |
| Tennessee Performing Arts Center | Nashville, TN | 2,472 | 86 | 1,866 | \$57.39 | \$9,209,289 |
| Citi Wang Theatre | Boston, MA | 3,600 | 67 | 2,251 | \$59.25 | \$8,936,876 |
| Durham (N.C.) Performing Arts Center | Durham, NC | 2,800 | 66 | 2,501 | \$54.08 | \$8,929,093 |
| Chicago Theatre | Chicago, IL | 3,604 | 60 | 2,518 | \$56.07 | \$8,472,041 |
| Arlene Schnitzer Concert Hall | Portland, OR | 2,776 | 96 | 1,953 | \$41.27 | \$7,737,477 |
| Ruth Eckerd Hall | Clearwater, FL | 2,200 | 108 | 1,492 | \$47.62 | \$7,670,805 |
| Civic Center of Greater Des Moines | Des Moines, IA | 2,735 | 72 | 1,702 | \$61.49 | \$7,537,060 |
| Bob Carr Performing Arts Center | Orlando, FL | 2,400 | 82 | 1,649 | \$55.46 | \$7,501,359 |
| Wharton Center for Performing Arts | East Lansing, MI | 3,763 | 87 | 1,416 | \$57.55 | \$7,090,826 |
| Chrysler Hall Theatre | Norfolk, VA | 2,470 | 52 | 1,714 | \$65.65 | \$5,850,445 |
| Cobb Energy Performing Arts Centre | Atlanta, GA | 2,750 | 71 | 1,484 | \$53.43 | \$5,627,698 |
| The Joint | Las Vegas, NV | 4,000 | 23 | 2,887 | \$83.45 | \$5,540,852 |

Source: Venues Today

Because gross ticket sales are a function of the number of events, attendance, and ticket prices, the individual variables can vary among the facilities. However, event demand at these arenas exceeds 45 in a few instances, and average ticket prices can range from approximately \$25 to nearly \$70. Average event attendance also varies significantly. However, overall, these were among the most successful facilities in their size categories in 2012.

Resident Companies

As previously stated, many performance venues have resident companies or programming. Resident organizations commonly operate from performance venues or utilize the facility to stage performances. Resident companies or repeat content could include ballet companies, the orchestra and a Broadway series, however it would be competitive with the Missouri Theater and depend on the best options for the events. Most of these would likely choose the Missouri if it is currently suiting their needs.

Programming. Community focused venues will partner with local school districts or support educational programming for kids and adults. Programs may include lessons, classes, residency programs, volunteer opportunities and training. Some of these types of programs may generate revenue that can be shared through partnerships or used to fund the facility.

Implications

Performance and multipurpose center development for small metropolitan markets and suburban areas have been increasing in the last decade for a variety of reasons. Smaller venues provide an opportunity to host performing arts, concerts, family shows, and community events, not to mention trade shows and conventions. In larger metropolitan areas, these facilities often attract events that are too small for the large major facilities in the local urban market.

More content (events, performing acts, etc.) has been developed to tour these smaller venues. St. Joseph should be able to host a number of concerts, family shows and other events and should partner with at least one, preferably a Broadway series.

Comparable Arenas

The purpose of investigating comparable facilities is two-fold. It is important to understand if and how such facilities have performed in similar markets and what implications their performance or physical program should have on what is recommended in St. Joseph. Also, investigating their demand history (attendance, event types and number of events) as well as specific line item revenue and expense detail provides a top-down and bottom-up approach to understanding how a similar facility could perform in St. Joseph.

HSP has reviewed a number of facilities and discusses them as well as implications below.

Table 4-16

| Comparable Arenas Summary | | | | | |
|---------------------------|---------------------|----------------|-----------|-------------------|-------------------------|
| Facility | Location | MSA Population | Year Open | Seating Capacity* | Event Space (Sq. Ft.)** |
| Mayo Civic Center | Rochester, MN | 182,924 | 1938 | 5,200 | 68,830 |
| Swiftel Center | Brookings, SD | 29,688 | 2001 | 3,500 | 42,577 |
| Verizon Wireless Center | Mankato, MN | 92,498 | 1995 | 5,280 | 38,880 |
| Heartland Events Center | Grand Island, NE | 70,694 | 2006 | 6,000 | 38,000 |
| Glens Falls Civic Center | Glens Falls, NY | 128,774 | 1979 | 6,500 | 24,335 |
| Tim's Toyota Center | Prescott Valley, AZ | 211,073 | 2006 | 6,200 | 17,000 |
| Average | | 119,275 | 1988 | 5,447 | 38,270 |
| Sands Events Center*** | Bethlehem, PA | 790,535 | 2012 | 3,500 | 30,337 |

*Seating Capacity for Basketball
 **Exhibit and Meeting Room Space - Tim's Toyota Center is exhibit space only
 ***Multi-purpose casino event center
 Source: HSP

The comparable facilities were chosen based on the facility size as well as the local area demographics. The cities where the facilities are located are cities with populations between 30,000 and 210,000 people. The facilities are located within or near several large metropolitan statistical areas where they compete with larger arenas and other similar-sized event centers and meeting centers, like St. Joseph, which is located about 55 miles north of Kansas City, Missouri. The Mayo Civic Center is the largest of the comparable facilities with over 68,000 total square feet of function space with more than double the exhibit space of the other facilities. The six other comparable facilities have between 17,000 and 42,000 square feet of total function space. The Sands Event Center in Bethlehem, Pennsylvania is profiled separately as a unique multi purpose event center that offers functionality unlike the other comparable arenas. The concept provides more flexibility while reducing the refined amenities found in most arenas.

Swiftel Events Center – Brookings, South Dakota

The Swiftel Events Center is located in Brookings, South Dakota. The City of Brookings constructed the facility in 2001 to host conventions, trade shows, concerts, banquets and athletic events. The size, location in a smaller city with a regional draw, competition with a university facility in the same city and several types of function capabilities of the facility make it a good comparison for a proposed event center in St. Joseph.

The figure below is a picture of the Swiftel Events Center.

Figure 4-1



The following table shows the key data points for the facility.

Table 4-17

| Swiftel Center | |
|-----------------------------------|---|
| Location | Brookings, South Dakota |
| Ownership | City of Brookings |
| Management | VenuWorks |
| Year Complete | 2001 |
| Facilities | Arena Daktronics Banquet Rooms Conference Rooms |
| Cost of Construction | \$7 Million |
| Funding | City of Brookings Bonds, paid by "2nd Penny" City Sales Tax |
| Annual City Supplement | \$300,000 |
| 2011 Attendance | 122,639 |
| Source: Swiftel Event Center, HSP | |

The City of Brookings, South Dakota, is located in eastern South Dakota, approximately 60 miles north of Sioux Falls, South Dakota and 225 miles west of Minneapolis-St. Paul, Minnesota. Brookings had a population of 22,056 in 2010, while the Micropolitan Statistical Area of Brookings, consisting of the city and the surrounding counties, had an estimated 2010 population of 31,965.

The following table describes the Swiftel Center facilities.

Table 4-18

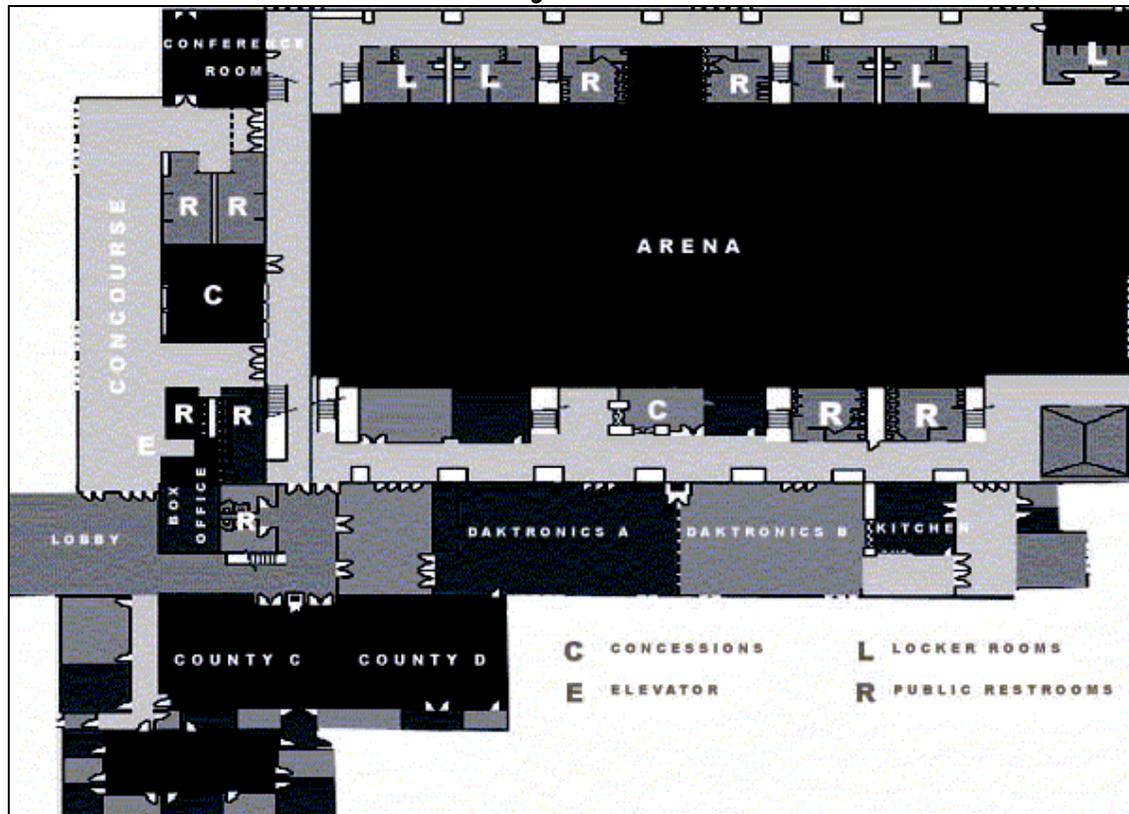
| Swiftel Center Function Space | | |
|-------------------------------|---------------|------------------|
| | Total (SF) | By Division (SF) |
| Exhibit Space | 30,000 | |
| Arena | | 30,000 |
| Meeting Space | 12,577 | |
| Daktronics Banquet Room | | 6,800 |
| County Room | | 4,777 |
| Mezzanine Conference Room | | 300 |
| R&T Conference Room | | 700 |
| Subtotal | 42,577 | 42,577 |
| Other Space | 4,000 | |
| Concourse | | 4,000 |
| Total | 46,577 | 46,577 |
| Seating Capacity | | |
| Sporting Events | | 3,500 |
| Concerts | | 7,000 |
| Total Exhibit Space | | 30,000 |
| Total Meeting Space | | 12,577 |
| Total Events Space | | 42,577 |
| Other Space | | 4,000 |
| Total Function Space | | 46,577 |
| Total Exhibit Space Divisions | | 1 |
| Meeting Room Divisions | | 6 |
| Total Divisions | | 7 |

Source: Swiftel Center, HSP

The arena includes 30,000 square feet of exhibit space on the floor of the arena with the portable seats retracted. The arena can accommodate up to 7,000 spectators for festival seating concerts, or 3,500 for sporting events. The meeting space totals 12,577 square feet, including the Daktronics Banquet Room with 6,800 square feet, which can divide into two meeting rooms of 3,900 square feet and 2,900 square feet. The County Room has 4,777 square feet and can divide into two breakout rooms, and the facility has two small conference rooms. The concourse provides an additional option for exhibits and other events, with 4,000 square feet of space

The following figure is the floor plan of the Swiftel Center.

Figure 4-2



The Swiftel Center has been so successful that the management group that runs the facility, VenuWorks, has brought a plan to the City of Brookings to expand the facility to include more convention and meeting space. VenuWorks submitted an \$8 million expansion plan to the city in 2008, including a ballroom, several meeting rooms and additional storage and parking. An independent consultant confirmed the need for expanded space, suggesting that 17,500 square feet of space be added, along with development of an 80 to 100-room hotel. The goal of the expansion is to be able to market to and attract larger conventions and other meetings. In 2010, the city council voted to remove the proposed expansion from the five-year capital improvement and strategic plans.

The table below shows the 2011 event statistics for the Swiftel Center.

Table 4-19

| Swiftel Center Event Demand | |
|--------------------------------|---------|
| Events | 2011 |
| Banquets | 29 |
| Community/Civic | 22 |
| Concerts & Entertainment | 12 |
| Consumer Shows | 10 |
| Conventions & Tradeshows | 2 |
| Family Shows | 2 |
| Meetings & Conferences | 65 |
| Other | 22 |
| Sports | 77 |
| Total | 240 |
| Estimate of Average Attendance | |
| Banquets | 208 |
| Community/Civic | 734 |
| Concerts & Entertainment | 2,782 |
| Consumer Shows | 1,101 |
| Conventions & Tradeshows | 245 |
| Family Shows | 2,514 |
| Meetings & Conferences | 171 |
| Other | 182 |
| Sports | 458 |
| Estimate of Total Attendance | |
| Banquets | 5,988 |
| Community/Civic | 15,857 |
| Concerts & Entertainment | 33,378 |
| Consumer Shows | 10,570 |
| Conventions & Tradeshows | 589 |
| Family Shows | 6,034 |
| Meetings & Conferences | 11,075 |
| Other | 3,936 |
| Sports | 35,212 |
| Total | 122,639 |
| Source: Swiftel Center | |

The Swiftel Center competes with other facilities in the city and surrounding region. South Dakota State University, the largest university in the state, is located in Brookings. The university has an enrollment of approximately 12,000. The university has several facilities that provide event space, including the Frost Arena, a 6,500 seat multi-purpose arena that is home to the men's and women's basketball teams, as well as the volleyball and wrestling teams. The facility mainly hosts university sporting events but will also host university events such as graduations and trade fairs.

Sioux Falls, South Dakota, is located south of Brookings. The Sioux Falls Arena has a capacity of 8,000, with an NBA D-League team, a minor league hockey team and an indoor football team as anchor tenants. The facility also hosts concerts, family shows and other events. The Sioux Falls Convention Center has a 16,800-square foot ballroom, 33,200-square foot exhibit hall, and 12 breakout rooms. The convention center connects to the arena as well as a full-service hotel.

The City of Brookings owns the Swiftel Center, and VenuWorks, a national event center management company, operates the facility. Development of the Swiftel Center cost \$8 million, which was part of a city bond issued in 2001 to fund both the center and the new public library. The city funds the bond debt service through the “2nd penny” sales tax. The state of South Dakota permits a municipality to charge up to three percent in sales tax. The first percent, or “penny” can go to general obligations, while 75 percent of the second penny has to go to major facilities and other projects. The city can charge a third “penny” and those funds have to go to promote tourism and new business for the area. That part of the tax in Brookings is divided between the Chamber of Commerce, the Economic Development Commission, and the Downtown Brookings organization.

The City of Brookings also supplements ongoing operations of the Swiftel Center. The city budgets \$300,000 per year for operational expenses of the facility, as well as providing approximately \$70,000 per year in capital improvement expenses.

Implications

The Swiftel Center compares to the proposed facility in St. Joseph in several ways. It is located in a smaller population center that is nonetheless a larger city for the area and therefore a regional center. Brookings is less than 50 miles from Sioux Falls, which has its own multi-use arena and convention center.

The finances of the Swiftel Center are important to note when considering a potential events center of similar size. The city contributes \$300,000 per year for the operations of the facility and pays an additional amount yearly for capital improvements and is estimated at \$370,000 for 2012 to add a storage building to the center.

Heartland Events Center – Grand Island, Nebraska

Located in Grand Island, Nebraska, the Heartland Events Center was constructed in 2006 to host conventions, trade shows, concerts, banquets and athletic events. The size, location in a smaller city with a regional draw, and functional capabilities of the facility make it a good comparison for a proposed event center in St. Joseph.

The figure below is a picture of the Heartland Events Center.

Figure 4-3



The following table shows the key data points for the facility.

Table 4-20

| Heartland Events Center Key Data Points | |
|---|--|
| Location | Grand Island, NE |
| Ownership | Fonner Park Exposition and Events Center, Inc. |
| Year Complete | 2006 |
| Facilities | Eihusen Arena Bosselman Conference Center |
| Cost of Construction | \$30 Million |
| Funding | |
| Fonner Park Land Donation | \$11.5 Million |
| Private Contributions | \$10 Million |
| City of Grand Island | \$7.5 Million |
| Hall County | \$1 Million |
| Annual City Revenue Supplement | \$150,000 |
| Source: Heartland Event Center, HSP | |

The City of Grand Island, Nebraska, is located in central Nebraska, approximately 150 miles west of Omaha. Grand Island itself had an estimated 2011 population of 49,239, while the Micropolitan Statistical Area of Grand Island, consisting of the city and the counties of Hall, Howard and Merrick, had an estimated 2011 population of 73,551.

The following table describes the Heartland Events Center facilities.

Table 4-21

| Heartland Events Center Function Space | |
|--|---------------|
| | Total (SF) |
| Exhibit Space | |
| Eihusen Arena | 30,000 |
| Meeting Space | |
| Bosselman Conference Center | 8,000 |
| | <u>38,000</u> |
| Seating Capacity | 6,000 - 7,000 |
| Total Exhibit Space | 30,000 |
| Total Meeting Space | 8,000 |
| Other Space | 0 |
| Total Function Space | 38,000 |
| Total Exhibit Space Divisions | 1 |
| Meeting Room Divisions | 5 |
| Total Divisions | 6 |

Source: Heartland Event Center, HSP

The Eihusen Arena includes over 30,000 square feet of exhibit space on the floor of the arena with the retractable lower deck seats removed. When the lower deck is open, the arena floor has 17,000 square feet of space. Eihusen Arena can accommodate between 6,000 and 7,000 spectators, depending on the type of event and the seating configuration. The Bosselman Conference Center provides five break out rooms with 8,000 total square feet of meeting space and can host up to 400 guests. The facility includes 12 box suites that can accommodate up to 24 guests, multiple concession stands and restroom facilities, six locker rooms, gift shop, ticket office, and more amenities.

The following figures are floor plans of the first and second levels of the Heartland Events Center.

Figure 4-4



Figure 4-5



The Heartland Events Center is adjacent to Fonner Park, the premiere thoroughbred horse racetrack in Nebraska. The facility hosts live horseraces from February through early May, including the Bosselman/Gus Fonner Stakes that is considered a warm-up race for the Kentucky Derby. The park also has year-round simulcast races from around the country, as well as having Keno games on location. The Heartland Events Center connects to the Fonner Park concourse and the facilities can be combined to provide an additional 33,000 square feet of exhibit or trade show space in certain situations.

The Heartland Events Center competes with other facilities in the state and region for events. The University of Nebraska's central campus is located in Lincoln, 95 miles east of Grand Island on Interstate 80. That campus has several event facilities, including the 13,595-seat Bob Devaney Sports Center Arena and the Nebraska Coliseum, which seats 4,030 spectators. Lincoln also is home to the Lancaster Event Center, a multi-use facility that includes two arenas, three large pavilions, an exhibit hall and meeting areas. In 2012, officials proposed a \$44 million expansion at the Lancaster Event Center that would add new buildings, more parking and camping spaces and upgrade existing buildings in the hopes of attracting more and larger events.

Kearney, Nebraska, 50 miles west of Grand Island on Interstate 80, is home to the Viaero Event Center. That facility is a 5,000-seat arena that is the home ice of the Kearney Storm hockey team and hosts concerts and other events. The Kearney arena has a major focus on ice hockey and skating and has limited meeting space. It does, however, draw shows such as Disney on Ice and Broadway tours like 'Hairspray.'

The project cost nearly \$30 million. The City of Grand Island contributed \$7.5 million to the project while Fonner Park contributed \$11.5 Million in property and infrastructure. The facility also raised an additional \$10 Million in private contributions. The State of Nebraska, through its Local Civic, Cultural, and Convention Center Financing Fund, contributed \$500,000 over five years. Hall County, Nebraska, contributes \$150,000 per year from its Keno Fund to the debt service of the facility, with a total of more than \$1 Million anticipated from the county.

The Fonner Park Fairground and Exposition Center, Inc., a 501(c)(3) non-profit organization, owns the Heartland Events Center. It has a lease/purchase agreement with the City of Grand Island, so that when the debt is retired in 2024, the city will own the property. The debt as of September 30, 2012, is scheduled to be \$5.62 million, and the debt service that the city will pay in the 2012-13 fiscal year is \$563,574.

Implications

The Heartland Events Center is an excellent comparable facility for St. Joseph to consider. It is located in a smaller population center that has a larger regional population base. The arena has 30,000 square feet of floor space and seats 6,000 to 7,000 depending on seating configuration, and it has meeting space in the conference center area of the facility. While the events center does not have local competition from a university, Grand Island is less than 100 miles from Lincoln and the University of Nebraska as well as the events center in Lincoln and the Viaero

Events Center only 50 miles west in Kearney. All of these factors suggest that a facility in St. Joseph could succeed.

Mayo Civic Center – Rochester, Minnesota

The Mayo Civic Center is located in Rochester, Minnesota, the state's third largest city. With a population of over 107,000, Rochester is located in southeastern Minnesota. The city is home to the internationally recognized, non-profit organization known as Mayo Clinic, which specializes in medical research.

The figure below shows the north entrance to the Mayo Civic Center.

Figure 4-6



The Civic Center consists of the 7,200-seat Taylor Arena used for wrestling and basketball, a 3,000-seat auditorium used for performing arts and an exhibit hall.

The following table shows the key data points for the facility.

Table 4-22

| Mayo Civic Center Key Data Points | |
|--------------------------------------|--|
| Location | Rochester, MN |
| Ownership | City of Rochester |
| Year Opened | 1938 |
| Facilities | Arena, Auditorium, Ballroom, Exhibit Hall, Meeting Rooms, Presentation Hall |
| 2011 City Contribution | \$793,161 |
| Source: Mayo Civic Center, HSP | |

The Mayo Civic Center originally opened in 1938 and has undergone several expansions since, the most recent in 2001. The facility is owned and operated by the City of Rochester’s Department of Parks and Recreation, which is similar to St. Joseph, but an outlier in terms of management options nationally. The Taylor Arena portion of the center was the site of weekly television broadcasts of the American Wrestling Association from 1989 to 1990 and was also the shooting location of Bon Jovi’s 1986 music video for “Livin’ on a Prayer.”

The table below shows detailed facility information on the Mayo Civic Center.

Table 4-23

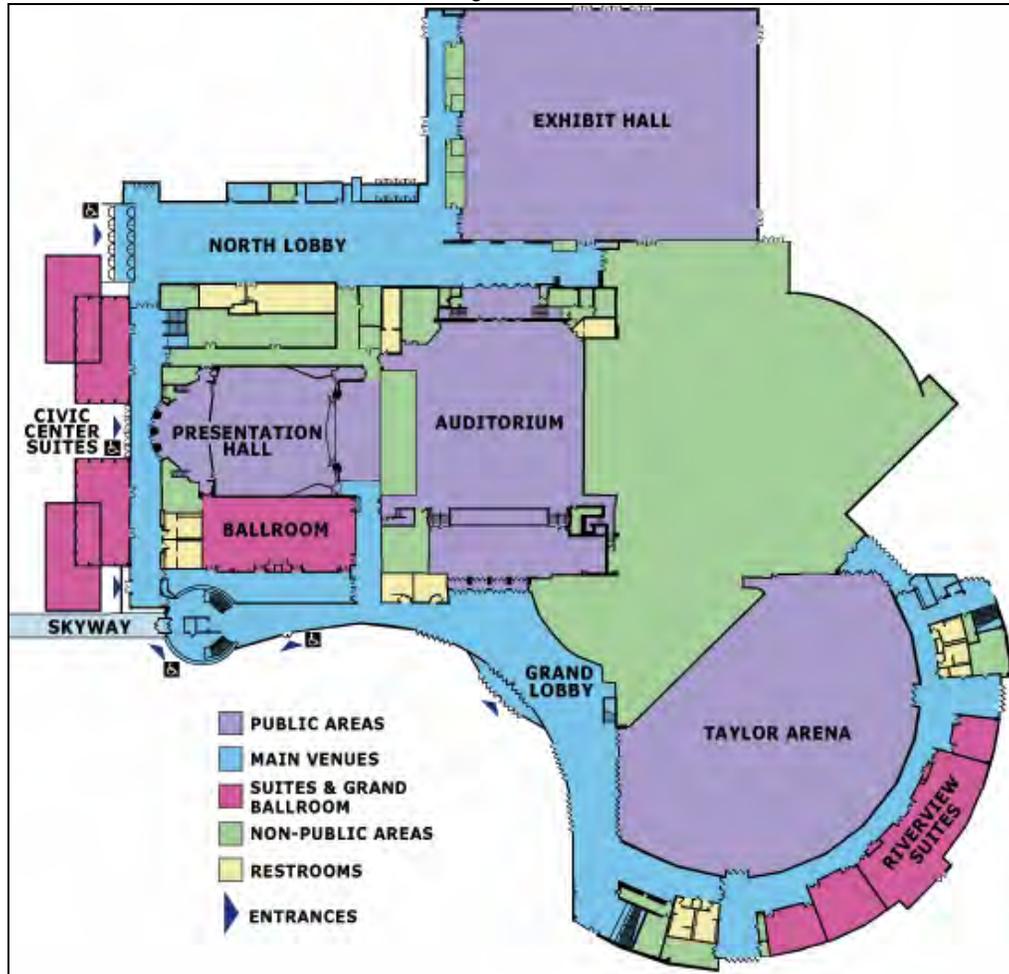
| Mayo Civic Center Function Space | | |
|----------------------------------|------------|------------------|
| | Total (SF) | By Division (SF) |
| Exhibit Hall | 25,200 | |
| Hall I | | 3,570 |
| Hall II | | 2,660 |
| Hall III | | 3,570 |
| Hall IV | | 15,400 |
| Arena Floor | 25,200 | |
| Total Exhibit Space | 50,400 | |
| Ballroom Space | 4,136 | |
| Ballroom A | | 2,068 |
| Ballroom B | | 2,068 |
| Meeting Rooms | 14,294 | |
| Subtotal | 68,830 | |
| Presentation Hall | 5,760 | |
| Auditorium | 11,800 | |
| Total | 86,390 | 86,390 |
| Arena Seating Capacity | | 5,200 - 7,200 |
| Total Exhibit Space | | 50,400 |
| Total Ballroom Space | | 4,136 |
| Total Meeting Space | | 14,294 |
| Other Space | | 17,560 |
| Total Function Space | | 86,390 |
| Total Exhibit Space Divisions | | 1 |
| Total Ballroom Space Divisions | | 2 |
| Meeting Room Divisions | | 9 |
| Total Divisions | | 12 |

Source: Mayo Civic Center, HSP

The Mayo Civic Center includes an exhibit hall, ballroom, arena, presentation hall, auditorium and several meeting rooms. The exhibit hall consists of 25,200 square feet of space while two ballroom sections total 4,136 square feet. The exhibit hall divides into four theater sections, the largest of which is 15,400 square feet. There are nine meeting room divisions totaling 14,294 square feet and an 11,800 square foot auditorium and a 5,760 square foot presentation hall. The Taylor Arena floor encompasses 25,200 square feet of space.

The figure below shows the layout of the Mayo Civic Center.

Figure 4-7



The table below shows the number of events in 2011.

Table 4-24

| Mayo Civic Center Events - 2011 | |
|----------------------------------|------------------|
| Event Type | Number of Events |
| Concerts & Entertainment | 66 |
| Conventions | 35 |
| Sporting Events | 19 |
| Corporate Events | 6 |
| Mayo Clinic Events | 17 |
| One-day Meetings & Social Events | 198 |
| Tradeshows/Public Consumer Shows | 20 |
| Total | 361 |

Source: Rochester Parks and Recreations Department, HSP

In 2011, there were 361 events that took place with over 308,000 attendees. Although meetings and social events had the most events with 198, conventions and entertainment were the biggest revenue generators for the Mayo Civic Center. Conventions generated approximately \$800,000 and entertainment events were the largest contributor with over \$900,000.

The following table shows the annual revenue and expenses at the Mayo Civic Center.

Table 4-25

| Mayo Civic Center Revenue & Expenses | | | |
|--------------------------------------|--------------------|--------------------|--------------------|
| | 2008 | 2009 | 2010 |
| Revenue | | | |
| Service Fees | \$850 | \$17,911 | \$20,302 |
| Room Rental Labor/Equipment | 1,170,238 | 1,140,429 | 1,025,240 |
| Services | 717,323 | 824,730 | 750,894 |
| Advertising | -- | 12,114 | 6,163 |
| Commissions | 205,967 | 218,348 | 198,301 |
| Concessions | 183,102 | 592,528 | 609,514 |
| Charges for Services | 2,277,480 | 2,806,060 | 2,610,414 |
| Misc. Revenue | 17,391 | 14,689 | 1,812 |
| Operating Revenue | 2,294,871 | 2,820,749 | 2,612,226 |
| Operating Transfers In | -- | -- | 11,750 |
| Taxes & State Revenue | 405,616 | 842,030 | 581,625 |
| Total Revenue | \$2,700,487 | \$3,662,779 | \$3,205,601 |
| Expense | | | |
| Employee Services | \$1,409,215 | \$1,497,724 | \$1,478,489 |
| Contractual Services | 543,978 | 913,070 | 894,941 |
| Utilities | 674,012 | 623,501 | 680,267 |
| Materials & Supplies | 207,533 | 374,430 | 338,995 |
| Other Charges | 80,632 | 86,800 | 86,960 |
| Operating Expenses | 2,915,370 | 3,495,525 | 3,479,652 |
| Operating Transfers Out | 35,148 | 43,768 | 41,402 |
| Total Expense | \$2,950,518 | \$3,539,293 | \$3,521,054 |
| Operating Income (deficit) | (\$655,647) | (\$718,544) | (\$897,078) |

Source: Rochester Parks and Recreations Department, HSP

Between 2008 and 2010, revenue increased by over \$500,000 while expenses increased by over \$570,000. The deficit for 2010 was nearly \$900,000. The annual deficit is offset using part of the City of Rochester's lodging tax, which currently stands at four percent. This tax is taken on top of the statewide sales tax. Revenue from the lodging tax is split between the city's convention and visitors bureau and the city's general fund.

The original building constructed in 1938 consisted of an auditorium and presentation hall. The Taylor Arena was built in 1984, the Grand Ballroom was constructed in 1997 and the exhibit hall was developed in 2001. The most recent expansion in 2001 cost about \$8 million, which was funded by 50/50 bonds. Fifty percent of funds were generated by local hotel taxes, sales taxes and food and beverage taxes while the other fifty percent was provided by the State of Minnesota. A newly proposed expansion to nearly double the size of the facility would cost roughly \$75 million. The civic center's bid to the state to receive another 50/50 bond to help fund the

expansion of which \$35 million would be provided locally was not granted by the Department of Employment and Economic Development.

Implications

The Mayo Civic Center is an expansive facility for St. Joseph to consider, with each part its own facility, where the arena and exhibit hall in St. Joseph would be combined. It is located in a city with a smaller population that has a larger regional base for demand. The facility is mixed-use with several elements including an exhibit hall, presentation hall, ballroom and an arena. Since opening nearly 75 years ago, the facility has managed to grow and expand to adapt for an anticipated increase in demand. The Mayo Civic Center has done a good job of securing local and state funding for various renovations and expansions.

Tim’s Toyota Center – Prescott Valley, Arizona

Tim’s Toyota Center, originally named the Prescott Valley Convention & Events Center when completed in 2006, is a \$36 million multipurpose facility, located in Prescott Valley, Arizona, a community of 40,000 residents. Prescott Valley is located 85 miles north of Phoenix. Tim’s Toyota Center’s primary tenants include the Central Hockey League’s Arizona Sundogs and the Arizona Outlaws American Indoor Football franchise. The facility’s capacity is 4,800 for hockey and indoor football events and 6,200 for concerts and special events.

The following table shows an overview of the facility.

Table 4-26

| Tim's Toyota Center Facility Overview | |
|--|----------------------|
| Location | Prescott Valley, AZ |
| Owner | Global Entertainment |
| Management | Global Entertainment |
| Opened | 2009 |
| Cost (millions) | \$55.2 |
| Tenant(s) | AIF, CHL |
| Capacity | |
| Hockey | 4,810 |
| Concerts | 6,200 |
| Source: Global Entertainment, HSP | |

The following figure shows the exterior of Tim’s Toyota Center.

Figure 4-8



The following figure shows the interior of the Tim's Toyota Center.

Figure 4-9



Tim's Toyota Center was developed as a result of an increased demand for a sports and entertainment venue in the local community. Prior to the facility, the Northern Arizona region did not have a major event venue; with the closest facilities in Phoenix, 100 miles south, or Las Vegas, 250 miles north. The facility was developed to meet this demand while also creating an additional ice facility for the local ice hockey and figure skating youth and adult organizations.

To fund the facility, a Community Facilities District (CFD) was established to pay for all construction costs. Using the CFD model, the city issued bonds to cover the costs of the facility's construction, which was repaid through property assessment payments of the facility's footprint and surrounding parking lots and support structures. In addition to the CFD, the city and the facility's owner, Global Entertainment, entered into a user agreement that would grant facility time for the city's Parks and Recreation Department to use the facility for ice-related programs.

The facility is owned and operated by Global Entertainment. Other than the user agreement with the Parks and Recreation Department, the facility is operated completely independent of the city. There is no management agreement between Global Entertainment and the city and therefore no management fees or revenue shares exist between the two entities. All financial shortfalls are the responsibility of Global Entertainment. This has resulted in multiple requests for public subsidies from the city; however, these funds have never been provided to support the facility.

The naming rights for the facility were purchased by a local car dealership shortly after the facility opened. In exchange for these naming rights, the dealership pays the facility \$175,000 annually over 10 years. All revenue from this naming rights deal is used for operational expenses at the facility.

The following table shows the facility's event breakdown, by type.

Table 4-27

| Tim's Toyota Center - 2011 Event Overview | | |
|---|------------|----------------|
| Event Type | Events | Attendance |
| AHL Tenant | 35 | 83,254 |
| Other Sporting Events | 33 | 41,085 |
| Concerts | 7 | 24,500 |
| Family Shows | 8 | 16,272 |
| Graduations | 4 | 14,304 |
| Banquest | 3 | 1,119 |
| Conventions/Trade Shows | 7 | 10,024 |
| Other | 5 | 3,750 |
| Total | 102 | 194,308 |

* Estimate
Source: Global Entertainment, Hunden Strategic Partners

As shown, the Tim's Toyota Center hosted 102 events that attracted nearly 195,000 attendees in 2011. AHL events and Other Sporting Events accounted for the most event days, 35 and 33, respectively. The AHL events also generated the greatest attendance, more than 83,000, followed by Other Sports Events (41,000). Because the facility is privately owned and operated, financial performance was not made available.

Implications

The Tim’s Toyota Center is a good comparable facility for St. Joseph to consider. It is located in a city with a smaller population, but has a larger regional population base that demand is attracted from. The facility offers function space for conventions, meetings, sporting events and concert shows. The Tim’s Toyota Center has managed to host a diverse event mix. The facility’s tenant ice hockey and arena football teams illustrate how primary tenants can provide a steady event schedule for a facility in St. Joseph. The revenues from naming rights also shows how marketing and sponsorships can contribute important funding rather than using city operating subsidies.

Glens Falls Civic Center – Glens Falls, New York

The Glens Falls Civic Center is a multipurpose facility located in Glens Falls, New York, a community of 15,000 residents, located 55 miles north of Albany. The facility opened in 1979 for a cost of \$3 million (\$10 million in 2012 dollars). The Glens Falls Civic Center serves as the home of the American Hockey League’s Adirondack Phantoms. The facility’s capacity is 4,806 for hockey and indoor football events and 6,806 for concerts and special events.

The following table shows an overview of the facility.

Table 4-28

| Glens Falls Civic Center Facility Overview | |
|---|---------------------|
| Location | Glens Falls, NY |
| Owner | City of Glens Falls |
| Management | Global Spectrum |
| Opened | 1979 |
| Cost (millions) | \$3.0 |
| Tenant(s) | AHL |
| Capacity | |
| Hockey | 4,806 |
| Concerts | 6,806 |
| Source: Global Spectrum, HSP | |

The following figure shows the exterior of Glens Falls Civic Center.

Figure 4-10



The following figure shows the interior of the Glens Falls Civic Center.

Figure 4-11



The Glens Falls Civic Center was developed to offer a facility for the local and regional community. At the time of the facility's construction, there were no other facilities within 50 miles that were capable of hosting a major sporting event of concert. Built prior to the premium-seating model used by many of today's facilities, the Glens Falls Civic Center was designed without any

suites, club seats or other exclusive areas. All spectators view the event from general admission seating.

The following table shows the facility's event breakdown, by type.

Table 4-29

| Glens Falls Civic Center - 2011 Event Overview | | | |
|--|------------|----------------|----------------------------|
| Event Type | Events | Attendance | Net Event Income (Deficit) |
| AHL Tenant | 40 | 105,257 | \$205,504 |
| Other Sporting Events | 26 | 31,767 | \$128,402 |
| Concerts | 8 | 18,741 | \$103,791 |
| Family Shows | 5 | 4,585 | \$19,859 |
| Graduations | 4 | 6,700 | \$9,985 |
| Banquets | 3 | 900 | \$9,422 |
| Conventions/Trade Shows | 30 | 7,700 | \$25,623 |
| Other | 5 | 8,530 | \$40,373 |
| Total | 121 | 184,180 | \$542,959 |

Source: Global Spectrum, HSP

As shown, the facility hosted 121 events in 2011, which attracted nearly 184,000 attendees. The AHL tenant accounted for the greatest number of events (40), attendance (105,000) and net income (\$205,000). Conventions and Other Sporting Events accounted for 30 and 26 events, respectively. Other Sporting Events attracted the second highest attendance, nearly 32,000. Collectively, these events generated more than \$540,000 in income for the facility. When all other income and expenses are figured in, the net operating loss for the facility was approximately \$390,000 in 2011. With additional amenities like suites and club seats, it is likely that this facility would have a much smaller deficit.

Implications

The Glens Falls Civic Center is another facility that would demonstrate similar comparable characteristics for a facility in St. Joseph. There is a mix of events held at the facility with the AHL team, the primary tenant, and conventions making up most of the events. The deficit Glens Falls Civic Center incurred by not having revenue-generating amenities is a factor St. Joseph should consider in the proposed facility.

Verizon Wireless Center – Mankato, Minnesota

The Verizon Wireless Center is located in Mankato, Minnesota, a city with a 2010 population of 39,309. The city, located in south central Minnesota, is part of the Mankato Micropolitan Statistical Area, including two counties with a population of 89,567.

The following table is the data summary for the Verizon Wireless Center in Mankato, Minnesota.

Table 4-30

| Mankato Verizon Wireless Center | |
|---------------------------------|-----------------------|
| Key Data Points | |
| Location | Mankato, MN |
| Ownership | City of Mankato |
| Year Opened | 1995 |
| Seating Capacity | 4,832 |
| Cost of Construction | \$20 million |
| Funding | \$0.05 City Sales Tax |
| Source: Alltel Center, HSP | |

Minnesota State University-Mankato is based in the city and the facility is home to the university's hockey team. Prior to the building of the arena, MSU played their home games at All Seasons Arena, built in 1974, which is now their main practice facility.

The table below shows information about the university.

Table 4-31

| Minnesota State University | |
|---|--|
| Mankato | |
| Location | Mankato, MN |
| Spring 2012 Enrollment | 14,611 (12,675 undergrads) |
| General | Public University |
| Programs | Coed undergraduate, graduate and doctorate schools |
| Faculty/Student Ratio: | 1:25 |
| Founded | 1868 |
| Campus | 303 acres, 25 academic and residential buildings |
| Source: Minnesota State University, HSP | |

The university enrolls nearly 15,000 students, approximately double the size of Missouri Western State University.

The table below lists the function space of the Verizon Wireless Center.

Table 4-32

| Verizon Wireless Center Function Space | | |
|--|------------|------------------|
| | Total (SF) | By Division (SF) |
| Exhibit Hall/Arena Floor | 20,909 | 20,909 |
| Ballroom Space | 13,290 | |
| Banquet East | | 5,578 |
| Banquet West | | 5,562 |
| Reception Hall | | 2,150 |
| Meeting Rooms | 4,681 | 4,681 |
| Subtotal | 38,880 | 38,880 |
| Arena Seating Capacity | | 5,280 - 7,300 |
| Total Exhibit Space | | 20,909 |
| Total Ballroom Space | | 13,290 |
| Total Meeting Space | | 4,681 |
| Other Space | | n/a |
| Total Function Space | | 38,880 |
| Total Exhibit Space Divisions | | 1 |
| Total Ballroom Space Divisions | | 3 |
| Meeting Room Divisions | | 6 |
| Total Divisions | | 10 |

Source: Verizon Wireless Center, HSP

The facility includes an arena floor of nearly 21,000 square feet, a ballroom of 13,290 square feet and meeting rooms totaling nearly 4,700 square feet.

The Verizon Wireless Center hosts numerous events that include concerts, conventions, trade shows, sporting events and private events. This includes meetings of at least ten people to large concerts or family shows which can have anywhere from 3,000 to 8,000 attendees. The facilities main tenant is the Minnesota State University Mavericks ice hockey team. The Mavericks play between 15 and 20 games at the facility each year, depending upon their annual schedule and on their positioning in play-off tournaments. There are about 15 concerts with at least 3,000 attendees on the 2012 schedule. There are four to five large family shows that take place annually with at least 3,000 attendees as well. The facility hosts a number of large tournaments that are mostly non-ticketed so it is difficult to count the number of participants. In total, the Verizon Wireless Center has between 300,000 and 400,000 attendees per year.

In 2011, the Verizon Wireless Center generated about \$3.0 million in total revenue. Since the facility is not located on the campus of Minnesota State University-Mankato, they are allowed to sell alcohol at most events. As a result, food and beverage sales have generated roughly 20 percent of revenue over the past few years. The facility receives another nine percent of its revenue from sponsorships, generating roughly \$280,000 in 2011. The city of Mankato receives

\$110,000 per year from Verizon Wireless for naming rights. Expenses were \$5.7 million leaving the facility with nearly \$2.5 million operating deficit. However, the center receives city subsidies.

In 2012, the city of Mankato sought a \$14.5 million bond appropriation to improve the Verizon Wireless Center and expand the auditorium and convention center. The Verizon Wireless Center renovations would include new seating, concourse improvements, ice system upgrades and premium seating options. In addition, MSU-Mankato will receive year-round utilization of the ice facilities. This agreement will necessitate the need for the addition of the auditorium and expansion of the event center to relocate displaced events that would have occurred in the Verizon Wireless Center. The auditorium and additional meeting space are also designed to increase trade shows, conventions, small concerts and performing arts. However, the expansion plans were put on hold again after it did not score high enough based on the Department of Employment and Economic Development’s listed criteria to receive part of the \$47.5 million in bonding money allocated by the state’s legislature.

The following table shows the regional competitors for the Verizon Wireless Center.

Table 4-33

| Regional Competitors | | | |
|--|-----------------|--|-----------|
| Facility | Location | Type | Size (SF) |
| Taylor Center | Mankato, MN | Meetings, Ceremonies, Concerts, Athletic Events | 142,951 |
| Mayo Civic Center | Rochester, MN | Conventions, Entertainment, Concerts, Basketball | 86,390 |
| La Crosse Center | La Crosse, WI | Conventions, Entertainment, Concerts, Football | 75,275 |
| Duluth Entertainment Convention Center | Duluth, MN | Conventions, Entertainment, Concerts, Hockey | 61,228 |
| Sioux Falls Arena | Sioux Falls, SD | Conventions, Entertainment, Concerts, Hockey | 57,400 |

Source: Verizon Wireless Center, HSP

The facilities listed represent venues of a similar size and feature space for sporting events (i.e. basketball, football or hockey) as well as arena and exhibit space for concerts, family shows and meetings. The Verizon Wireless Center also competes with events that take place at some of the larger arenas in the Minneapolis-St. Paul-Bloomington MSA area including the Xcel Energy Center in St. Paul and the Target Center in Minneapolis.

Implications

The Verizon Wireless Center is a good comparable facility for St. Joseph to consider. The facility offers function space for conventions, meetings, sporting events and concert shows. The City of Mankato manages to attract an audience from across the region.

The facility helps the local economy generate an additional \$30 million per year. Since its opening, the number of hotel rooms has doubled from about 600 to 1,200. The number of area restaurants and shops has nearly doubled as well. Though the facility has a negative net operating income, there is a great economic impact to the surrounding area that makes up significantly for any loss at the actual facility.

Sands Bethlehem Events Center – Bethlehem, Pennsylvania

The Sands Bethlehem Events Center is located in Bethlehem, Pennsylvania, a city with a 2010 population of 74,982. The city, located in eastern Pennsylvania, is part of the Allentown-Bethlehem-Easton Metropolitan Statistical Area with a population of 790,535. The construction of the facility began in 2008, but stalled as a result of the recession. Construction on the events center restarted in 2011 and was completed in 2012. The two-level, multi-million dollar facility is one of the recent phases of the \$743 million Sands Resort property that started development in 2009 on the site of the former home of Bethlehem Steel that closed in 2001.

The following table is the data summary for the Sands Event Center in Bethlehem, Pennsylvania.

Table 4-34

| Sands Bethlehem Events Center | |
|-------------------------------|----------------------------|
| Key Data Points | |
| Location | Bethlehem, PA |
| Ownership | Vision Entertainment Group |
| Year Opened | 2012 |
| Seating Capacity | 3,500 |
| Cost of Construction | \$11.9 million |
| Funding | Private |
| Source: Various Sources, HSP | |

The Events Center is part of the Sands Casino and Resort in Bethlehem. The resort and casino connects to the events center through both corridors and escalators. Built as the resort’s luxury entertainment venue, it consists of 50,000 square feet that accommodates up to 3,500 spectators and seven private luxury suites along its mezzanine level. Also, Vision Bar, the 10,000-square foot venue that serves as the entrance to the concert hall, is a combination restaurant, nightclub and bar offering visitors a place to eat and drink before and after events. It is also open during the day and non-event nights.

The figure below shows the Vision Bar and entrance to the Events Center.

Figure 4-12



The flexible multipurpose event center is designed to host numerous events that include concerts, conventions, trade shows, sporting events and private events. The owners decided to construct the venue with a flat floor in order to host trade shows and conventions and will use portable risers when necessary. The Event Center will be too small to attract major conventions, which generally require upwards of 100,000 square feet of meeting space. But the new facility provides space for large dinners and meetings, which was missing in the Lehigh Valley

The venue has partnered with Live Nation, the world's largest concert promoter, to attract high profile events into the venue. In the short time the event center has been open it has featured Incubus, Alan Jackson, The Beach Boys 50th anniversary reunion tour, and Eagles singer and guitarist Glen Frey. Other big names include jazz singer Diana Krall, heavy metal parody group Steel Panther and comedians Jay Leno and Don Rickles.

The following figure shows the Sands Event Center.

Figure 4-13



Implications

The Sands Bethlehem Events Center is a concept as an event and entertainment facility for St. Joseph to consider. The facility offers function space for conventions, meetings, sporting events and concert shows. The venue in partnership with Live Nation manages to attract high profile events and an audience from across the region to Bethlehem. Smaller than a small arena and much less expensive, this type of facility can accommodate many of the needs and opportunities of St. Joseph, without the expense of a larger arena.

The facility helps the city of Bethlehem and the Sands Resort and Casino meet to fill the needs for venue space for mid sized events. The center has the ability to appeal to a wide variety of entertainment interests contributing to its viability. It was designed for any aspect of entertainment, so not just music or sporting events. A flexible venue with the functionality to support numerous events and activities provides the opportunity to generate a greater impact for the city.

Independence Arena

Independence is both a satellite city of Kansas City, about ten miles east of downtown Kansas City, MO, and also a historic city in its own right, founded in 1827. It is the county seat of Jackson County, is home to the Community of Christ headquarters (formerly the Reorganized Church of Jesus Christ of Latter Day Saints), was the home of President Harry S. Truman, and was a major point of departure for the Santa Fe Trail, Oregon Trail, and California Trail. The city currently has a population of 117,213 (2011 estimate), ranking as the fourth largest suburb of

Kansas City, with significant suburban family populations in Blue Springs and Lee's Summit situated nearby.

The city-owned and managed \$68 million arena was opened in 2009 and built utilizing Community Improvement District bonds from taxes collected from local businesses surrounding the heavily-traveled intersection of Interstate 70 and 470, US 40, and Missouri Highway 291 in the heart of the eastern metropolitan area. The immediate area includes the over-1,000,000 square-foot super-regional shopping mall, Independence Center, several big box-styled shopping centers, a Bass Pro Shop Outdoor World, Costco, Sam's Club, AMC Theaters, and multiple hotels and chain restaurants. The site is located about nine freeway miles east of Arrowhead Stadium, home of the NFL Chiefs, and Kauffman Stadium, home of Major League Baseball's American League Royals. The Intersection surrounding the Independence Events Center is a popular hotel destination for ticketholders of Royals and Chiefs games.

The following figure shows an aerial photo of the Independence Events Center, surrounding attractions, and the intersection of highways.

Figure 4-14



The Independence Events Center totals 131,972 square feet, and is a multi-purpose facility with a 75,000-square foot arena bowl with 5,800 fixed seats, 25 luxury suites, a bar/grill and the Centerpoint Community Ice Rink. There is free parking for 2,000 cars on the south side of the property. Sound and lighting features are built to current professional sporting facility standards, including a 360-degree LED ribbon board and two Daktronics video boards. The facility offers an NBA/NCAA regulation basketball court, four locker rooms, three star dressing rooms, 2,500 padded movable seats, 500 VIP premium floor seats, a premium lounge with the club and suite seating, six full-service concession stands, and seven box office windows. The total seating can surpass 7,000 for concerts.

There are typically more than 100 events hosted annually in the arena that include concerts, trade shows, community festivals, ceremonies, and sporting events, including Missouri high school athletics, and in all, attracts upwards of 500,000 people.

The following figure shows the exterior of the Independence Events Center.

Figure 4-15



The arena is managed privately through the in-house Independence Center Management Corporation and General Manager Mike Young, who has previously managed Kemper Arena in Kansas City. Prior to November 2011, Global Entertainment managed the facility. The primary tenants of the one-level arena are the Central Hockey League (CHL) Missouri Mavericks and the Major Indoor Soccer League (MISL) Missouri Comets. The Missouri Mavericks average the highest attendance in the ten-team league at 5,552 attendees per game, over the course of a 33-game home season, for a total of over 183,000 attendees. Ticket pricing ranges from \$15 to \$35, with most seats costing \$22 to \$32. The MISL franchise, the Missouri Comets, average 4,291 attendees per game over the course of a 13-home-game season, and rank near the top in the league for attendance. Ticket pricing ranges from \$15 to \$45, with most tickets costing \$15, \$18, or \$22.

In the first nine months of operation in 2010, event revenue for the main ice floor was approximately \$2.2 million, not including concession revenue. CID funding generated in the first nine months was \$3,335,034. Total revenue for the Centerpoint Community Ice Rink was approximately \$604,000, with approximately \$286,000 in expenses. The net operating loss the first year, exclusive of concession revenue, was approximately \$710,000.

The following figure shows the Independence Events Center during a Mavericks' hockey game, highlighting its configuration of seats and row of 25 luxury boxes.

Figure 4-16



Although the vast majority of events currently consist of Mavericks and Comets home games, other events include concerts, particularly by up and coming youth-oriented country and Christian performing artists such as Chris Tomlin and Brantley Gilbert. Other shows and concerts have included Curious George, Celtic Woman, Goo Goo Dolls, and Larry the Cable Guy. In addition, the arena hosts numerous graduation ceremonies at the high school and college levels. The secondary ice rink in a connected building wing is home to the Centerpoint Community Ice Rink, and is open every day in two-hour sessions for public ice-skating, which is particularly popular during the day and evenings on Friday and Saturdays. Admission is \$5, with discounts for children and seniors. The Independence Events Center Community Ice Rink offers many community programs including public skating, learn-to-skate classes, figure skating, hockey, special events, birthday parties and private rentals. There is one full service concession stand and a pro skate shop for skating equipment, gear and apparel.

Implications

In a metropolitan area with over 2,000,000 people, multiple venues can coexist successfully, and because of the short distance and accessibility from Kansas City, St. Joseph finds itself in a position where it will draw from it's own metropolitan area resident base and the region, but can also draw from Kansas City, particularly the northern suburbs.

Kansas City's Sprint Center arena, seating over 18,000 in the center of the metropolitan area, books the city's biggest events and shows within 200 miles. However, with high rental and user fees, the entire metropolitan area benefits from having a first-rate professional mid-sized arena with a more flexible schedule and reasonable rental fees in the Independence Events Center, near a population base that is likely to use it more often than a downtown arena such as Kemper Arena or Municipal Auditorium.

Both the Sprint Center and the Independence Events Center indoor arenas cater to different audiences and community needs. While the Sprint Center offers major sporting events such as NCAA basketball tournament events and high-dollar shows and concerts (surrounded by the new Power and Light entertainment district) in downtown Kansas City, Independence Events Center offers a convenient location at a major highway crossroads within an easy 30-minute drive of over 600,000 suburban residents on the Missouri side of the metro area. With free parking and lower-priced events, the arena is highly accessible and affordable, hosting non-major-league professional sports and community events, and has carved a niche within the regional market.

Combining the arena with an already successful super-regional mall, a Bass Pro Shop Outdoor World and many limited-service hotels offers ticket-holders entertainment and retail options for an overnight in Independence. The Independence Events Center can rely on two popular franchised sports clubs, however its calendar is otherwise available for a far greater number of shows and events.

Conclusion

Each facility identified was developed to meet the individual demands for communities with increased demand for recreational and/or sports and entertainment facilities. While the size and scale of these facilities varies, each venue attracts similar event types.

This chapter presents a range of venues that all have similar characteristics that can be related to the objectives of the proposed event center. While differences are found between each facility, each venue's business model is focused on accommodating the needs of the community. Although these venues are located in smaller markets, the flexible function space, tenant groups, and revenue-generating amenities are attracting interest from non-local events and visitors. These elements are important to maximize for venues, particularly smaller venues, as a way to lower operating deficits that cities are ultimately covering. Tenants provide a stable event schedule and help to supplement each facility's usage and financials. Newer venues integrating flexible function space are able to support and attract new groups and events, which generates positive and new economic impact on the city. In addition, maximizing revenue-generating features such as naming rights, sponsorships, premium seating and concessions in the venue not only benefits the bottom line, but also provide opportunities to develop partnerships in the community. Although large market cities are developing single purpose venues, small market cities have the challenge of developing flexible multipurpose venues that can attract a variety of events, while keeping the setting intimate for spectators.

The Project's success will depend on how well the facility's management and staff can meet the standards set by these comparable facilities. Not only do these venues offer insight into the usage and financial performance, they will also serve to benchmark industry competitive trends. For St. Joseph, a new facility should include the amenities expected by both users (bands, event coordinators, talent, teams, etc.) and visitors.

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COMPETITIVE EVENT FACILITIES ANALYSIS

In order to understand how mixed-use development in St. Joseph compares and competes with other regional convention and event center options, competitive event centers and facilities were identified and analyzed. These competitors markets consisted of eastern Kansas and Missouri. Competitive facilities are identified by type, which include convention centers, arenas and performance halls.

Competitive Market Overview

St. Joseph's location in northwestern Missouri places the community in a difficult competitive position for convention and meeting business. St. Joseph's location away from the central population areas, as well as accessibility issues, make the market less attractive than other communities like Kansas City.

The regional competitors set includes Missouri and Kansas convention markets that currently compete with St. Joseph for state associations and regional meetings. This set not only includes convention facilities, but also small to medium sized arenas and performance halls that contain adequate event function space and event mix, similar to what would be offered in St. Joseph's mixed-use development.

This section will provide a brief description of each competitive market, identify major convention-related elements and provide critical success factors for each market.

Regional Competitive Meeting Facilities

St. Joseph's primary competition will come from the Kansas City market convention centers and large hotels with substantial meeting space. Since St. Joseph's primary market will be either state associations or regional professional organizations, the following cities have been identified as the primary competitive set for multi-use development proposed.

The following map shows competitive meeting facilities in relation to St. Joseph.

Figure 5-1



The following table shows the regional convention facilities that compete with St. Joseph for convention and meeting business.

Table 5-1

| Function Space of Competitor Facilities (SF) | | | | | | | |
|---|--------------------|---------------|----------------|---------------|-----------------------------|-----------------------|----------------------|
| Facility | Location | Exhibit Space | Ballroom Space | Meeting Space | # of Meeting Room Divisions | Total Function Space* | Adjacent Hotel Rooms |
| America's Center | St. Louis, MO | 503,000 | 28,416 | 126,612 | 83 | 658,028 | 7,600 |
| Kansas City Convention Center** | Kansas City, MO | 434,400 | 23,910 | 85,622 | 55 | 543,932 | 1,375 |
| Overland Park Convention Center/ Sheraton Hotel | Overland Park, KS | 85,000 | 41,359 | 19,640 | 13 | 125,000 | 1,000 |
| Hilton Branson Convention Center | Branson, MO | 46,031 | 22,703 | 17,277 | 19 | 86,011 | 294 |
| Tan-Tar-A | Osage Beach, MO | 30,000 | 28,903 | 26,759 | 23 | 85,662 | 880 |
| KCI-Expo Center | Kansas City, MO | 70,000 | -- | 9,216 | 10 | 79,216 | 800 |
| The Lodge of Four Seasons | Lake Ozark, MO | 12,000 | 32,120 | 25,022 | 42 | 69,184 | 983 |
| St. Charles Convention Center | St. Charles, MO | 35,700 | 22,225 | 6,520 | 18 | 64,463 | 600 |
| BTC Exhibit Hall | Kansas City, MO | 56,500 | -- | -- | 2 | 56,500 | 330 |
| Chateau on the Lake | Branson, MO | -- | 16,896 | 21,770 | 16 | 38,666 | 301 |
| Truman Hotel | Jefferson City, MO | -- | 14,398 | 7,734 | 12 | 22,132 | 233 |
| Total | | 1,272,631 | 230,930 | 346,172 | 293 | 1,828,794 | 14,396 |
| Average | | 141,403 | 25,659 | 34,617 | 27 | 166,254 | 1,309 |
| Median | | 56,500 | 23,910 | 20,705 | 18 | 79,216 | 800 |

*Does Not include foyer, prefunction or courtyard space
 **Exhibit Space includes Arena Floor
 Source: Hunden Strategic Partners

The St. Joseph multi-use development would rank similarly amongst the smaller facilities in this competitive set in terms of total function space with the America's Center having the largest function space and most number of adjacent hotel rooms, significantly more than the competitors. The proposed development would have roughly 30,000 to 40,000 square feet of total function space, making it considerably smaller than larger facilities located in the Kansas City Metropolitan Area but comparable to facilities in smaller markets outside of a metro area. The current lack of hotels in St. Joseph is a competitive disadvantage. The competitors have either one large hotel or two smaller hotels providing nearly 300 rooms.

Profiled below are facilities likely to compete with an event center in St. Joseph ("Event Center"), which would include both arena and convention center elements. It will therefore compete against both entertainment/arena facilities and convention centers. Some of the facilities are very large, like the Kansas City Convention Center, and due to location, the large profiled facilities may occasionally compete with the Event Center. More likely, large hotels in Kansas City and smaller convention facilities across the state will compete with the St. Joseph convention center.

Agri-Business Expo Center – St. Joseph, Missouri

The Agri-Business Expo Center is a 150-acre multipurpose campus currently planned and fundraising is underway for this venue in St. Joseph. The Ag Center will include an exhibit hall, arena, business complex and retail. A 501c3 charitable, non-profit organization called the Buchanan County Agri-Business Expo Center was formed in 2009 to oversee this project. The board is governed by a volunteer board of directors who are leaders in the public and private sector. It will be located on U.S. Highway 36 east of I-29 providing optimal accessibility. The Missouri Department of Transportation awarded a grant for \$4.9 million to construct an interchange on U.S. Highway 36. The facilities are situated amongst the Animal Health Corridor

along the Kansas-Missouri border. The new Ag Center is expected to be a venue for livestock events, tradeshows and conferences.

The following figure shows a rendering of the proposed Agri-Business Expo Center campus.

Figure 5-2



The primary focus of the campus is to promote education although part of the Agri-Business Expo Center programming will consist of many professional and commercial events. The Ag Center's educational programming includes a partnership with the University of Missouri Extension, 4-H exhibits and continuing education classes for the community. It will also work closely with local agribusinesses to train workers and support the regional economy. A farmers market and commercial kitchen will support agriculture entrepreneurs.

The following table shows the proposed campus facilities.

Table 5-2

| Proposed Agri-Business Expo Center | | |
|------------------------------------|--------|----|
| Exhibit Hall | | |
| Exhibit Space | 50,000 | SF |
| Demonstration Kitchen | 4,000 | SF |
| Breakout Classrooms | NA | |
| Theater | -- | |
| Video Production Media Room | -- | |
| Arena | | |
| Arena Floor | 45,000 | SF |
| Warm-Up Arena | 20,000 | SF |
| Fixed Seats | 2,000 | |
| Temporary Bleacher Seating | 3,000 | |
| Livestock Pavillions | | |
| Number of Pavillions | 3 | |
| Expo Space per Barn | 44,000 | SF |
| Portable Stalls | 600 | |
| Wash Station | -- | |
| RV Park | | |
| RV Spaces | 200 | |
| Source: Agri-Business Expo Center | | |

The Agri-Business Expo Center is in the first phase of fundraising with an initial goal to raise \$5 million. The entire project is expected to cost approximately \$40 million. Construction on the first phase is expected to begin in fall 2013 and the total project is estimated to take eight years to complete.

Implications

Similar to the proposed downtown entertainment district, the feasibility and completion of the Expo Center faces its own challenges and obstacles to become a successful project. However, if successful, it would exist as a venue with competitive indoor facilities to a downtown venue and impact the performance of a downtown entertainment district. As a new facility in the St. Joseph market the Ag Center is likely to cannibalize and attract dirt and livestock shows, tradeshow and local events that would normally be held at the Civic Arena. Also, based on the average attendance of events at the Civic Arena, the Expo Center has the capacity to accommodate the same sized groups such as SMERF, local and even sports events that averaged 1,800 visitors, 1,000 visitors and 1,300 visitors respectively.

The Ag Center will certainly impact the future performance of the Civic Arena and the impact could be incrementally greater if the Civic Arena continues to remain in its current conditions. Ultimately, this new venue will expedite the obsolescence of the current Civic Arena and its features. The activity and impact currently generated downtown will also be affected as a result of visitors now relocating to the new venue on the eastside of St. Joseph.

Krug Park

Krug Park is a 163-acre park located just north of downtown St. Joseph. The park features numerous amenities that include extensive landscaping, flowerbeds, an amphitheater, a lagoon, rose gardens, picnic areas, an Italian castle, scenic walking trails and various playgrounds. There has been recent interest by a group of St. Joseph community members to redevelop the Krug Park amphitheater bowl. The idea is to transform the existing amphitheater into a modern outdoor performance venue that could host large-scale events and concerts.

The following figure shows the current Krug Park amphitheater.

Figure 5-3



The primary elements to the park redevelopment would include the following:

- 25,000 to 30,000 spectator capacity with a combination of fixed and lawn seating
- Six to 12 opera boxes with capacities of 20-25 spectators per box
- Two tiered party decks with capacities of 50-100 spectators per deck
- Restrooms and concessions
- Performance stage
- Expanded parking
- Offices and dressing rooms

The final plans and funding for the park redevelopment have not been determined.

Implications

The envisioned Krug Park redevelopment focused on the amphitheater would offer an additional venue for the community of St. Joseph. The seasonal nature of Krug Park and the types of events it could host would pose limited competition based on seasonality and the outdoor nature of the facilities. The only potential overlap would be for summer events that could occur indoors or outdoors.

Kansas City Convention Center

Kansas City is Missouri's largest city (although St. Louis' metro population is larger), located on the state's western border with Kansas. The city is a major regional cultural and economic center with six Fortune 1000 employers, including H&R Block. It features a large downtown with many event and meeting venues, including the Kansas City Convention Center (KCCC) with 388,000 square feet of exhibit space and a new 46,000-square-foot ballroom. The entertainment, restaurant and retail district called the Kansas City Power & Light District opened approximately four years ago between the KCCC and the new Sprint Center Arena, making the downtown a compelling place to host events. The city's meetings package has suffered from a lack of large high-quality convention hotels. Over the past three years, it has sought the development of a 1,000-room hotel adjacent to the KCCC, however no project has been financed. Air service is inexpensive, but there is no hub airline, so access can be an issue for some larger groups.

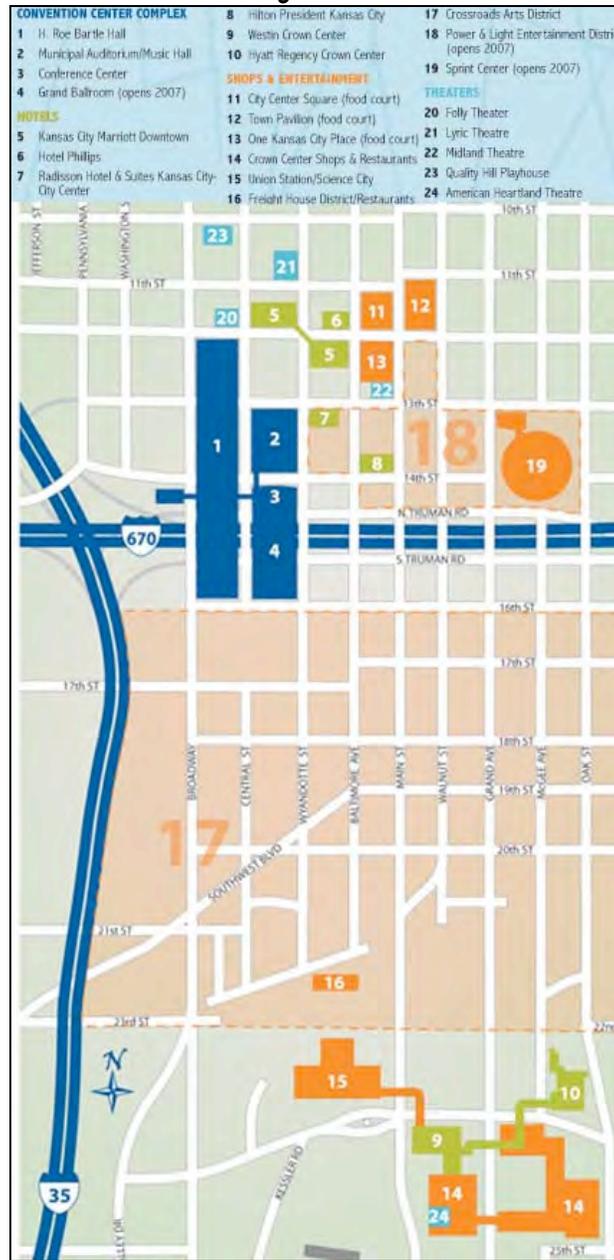
The KCCC markets itself as the Kansas City Convention Center and Entertainment Facilities due to the Center's close proximity to Kemper Arena and the Kansas City Performing Arts Center. These facilities typically operate in conjunction with each other for larger events by providing ancillary meeting space if needed.

The KCCC and Entertainment Facilities attract an average of nearly 400 annual events. An average of more than 650,000 attendees attended these events, generating an average of more than 235,000 room nights annually, according to the KCCVA. Lack of a major, new convention hotel has hurt the KCCC's ability to attract more and larger conventions. The city has made an effort to develop such a hotel, without success to date.

The Kansas City Convention Center (KCCC) is Kansas City's primary convention facility and competes for events nationwide as well as hosting many local and regional events. The complex also includes the H. Roe Bartle Hall, the Music Hall, a 2,400-seat theatre, and the 8,189 seat Municipal Auditorium Arena, which hosts mid-sized sporting and entertainment events.

The Event Center will compete with the KCCC for a variety of event types, both locally and within the several-state region. The figure below shows the location of both the KCCC and adjacent hotels; Kansas City Marriott Hotel and Radisson Hotel & Suites, as well as other downtown attractions, hotels and facilities.

Figure 5-4



As shown, there are several SJCC competitors located downtown, including the KCCC, the Kansas City Marriott Hotel, and the Hyatt Regency Crown Center.

The following table shows the function space of the KCCC.

Table 5-3

| Kansas City Convention Center | | | |
|---|----------------|------------------|------------|
| | Total (SF) | By Division (SF) | Divisions |
| Exhibit Space | | | |
| Bartle Hall | 388,800 | | 5 |
| Exhibition Hall | 28,000 | 28,000 | 1 |
| | <u>416,800</u> | <u>416,800</u> | <u>6</u> |
| Ballroom Facilities | | | |
| Great Hall - Jr. Ballroom | 18,052 | | 8 |
| Grand Ballroom | 40,595 | | 5 |
| | 58,647 | 58,647 | 13 |
| Meeting Room Facilities | | | |
| Conference Center 1501 | 14,182 | | 3 |
| Conference Center 2502 | 5,124 | | 2 |
| Conference Center 2503 | 3,572 | | 2 |
| Conference Center 2504 | 3,843 | | 2 |
| Conference Center 2505 | 5,101 | | 2 |
| Meeting Room 2101 | 4,104 | 4,104 | 1 |
| Meeting Room 2102 | 5,016 | | 2 |
| Meeting Room 2103 | 15,399 | | 3 |
| Meeting Room 2104 | 5,016 | | 2 |
| Meeting Room 2105 | 4,104 | 4,104 | 1 |
| Meeting Room 2201 | 1,344 | 1,344 | 1 |
| Meeting Room 2202 | 1,344 | 1,344 | 1 |
| Meeting Room 2203 | 1,344 | 1,344 | 1 |
| Meeting Room 2204 | 1,344 | 1,344 | 1 |
| Meeting Room 2205 | 1,344 | 1,344 | 1 |
| Meeting Room 2206 | 1,344 | 1,344 | 1 |
| Meeting Room 2207 | 1,344 | 1,344 | 1 |
| Meeting Room 2208 | 1,344 | 1,344 | 1 |
| Meeting Room 2209 | 1,344 | 1,344 | 1 |
| Meeting Room 2210 | 1,344 | 1,344 | 1 |
| Meeting Room 2211 | 1,344 | 1,344 | 1 |
| Meeting Room 2212 Boardroom | 588 | 588 | 1 |
| Meeting Room 2213 Boardroom | 588 | 588 | 1 |
| Meeting Room 2214 | 1,344 | 1,344 | 1 |
| Meeting Room 2215 | 8,120 | | 3 |
| | <u>90,885</u> | <u>90,885</u> | <u>37</u> |
| Little Theater | 5,329 | Seats | 400 |
| Music Hall | -- | Seats | 2,363 |
| Arena | 27,000 | Seats | 10,721 |
| Hotel Rooms (Marriott) | | | |
| | 983 | Per Guest Room | |
| Total Exhibit Space | 416,800 | | 424 |
| Total Ballroom Space | 58,647 | | 60 |
| Total Meeting Space | 90,885 | | 92 |
| Other Space | 32,329 | | 33 |
| Total Function Space | <u>598,661</u> | | <u>609</u> |
| Ballroom Divisions | 13 | /100 Guest Rms | 0.1 |
| Meeting Room Divisions (incl. audit/amph) | 38 | | 0.4 |
| Total Divisions (including Ballroom) | <u>51</u> | | <u>0.5</u> |

Source: Kansas City Convention Center, HSP

The facility includes over 416,800 square feet of exhibit space, 13 ballroom divisions totaling 58,467 square feet, and over three dozen meeting rooms totaling 90,885 square feet.

The KCCC is owned by the City of Kansas City, Missouri, and is operated by the Department of Conventions and Entertainment Centers. The facility hosts a number of conventions and meetings annually.

In 2011, the KCCC hosted 425 events with events ranging in size of a few dozen attendees to over 100,000 visitors during events that lasted up to four days. The number of events and attendance has gradually increased back to previous numbers after decreasing to 308 events in 2006. The city completed an expansion of the facility by adding a new ballroom and meeting space in 2007 with the expectation it would generate more events, but the lack of high-quality/quantity of full-service hotels nearby have limited the overall success of the KCCC.

The surrounding entertainment facilities attracted 42 sporting events and 27 performing arts events. These two event types attract an average of 227,000 annually to the complex. Additional meetings and banquets are also held within these two venues when space at the KCCC is not available.

In addition to the convention center, the new Sprint Center arena is located just three blocks from the convention center, with the new Power & Light District in between the two. The Sprint Center seats up to 19,200 for concerts and despite not hosting an NBA or NHL team, has been one of the most productive arenas in the country, generating significant group business for the city, including Big 12 tournaments and NCAA first and second round games.

The Power & Light District is a restaurant, retail and entertainment focused public-private development by the Cordish Company that aimed to breathe life back into the downtown core. With dozens of food and beverage outlets and retail stores, including a grocery, the project has helped transform the downtown to an area that groups now are attracted to. The city has put the primary ingredients together for a successful meeting destination (improved convention center, entertainment, retail and restaurants), save for its hotel package. The community continues to struggle to fund a large convention hotel that would allow larger groups to use the KCCC. However, with its other amenities, it is an example of the success that the walk-able, restaurant/retail environment can bring.

America's Center

St. Louis is the second largest city in Missouri, yet features the largest metropolitan area in the state. It is located along the Mississippi River along the state's eastern border with Illinois. The city is a major regional center of business, arts, culture and entertainment. It is home to America's Center with 485,000 square feet of exhibit space, which is expandable to 600,000 square feet when including the adjacent floor of the Edward Jones Dome. This is the largest facility in the competitive set. St. Louis' hotel package is also the largest in the competitive set, highlighted by the 1,073-room Renaissance Grand and Suites hotel, which is actually two hotels, highlighted by the 916-room Renaissance Grand.

St. Louis is known as a strong union city and the related work rules have turned off some events that either prefer not to pay the rates or endure these work rules. Suburban St. Charles and others have capitalized on this weakness by playing up their low-cost, low-hassle environments. Air service is inexpensive, but there is no hub airline, so access can be an issue for some larger groups.

The America's Center complex is located in St. Louis, Missouri, and includes the St. Louis Convention Center, the 70,000-seat Edward Jones Dome (home to the NFL Rams), the 1,400 seat Ferrara Theatre, and the St. Louis Executive Conference Center. The complex was built in stages over several years with the final additions completed in 1995 with a total construction cost of approximately \$330 million. The complex is owned by the city (25 percent), the County (25 percent), and the State (50 percent), and is managed by the St. Louis Convention and Visitors Commission.

The following table shows a summary of the function space available at the America's Center.

Table 5-4

| America's Center | | | |
|---|----------------|------------------|------------|
| | Total (SF) | By Division (SF) | Divisions |
| Exhibit Space | 485,000 | | 6 |
| Ballroom Facilities | | | |
| America's Ballroom | 28,416 | | 10 |
| Meeting Room Facilities | | | |
| 100 Complex | 17,422 | | 7 |
| 120 Complex | 15,390 | | 8 |
| 130 Complex | 13,125 | | 3 |
| 140 Complex | 13,348 | | 6 |
| 150 Complex | 4,447 | | 3 |
| 160 Complex | 5,544 | | 4 |
| 170 Series | 6,146 | | 10 |
| 180 Series | 1,298 | | 4 |
| Room 200 | 660 | 660 | 1 |
| 230 Complex | 7,546 | | 3 |
| 240 Complex | 7,769 | | 3 |
| 250 Series | 4,130 | | 6 |
| 260 Series | 15,120 | | 8 |
| 270 Series | 12,525 | | 3 |
| Meeting Room 280 | 1,200 | 1,200 | 1 |
| Washington Perimeter Rooms | 1,570 | | 7 |
| Plaza Perimeter Rooms | 2,934 | | 7 |
| Meeting Room 360 | 1,266 | 1,266 | 1 |
| Meeting Room 361 | 592 | 592 | 1 |
| Meeting Room 362 | 585 | 585 | 1 |
| Meeting Room 370 | 1,756 | 1,756 | 1 |
| Meeting Room 371 | 676 | 676 | 1 |
| Meeting Room 372 | 500 | 500 | 1 |
| | <u>135,549</u> | <u>135,549</u> | <u>83</u> |
| Ferrara Theatre | | Seats | 1,411 |
| Hotel Rooms (Renaissance) | 917 | Per Guest Room | |
| Total Exhibit Space | 485,000 | | 529 |
| Total Ballroom Space | 28,416 | | 31 |
| Total Meeting Space | 135,549 | | 148 |
| Other Space | Football Arena | | n/a |
| Total Function Space | <u>648,965</u> | | <u>708</u> |
| Ballroom Divisions | 10 | /100 Guest Rms | 0.1 |
| Meeting Room Divisions (incl. audit/amph) | <u>84</u> | | <u>0.9</u> |
| Total Divisions (including Ballroom) | 94 | | 1.0 |

Source: Individual Property, HSP

There are nearly 650,000 square feet of function space at the America's Center. There are 83 meeting room divisions totaling over 135,549 square feet of meeting space, and 485,000 square feet of exhibit space.

The America's Center Convention Complex hosted 46 conventions, 21 sporting events and 11 public shows during fiscal year 2012. The largest shows in 2012 included the NRA National Convention with an attendance over 73,000 and the Home and Garden Show with over 60,000 attendees. The Edward Jones Dome hosted eight home games with a total attendance of 451,153 visitors, averaging just over 57,000 visitors per game. Also, the three-year plan for the America's Center including nearly \$50 million of improvements. The convention complex improvements featured a number of infrastructure and cosmetic upgrades including the renovation of the America's Ballroom, improved catering services, electronic signage and technology enhancements to the meeting rooms and exhibit halls.

The America's Center attracted an average of 175 events over the past three years. On average, the facility attracted more than 1.2 million attendees annually, generating more than 200,000 room nights for the local hotel market. The facility also benefits from the adjacent Edward Jones Dome as the Center traditionally acts as an ancillary meeting space for larger events, especially St. Louis Rams football games and other large sporting events.

Meetings serve as the most common event at the America's Center, accounting for nearly 30 percent of all events on average. Food and Beverage events (wedding, receptions, etc.) are the next most common event, with 34 booked annually. Conventions and publicly ticketed events such as consumer shows, accounted for 16 percent and 13 percent, respectively. In terms of attendance, publicly ticketed events attracted an average of nearly 900,000 visitors per year. Convention and Sporting Events attracted the next highest number of attendees, attracting 160,000 and 93,000, respectively.

The St. Joseph Event Center would rarely compete with the America's Center, due to the latter facility's location and size. However, it is instructive to compare how the St. Charles Convention Center has performed in relation to the America's Center, as it is situated near downtown St. Louis – similar to St. Joseph's location in relation to downtown Kansas City.

Lake of the Ozarks, Missouri

The Lake of the Ozarks region is a collection of towns and communities surrounding the man-made lakes located in central Missouri. These communities are traditionally identified as summer resorts that attract a large number of tourists, mostly during the summer and fall months. Osage Beach serves as the largest community in the region. The area features two large hotel resorts that have developed over the past several decades, both with significant meeting, ballroom and exhibit space: Tan-Tar-A and Lodge of the Four Seasons. The 870-room Tan-Tar-A features a 30,000-square-foot exhibit hall and a 23,000-square-foot ballroom. Lodge of the Four Seasons is a 301-room hotel that features a 20,000-square-foot exhibit hall and a 9,000-square-foot ballroom. Both are quite a bit older than most of the hotels and meeting facilities in the competitive set.

While the area and facilities are strengthened by their outdoor activities and generally central location in the state, these activities are limited to the warm months. Otherwise, the appeal of the area is limited during cold months, as there are few attractions beyond the hotels.

According to the CVB, the hotel market segmentation is as follows:

- Group: 70 percent
- Leisure: 14 percent
- Commercial Transient: 6 percent

Even if occupancy at the hotels is 33 percent annually, the implied group room nights are approximately 100,000.

Tan-Tar-A Resort

The Tan-Tar-A Resort is located in Lake of the Ozarks, Missouri, and offers 880 rooms. Tan-Tar-A is the largest hotel property in the area and is rated by meeting planners as one of the best facilities in Missouri. The Resort consists of a hotel with 86,000 square feet of meeting space, a golf course, and water park.

The following table shows the function space breakout at the Tan-Tar-A Resort.

Table 5-5

| Tan-Tar-A | | | |
|---|---------------|------------------|------------|
| | Total (SF) | By Division (SF) | Divisions |
| Exhibit Space | | | |
| Windgate Hall | 30,000 | 30,000 | 1 |
| | <u>30,000</u> | <u>30,000</u> | <u>1</u> |
| Ballroom Facilities | | | |
| Grand Ballroom | 23,400 | | 3 |
| Crystal Ballroom | 5,743 | 5,743 | 1 |
| | <u>29,143</u> | <u>29,143</u> | <u>4</u> |
| Meeting Room Facilities | | | |
| Dogwood | 211 | 211 | 1 |
| Eastwinds | 468 | 468 | 1 |
| Magnolia | 460 | 460 | 1 |
| Meeting Room 60 | 660 | 660 | 1 |
| Meeting Room 61 | 674 | 674 | 1 |
| Meeting Room 62 | 717 | 717 | 1 |
| Meeting Room 63 | 729 | 729 | 1 |
| Meeting Room 64 | 769 | 769 | 1 |
| Meeting Room 70 | 474 | 474 | 1 |
| Meeting Room 71 | 480 | 480 | 1 |
| Meeting Room 72 | 584 | 584 | 1 |
| Meeting Room 73 | 414 | 414 | 1 |
| Meeting Room 74 | 462 | 462 | 1 |
| Meeting Room 75 | 504 | 504 | 1 |
| Meeting Room 76 | 373 | 373 | 1 |
| Meeting Room 77 | 426 | 426 | 1 |
| Northwinds | 8,800 | 8,800 | 1 |
| Parasol | 4,758 | | 2 |
| Picnic Grove | 2,000 | 2,000 | 1 |
| Suite G | 3132 | 3132 | 1 |
| | <u>27,095</u> | <u>27,095</u> | <u>21</u> |
| Auditorium | 1,664 | Seats | -- |
| Hotel Rooms | 880 | Per Guest Room | |
| Total Exhibit Space | 30,000 | | 34 |
| Total Ballroom Space | 29,143 | | 33 |
| Total Meeting Space | 27,095 | | 31 |
| Other Space | 1,664 | | 2 |
| Total Function Space | <u>87,902</u> | | <u>66</u> |
| Ballroom Divisions | 4 | /100 Guest Rms | 0.5 |
| Meeting Room Divisions (incl. audit/amph) | 21 | | 2.4 |
| Total Divisions (including Ballroom) | <u>25</u> | | <u>2.8</u> |

Source: Individual Property, HSP

Tan-Tar-A has 30,000 square feet of exhibit space and 29,000 square feet of ballroom space. There is also nearly 27,000 square feet of meeting space, which gives the convention center nearly 85,700 square feet of available function space. The facility also has an attached auditorium that is included in the meeting space figures.

Tan-Tar-A's large meeting space along with the large hotel makes it a favorite among meeting planners. With a new or renovated convention center, hotel and improved arena, it is likely that St. Joseph would compete against Tan-Tar-A for many events. One drawback for Tan-Tar-A is its more seasonal appeal. As a lake-based destination, it suffers during the colder months and is extremely busy during summer months with tourists and groups. As a result, this property will not always be a primary competitor.

The Lodge of Four Seasons

The Lodge of Four Seasons (LFS) is located in Lake of the Ozarks, Missouri. The facility underwent an expansion in 2002 and now has approximately 67,000 square feet of meeting space. The hotel also features three golf courses, a marina, and approximately 400 hotel rooms.

The following table shows a breakout of the function space at the LFS.

Table 5-6

| The Lodge at Four Seasons | | | |
|---|---------------|------------------|------------|
| | Total (SF) | By Division (SF) | Divisions |
| Exhibit Space | | | |
| Exhibit Hall | 16,000 | 16,000 | 1 |
| | <u>16,000</u> | <u>16,000</u> | <u>1</u> |
| Ballroom Facilities | | | |
| Granada Ballroom | 10,903 | | 3 |
| Ballroom A | | 3,654 | |
| Ballroom B | | 3,624 | |
| Ballroom C | | 3,625 | |
| Marbella Ballroom | 7,200 | | 2 |
| Ballroom A | | 2,400 | |
| Ballroom B | | 4,800 | |
| | <u>18,103</u> | <u>18,103</u> | <u>5</u> |
| Meeting Room Facilities | | | |
| Barcelona Room | 672 | 672 | 1 |
| Breezes Room | 2,925 | 2,925 | 1 |
| Busters Room | 3,500 | 3,500 | 1 |
| Eagle Peak Room | 2,352 | 2,352 | 1 |
| Escollo Room | 1,728 | 1,728 | 1 |
| La Salita Room | 441 | 441 | 1 |
| Lookout Room | 2,352 | 2,352 | 1 |
| Madrid Room | 882 | 882 | 1 |
| Sea Chase Room | 1,776 | 1,776 | 1 |
| Seville Room | 1,457 | 1,457 | 1 |
| Valencia | 2,080 | | 2 |
| Terrace Room | 1,125 | | 3 |
| Wharf | 3,750 | 3,750 | 1 |
| | <u>25,040</u> | <u>25,040</u> | <u>16</u> |
| Cordoba Theater | 1,800 | Seats | 229 |
| Hotel Rooms | 388 | Per Guest Room | |
| Total Exhibit Space | 16,000 | | 41 |
| Total Ballroom Space | 18,103 | | 47 |
| Total Meeting Space | 25,040 | | 65 |
| Other Space | 1,800 | | -- |
| Total Function Space | <u>60,943</u> | | <u>111</u> |
| Ballroom Divisions | 3 | /100 Guest Rms | 0.8 |
| Meeting Room Divisions (incl. audit/amph) | 17 | | 4.4 |
| Total Divisions (including Ballroom) | <u>20</u> | | <u>5.2</u> |

Source: Individual Property, HSP

The LFS includes 16,000 square feet of exhibit space, 18,103 square feet of ballroom space and approximately 25,000 square feet of meeting space divisible across 17 rooms, which gives the center nearly 61,000 square feet of net function space. According to management, they would have preferred all of the meeting space under one roof, instead the 16,000 square foot exhibit hall was built as a separate building and connected by a walkway.

The LFS has approximately 900 events every year ranging from conventions to golf outings. Typical events held at the Lodge include banquets, receptions, weddings, reunions, retreats, and conventions. Approximately 70 percent of the business at the hotel is group business, 30 percent leisure, and no commercial or business travelers stay at the Lodge, primarily since it is a meeting destination resort.

The Lodge will be one of St. Joseph's primary competitors, although it will still be difficult for St. Joseph to compete on destination appeal. The combination of meeting space, number of hotel rooms, and location, make the Lodge a favorite meeting place for organizations. According to management, the biggest competitors of the LFS are Chateau on the Lake and Tan-Tar-A Resort. As mentioned with Tan-Tar-A, the Lodge will not be as competitive during colder months.

KCI-Expo Center

The KCI-Expo Center (KCI) is located in Kansas City, Missouri, near the airport. The KCI-Expo Center opened in 2003 and is owned by the Wheat Belt Corporation and operated by Leisure Hotels and Resorts.

The following table shows the breakout the available function space at the KCI.

Table 5-7

| KCI Expo Center | | | |
|---|---------------|------------------|------------|
| | Total (SF) | By Division (SF) | Divisions |
| Exhibit Space | 70,000 | | 2 |
| Exhibit Hall A | | 35,000 | |
| Exhibit Hall B | | 35,000 | |
| | <u>70,000</u> | <u>70,000</u> | <u>2</u> |
| Ballroom Facilities | -- | -- | -- |
| | 0 | 0 | 0 |
| Meeting Room Facilities | | | |
| Meeting Room A | 984 | 984 | 1 |
| Meeting Room B | 984 | 984 | 1 |
| Meeting Room C | 738 | 738 | 1 |
| Meeting Room D | 660 | 660 | 1 |
| Meeting Room E | 810 | 810 | 1 |
| Meeting Room F | 702 | 702 | 1 |
| Ambassador Room | 4,402 | 4,402 | 1 |
| Board Room | 260 | 260 | 1 |
| | <u>9,540</u> | <u>9,540</u> | <u>8</u> |
| Auditorium | -- | Seats | -- |
| Hotel Rooms | 141 | Per Guest Room | |
| Total Exhibit Space | 70,000 | | 496 |
| Total Ballroom Space | 0 | | 0 |
| Total Meeting Space | 9,540 | | 68 |
| Other Space | -- | | -- |
| Total Function Space | <u>79,540</u> | | <u>68</u> |
| Ballroom Divisions | 0 | /100 Guest Rms | 0.0 |
| Meeting Room Divisions (incl. audit/amph) | 8 | | 5.7 |
| Total Divisions (including Ballroom) | <u>8</u> | | <u>5.7</u> |

Source: Individual Property, HSP

The KCI-Expo Center has 70,000 square feet of dedicated exhibit and meeting space. A Holiday Inn Hotel with 141 rooms is attached to the Center. According to management, a ballroom that can accommodate 400 to 500 people is needed so the facility can host banquets and wedding receptions. The facility hosts approximately 200 events annually, many of which are consumer shows.

Due to the character of the KCI-Expo Center's space – basic expo hall space with little upscale feel or functionality and no ballroom -- it is expected to compete with the SJCC and arena for certain lower rated events.

BTC Exhibit Hall

The BTC Exhibit Hall is located on the campus of the Metropolitan Community College in Kansas City, Missouri. The Exhibit Hall is a part of the Business and Technology Center. The BTC Exhibit Hall was acquired through the MCC, formerly the Kansas City Market Center, and renovated for \$9 million before opening in October of 2002.

The original exhibit hall was built for the Kansas City Apparel Show and was a two-floor facility. Now the Exhibit Hall is one floor with 37-foot high ceilings. The 328-room Intrigue Park Place Hotel is adjacent to the BTC Exhibit Hall and offers a 9,000-square foot divisible ballroom. According to management, the Exhibit Hall was not marketable until the hotel was built several years ago.

The Exhibit Hall is one large room with 56,500 square feet of function space that can be divided into two rooms. Four classrooms are used for breakout rooms when needed. According to management, up to six breakout rooms that could accommodate up to 150 people, a 10,000 square foot ballroom, and better lighting are all preferred if the facility could be expanded.

The following table shows the function space divisions.

Table 5-8

| BTC Exhibit Hall | | | |
|---|------------|------------------|-----------|
| | Total (SF) | By Division (SF) | Divisions |
| Exhibit Space | 56,500 | | 2 |
| Exhibit Hall A | | 43,000 | |
| Exhibit Hall B | | 13,500 | |
| | 56,500 | 56,500 | 2 |
| Ballroom Facilities | 0 | 0 | 0 |
| | 0 | 0 | 0 |
| Meeting Room Facilities | 0 | 0 | 0 |
| | 0 | 0 | 0 |
| Cineam | -- | Seats | -- |
| Hotel Rooms | 330 | Per Guest Room | |
| Total Exhibit Space | 56,500 | | 171 |
| Total Ballroom Space | 0 | | 0 |
| Total Meeting Space | 0 | | 0 |
| Other Space | -- | | -- |
| Total Function Space | 56,500 | | 171 |
| Ballroom Divisions | 0 | /100 Guest Rms | -- |
| Meeting Room Divisions (incl. audit/amph) | 0 | | -- |
| Total Divisions (including Ballroom) | 0 | | -- |

Source: Individual Property, HSP

The BTC Exhibit Hall hosts a wide range of events with a majority of the events coming from not-for-profit organizations. These not-for-profit organizations do not pay for exhibit space, instead it is thought of as giving back to the community.

The strengths of the facility are its location, free parking and high ceilings. The weaknesses of the facility are its lack of breakout rooms and its Internet and phone restrictions for users. The facility was built so that only not-for-profit organizations could use the phones and Internet, which creates problems with potential users. The biggest competitors of the BTC Exhibit Hall are the KCI-Expo Center and the Overland Park International Trade Center. This will not compete significantly with the facility in St. Joseph.

Hilton Branson Convention Center

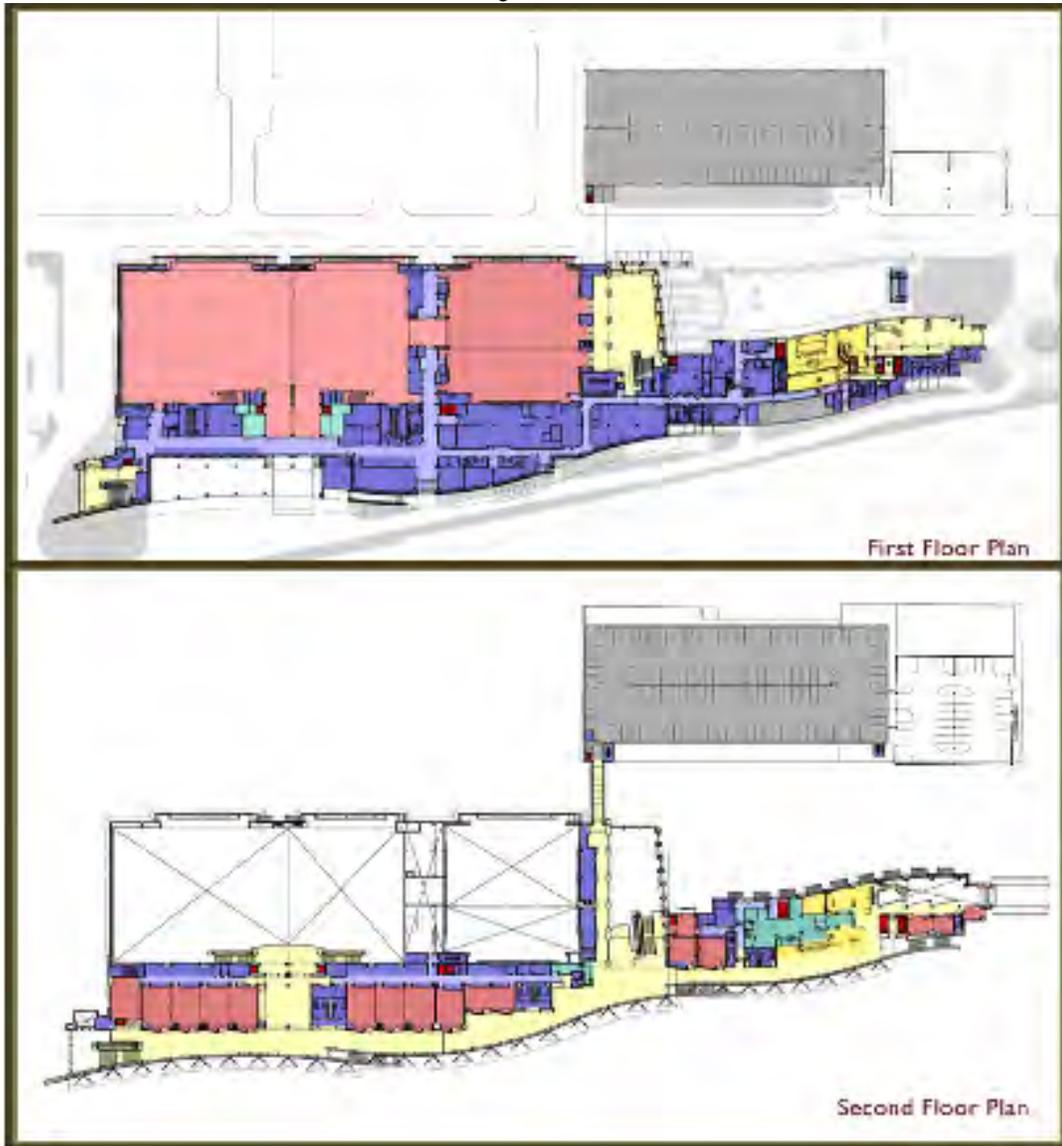
Branson has become a major tourist destination over the past 30 years, due to the location of many theaters featuring continuously running acts and other tourist attractions. The city has become an entertainment destination for many country music performers and other entertainers and is also home to Silver Dollar City theme park, one of the oldest such theme parks in the country.

Branson has recently leveraged its destination status to induce group demand, by adding a convention center, hotels and retail/restaurant development. Branson Landing is a shopping and entertainment district that opened in 2006. It consists of numerous retailers and restaurants and a 242-room Hilton Promenade on the river. It sits across the street from the new Branson Convention Center, which opened in 2007, which also includes a 294-room Hilton Hotel. The convention center features 96,000 square feet of exhibit space and a 22,000 square foot ballroom. In addition to these attributes, the 301-room Chateau on the Lake is a large group hotel overlooking Table Rock Lake, which competes with both the Branson Convention Center as well as Springfield. It was the primary meeting facility in Branson until the convention center opened and features nearly 32,000 square feet of ballroom and exhibit space.

The Branson Convention Center hosts an average of 227 events each year, attracting more than 175,000 attendees. 2010 served as the facility's most successful year as nearly 250 events were held within the facility, attracting nearly 190,000 attendees. A tornado in 2011 destroyed much of the two convention hotel properties and these are expected to reopen by the end of 2012.

The figure below displays the layout of the HBCC.

Figure 5-5



The table below shows breakout of available function space at the facility.

Table 5-9

| Hilton Branson Convention Center | | | |
|---|------------|------------------|-----------|
| | Total (SF) | By Division (SF) | Divisions |
| Exhibit Space | 46,031 | | 2 |
| Exhibit Hall A | | 27,435 | |
| Exhibit Hall B | | 18,596 | |
| | 46,031 | 46,031 | 2 |
| Ballroom Facilities | | | |
| Grand Ballroom | 22,703 | | 2 |
| Ballroom A | | 14,336 | |
| Ballroom B | | 8,367 | |
| | 22,703 | 22,703 | 2 |
| Meeting Room Facilities | | | |
| Fall Creek | 1,523 | 1,523 | 1 |
| Short Creek | 5,530 | | 4 |
| Short Creek 1 | | 1,407 | |
| Short Creek 2 | | 1,393 | |
| Short Creek 3 | | 1,393 | |
| Short Creek 4 | | 1,337 | |
| Copper Creek | 4,151 | | 3 |
| Copper Creek 1 | | 1,338 | |
| Copper Creek 2 | | 1,393 | |
| Copper Creek 3 | | 1,420 | |
| Compton Ferry | 1,234 | 1,234 | 1 |
| Roark Creek | 1,377 | 1,377 | 1 |
| Bee Creek | 1,472 | 1,472 | 1 |
| Boston Ferry | 924 | 924 | 1 |
| Hensley Ferry | 846 | | 2 |
| Hensley Ferry 1 | | 468 | |
| Hensley Ferry 2 | | 378 | |
| Silver Creek | 220 | 220 | 1 |
| | 17,277 | 17,277 | 15 |
| Amphitheater | | Seats | -- |
| Hotel Rooms | 294 | Per Guest Room | |
| Total Exhibit Space | 46,031 | | 157 |
| Total Ballroom Space | 22,703 | | 77 |
| Total Meeting Space | 17,277 | | 59 |
| Other Space | -- | | -- |
| Total Function Space | 86,011 | | 136 |
| Ballroom Divisions | 2 | /100 Guest Rms | 0.7 |
| Meeting Room Divisions (incl. audit/amph) | 15 | | 5.1 |
| Total Divisions (including Ballroom) | 17 | | 5.8 |

Source: Individual Property, HSP

The convention center features over 46,000 square feet of exhibit space, a 22,700-square foot ballroom, and over 17,000 square feet of meeting space divisible into 15 rooms.

Branson is an established national entertainment destination and the development of this facility provides an enhancement to its offerings. St. Joseph will be able to compete at some level with the facility, as it is located away from the rest of the population of Missouri. St. Joseph is much more accessible, especially to those in western Missouri. However, the destination characteristics in Branson will continue to give it an edge in such comparisons.

Chateau on the Lake

Chateau on the Lake is a 301-room full service hotel located in Branson, Missouri. The hotel offers approximately 39,000 square feet of meeting and banquet space. Chateau on the Lake is another hotel that is highly sought out by meeting planners due to its location and meeting space.

The following table displays the breakout rooms available at the Chateau.

Table 5-10

| Chateau on the Lake | | | |
|---|------------|------------------|-----------|
| | Total (SF) | By Division (SF) | Divisions |
| Exhibit Space | 0 | | |
| | 0 | 0 | 0 |
| Ballroom Facilities | | | |
| Great Hall | 31,806 | | 7 |
| Edinburgh | | 3,456 | |
| Heidelberg | | 2,666 | |
| Innsbruck | | 2,666 | |
| St. Mortiz | | 2,666 | |
| Versailles | | 8,448 | |
| Vienna | | 3,456 | |
| Windsor | | 8,448 | |
| | 31,806 | 31,806 | 7 |
| Meeting Room Facilities | | | |
| Barcelona Room | 968 | 968 | 1 |
| Board Room | 208 | 208 | 1 |
| Florence Room | 384 | 384 | 1 |
| Greenbelt | 8,175 | 8,175 | 1 |
| Lake Geneva Boardroom | 1,107 | 1,107 | 1 |
| Lake Louise Boardroom | 1,107 | 1,107 | 1 |
| Lake Lugano Hospitality | 950 | 950 | 1 |
| Madrid Room | 968 | 968 | 1 |
| Milan Room | 968 | 968 | 1 |
| Munich Room | 1,110 | 1,110 | 1 |
| Naples Boardroom | 684 | 684 | 1 |
| Salzburg Room | 1,110 | 1,110 | 1 |
| Venice Room | 968 | 968 | 1 |
| Veranda | 1,332 | 1,332 | 1 |
| | 20,039 | 20,039 | 14 |
| Cineam | 924 | Seats | -- |
| Hotel Rooms | 301 | Per Guest Room | |
| Total Exhibit Space | 0 | | |
| Total Ballroom Space | 31,806 | | 106 |
| Total Meeting Space | 20,039 | | 67 |
| Other Space | 924 | | -- |
| Total Function Space | 52,769 | | 172 |
| Ballroom Divisions | 7 | /100 Guest Rms | 2.3 |
| Meeting Room Divisions (incl. audit/amph) | 15 | | 5.0 |
| Total Divisions (including Ballroom) | 22 | | 7.3 |

Source: Individual Property, HSP

The Chateau offers 31,806 square feet of ballroom space and 20,000 square feet of meeting space. Typical events held at the Chateau include corporate events, banquets, wedding receptions, conferences, and SMERF events.

Truman Hotel and Conference Center

The Truman Hotel and Conference Center is located in Jefferson City, Missouri. The Hotel has 233 rooms, and offers 22,000 square feet of meeting space. While the facility itself is not compelling as a competitor, it is located in the state capitol, which by default makes it a strong competitor for any facility nearing its size.

Jefferson City does not have major events or convention space, however the city has approved funding for a new convention facility and hotel with exhibit, ballroom and meeting space. It has two larger hotels downtown, the 151-room Doubletree and the 255-room Capitol Plaza, both of which have meeting space. However, once the new conference center and hotel open the community will be a strong competitor for certain state association meetings, given its position as the state capitol. Its primary strength is its status as the state capitol, however it has no air service and a limited nightlife.

According to the CVB, the hotel market segmentation is as follows:

- Association & Government Group: 62 percent
- Other Group: 4 percent
- Leisure: 8 percent
- Commercial Transient: 26 percent

While the market is small, the amount of group business is significant, due to its location as the state capital. With a new facility and hotels, the market will be even more competitive for group business.

The following table displays the breakout rooms available at the Truman Hotel.

Table 5-11

| Truman Hotel & Conference Center | | | |
|---|---------------|------------------|------------|
| | Total (SF) | By Division (SF) | Divisions |
| Exhibit Space | 0 | | |
| | 0 | 0 | 0 |
| Ballroom Facilities | | | |
| Stratford Ballroom | 5,940 | 5,940 | 1 |
| Hermitage Ballroom | 4,836 | 4,836 | 1 |
| | <u>10,776</u> | <u>10,776</u> | <u>2</u> |
| Meeting Room Facilities | | | |
| Windsor Room | 480 | 480 | 1 |
| Wellington Room | 480 | 480 | 1 |
| Boardroom | 480 | 480 | 1 |
| Carters Grove Room | 1,904 | 1,904 | 1 |
| Eastover Room | 2,142 | 2,142 | 1 |
| Glenwood Room | 5,304 | 5,304 | 1 |
| Hampshire Room | 924 | 924 | 1 |
| Sheffield Room | 900 | 900 | 1 |
| Hightower Room | 990 | 990 | 1 |
| Kingsland Room | 990 | 990 | 1 |
| | <u>14,594</u> | <u>14,594</u> | <u>10</u> |
| Cineam | -- | Seats | -- |
| Hotel Rooms | 233 | Per Guest Room | |
| Total Exhibit Space | 0 | | |
| Total Ballroom Space | 10,776 | | 46 |
| Total Meeting Space | 14,594 | | 63 |
| Other Space | -- | | -- |
| Total Function Space | <u>25,370</u> | | <u>109</u> |
| Ballroom Divisions | 1 | /100 Guest Rms | 0.4 |
| Meeting Room Divisions (incl. audit/amph) | 10 | | 4.3 |
| Total Divisions (including Ballroom) | <u>11</u> | | <u>4.7</u> |

Source: Individual Property, HSP

The Truman Hotel and Conference Center offers nearly 14,600 square feet of meeting space and nearly 11,000 square feet of ballroom space. No event demand data was available at this time.

Overland Park, Kansas

Overland Park, Kansas is the second largest city in Kansas (after Wichita) and is located on the eastern border of the state, serving as the largest suburb of Kansas City. The city has consistently been ranked near the top of a variety of quality-of-life and livable cities rankings in the United States. It and its convention center are discussed in detail in the following chapter, as it is both a comparable facility in many respects, and a competitive facility.

St. Charles, Missouri

St. Charles, Missouri is a growing suburb of St. Louis with a new and expanding convention center and hotel complex. It and its convention center are discussed in detail in the following chapter, as it is both a comparable facility in many respects, and a competitive facility.

Regional Competitive Arenas and Performance Halls

HSP has evaluated local and regional entertainment facilities to determine the level of competition that exist. Several arenas and performing art facilities exist in the Kansas City metropolitan area while fewer facilities are situated in suburban cities like St. Joseph. These facilities will compete with the facilities in St. Joseph for touring shows, events and other entertainment.

The table below is a map of the arenas that HSP has identified as competitive facilities to the St. Joseph multi-use development in terms of project focus and size. The map illustrates competitive facilities within a 45-minute drive of St. Joseph.

Figure 5-6



The following table shows the regional multi-purpose arena competition, in descending order of distance from St. Joseph.

Table 5-12

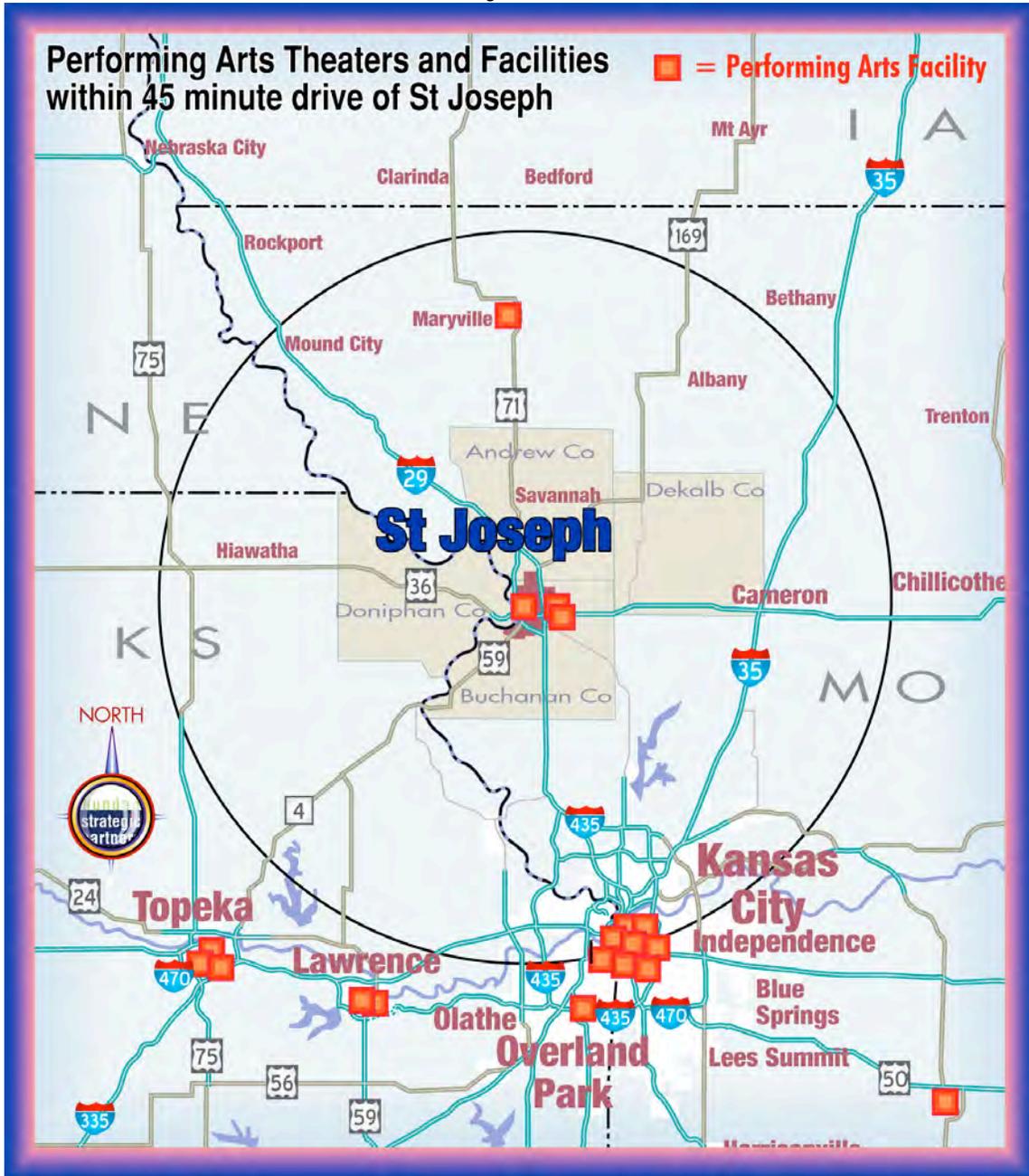
| Multi-Purpose Arenas | | | | | |
|----------------------|-----------------|-------------|------------------|-----------------------------|------------------|
| Facility | Location | Date Opened | Seating Capacity | Arena Floor Space (sq. ft.) | Distance (miles) |
| Sprint Center | Kansas City, MO | 2007 | 19,252 | 17,000 | 54 |
| Hale Arena** | Kansas City, MO | 1992 | 5,000 | 29,400 | 55 |
| Kemper Arena* | Kansas City, MO | 1974 | 19,500 | 18,046 | 55 |
| Municipal Auditorium | Kansas City, MO | 1935 | 7,316 | 26,200 | 58 |
| Landon Arena | Topeka, KS | 1987 | 10,000 | 22,400 | 77 |

*Floor space with retracted seating - 30,000 sq. ft.
 **Floor space with retracted seating - 56,700 sq. ft.
 Source: Hunden Strategic Partners

As shown, the closest arenas to St. Joseph are located in the city of Kansas City, Missouri. The Landon Arena in Topeka, Kansas is the next closest arena that is approximately 77 miles from St. Joseph. Together, these arenas provide event organizers venues with varying size and capacities to hold events. The following multi-purpose arenas situated within an 80 miles radius of St. Joseph are the closest competitors in the region.

The following table shows a map of performing art theatres and facilities that HSP has identified as competitive facilities to the St. Joseph multi-use development in terms of project focus and size. The map illustrates competitive facilities within a 45-minute drive of St. Joseph.

Figure 5-7



The following table shows the regional multi-purpose arena competition, in descending order of distance from St. Joseph.

Table 5-13

| Performance Halls of Varying Sizes and Uses | | | | |
|---|--------------------------|---|--------------|------------------|
| Facility | Location | Types of Events | Seating | Distance (miles) |
| Historic Missouri Theatre | St. Joseph, MO | Theatre | 1,218 | 1 |
| Black Box Theater | St. Joseph, MO | Black Box Theater | 120 | 4 |
| Dr. Thompson E. Potter Theatre | St. Joseph, MO | Theatre | 430 | 4 |
| Ron Houston Center for the Performing Arts | Maryville, MO | Performance Hall | 1,045 | 45 |
| Folly Theatre | Kansas City, MO | Theatre, Touring shows | 1,078 | 55 |
| Gem Theater | Kansas City, MO | Performing Arts and Music | 500 | 55 |
| Kauffman Center - Helzberg Hall | Kansas City, MO | Fine Arts | 1,600 | 55 |
| Kauffman Center Muriel Kauffman Theater | Kansas City, MO | Performance Hall, Broadway, Concerts, Tours | 1,800 | 55 |
| Midland Theatre | Kansas City, MO | Concert | 3,573 | 55 |
| Municipal Auditorium - Arena | Kansas City, MO | Arena - Theater | 7,316-10,721 | 55 |
| Municipal Auditorium - Little Theatre | Kansas City, MO | Various | 225-400 | 55 |
| Municipal Auditorium-Kansas City Music Hall | Kansas City, MO | Broadway, Music, Comedy | 2,402 | 55 |
| Off Center Theatre | Kansas City, MO | Theatre | 200 | 55 |
| Starlight Theatre | Kansas City, MO | Outdoor | 7,947 | 55 |
| Unicorn Theater - Jerome Stage | Kansas City, MO | Black Box | 116 | 55 |
| Unicorn Theatre - The Main Stage | Kansas City, MO | Theater | 165 | 55 |
| Uptown Theater | Kansas City, MO | Concerts, Weddings, Events | 2,400 | 55 |
| Polsky Theatre (Fine Arts Series) | Overland Park, KS (JCCC) | Drama Theater | 410 | 63 |
| Yardley Hall (Fine Arts Series) | Overland Park, KS (JCCC) | Fine Arts Music Hall | 1,341 | 63 |
| Andrew J. and Georgia Neese Gray Theatre | Topeka, KS | Theatre | 330 | 76 |
| Helen Hocker Center for the Performing Arts | Topeka, KS | Community Theater | 110 | 76 |
| Topeka Performing Arts Center | Topeka, KS | Theatre | 2,448 | 76 |
| White Concert Hall | Topeka, KS | Theatre | 1,117 | 76 |
| Hoch Auditorium | Lawrence (KU) | University Theatre | 3,500 | 77 |
| Lied Center | Lawrence (KU) | Performing Arts Hall | 2,000 | 77 |

Source: Hunden Strategic Partners

As shown, the majority of facilities within a 75-mile radius of St. Joseph are located in Kansas City. The capacities of the performance halls are as small as 110 seats and as large as the outdoor Starlight Theatre with a capacity of 7,947.

St. Joseph has three performance halls with seating capacity ranging from 120 seats to just over 1,200 seats. Many of the performance halls identified are part of a larger complex that encompasses multiple theatres such as the Kauffman Center or Municipal Auditorium.

Sprint Center

The Sprint Center in Kansas City, Missouri, is considered the premier venue in the region. The Sprint Center was part of the city’s plan to revive and redevelop its downtown. The arena opened in 2007 along the eastside of the Power and Light entertainment district and essentially replacing the dated Kemper Arena. The arena was funded through a citizens approved initiative to fund \$222 million of total arena cost through hotel, motel and rental car fees. The facility management firm, AEG, contributed \$54 million toward the final construction cost of \$276 million.

The following figure is an image of the Sprint Center.

Figure 5-8



The Sprint Center is a sports and large event arena that features 18,000 seats and 72 suites with ability to configure seating to over 17,000 people for indoor football games and over 19,000 for concerts. The floor of the arena is approximately 17,000 square feet for flat floor events.

The table below shows some of the notable events that have taken place at the Sprint Center.

Table 5-14

| Notable Events | | |
|----------------|--------------------------|------------------------------------|
| Concerts | Sports | Other |
| Elton John | AVP Pro Beach Volleyball | WWE |
| Garth Brooks | Professional Bull Riding | National Catholic Youth Conference |
| Britney Spears | Arena Football League | Nuclear Cowboys |
| Madonna | NCAA Women's Final Four | Trans-Siberian Orchestra |
| Justin Bieber | NHL Hockey | Cirque de Soleil |
| Lady Gaga | NCAA Men's Basketball | Disney on Ice |

Source: Sprint Center

The Sprint Center hosts over 100 events annually, with a diverse mix of events that include concerts, family shows, special events as well as professional, collegiate and amateur sporting events. The arena is operated by AEG that oversees the day-to-day operations while attracting events ranging from conventions to large live concerts.

American Royal Center

The American Royal Center located in the West Bottoms district of Kansas City, Missouri, has been a historic complex in the city providing family entertainment for many years. The American Royal Center, located next to Kemper Arena, was completed in 1992. This complex consists of

Hale Arena, the Governors' Exposition Building, Lower and Upper Level Exposition and the Wagstaff Theatre.

The multi-purpose facility hosts a variety of heavy equipment trade shows, industrial exhibit shows, basketball games, tennis matches, and livestock shows. The complex plays host to several large-scale events throughout the year including the American Royal Barbecue Competition the first weekend of October, followed by six weeks of rodeos, horse and livestock shows.

Kemper Arena

Since opening in 1974, the 18,000-seat Kemper Arena has hosted world-renowned tours, concerts, special events and family shows. The arena was funded through various sources and is owned by the city of Kansas City. The following table presents the sources of funding.

Table 5-15

| Kemper Arena Funding | |
|---|---------------------|
| Funding Source | Amount |
| American Royal Association | \$1,500,000 |
| Bond Interest | \$575,000 |
| Federal Grants | \$10,000,000 |
| General Obligation Bonds | \$5,600,000 |
| Jackson County Sports Authority Revenue Bonds | \$2,000,000 |
| Kansas City Stockyards Company | Land |
| R. Crosby Kemper Sr. | \$3,200,000 |
| Total | \$22,875,000 |

Source: Various Sources, HSP

Its previous and most recent tenant was the American Royal livestock show, which held its annual livestock show there until 2010, when it moved to the Sprint Center. Beginning in 2013, the Kemper Arena will gain a new host tenant, the Kansas City Renegades, an indoor football team.

The following figure is an image of the Kemper Arena.

Figure 5-9



Since 2007, Kemper arena has seen virtually all events move to the new Sprint Center. On October 25, 2011 the American Royal Association and the Kemper family announced a plan to replace the Kemper Arena with a new Agriculture Events Center. Under the plan, Kemper Arena would be razed and a new state-of-the-art livestock, equine, rodeo and agricultural events center would be built in its place. The new center would include an approximately 5,000-seat coliseum primarily dedicated to dirt events, along with new space for the American Royal BBQ contest, animal stalls, and a covered, open-sided show ring. The new center would complement the existing adjacent facilities at the American Royal Complex, which would remain in place and be upgraded.

The city council approved an early termination of the management contract with AEG for Kemper Arena in the efforts to minimize operating costs to the arena that is hosting fewer shows every year. The city is losing approximately \$1 million annually on operating costs. Kemper drew only 16 events covering 30 days in 2011 and for only 22 days in 2012. The city will keep its ownership of the arena and maintain it because the American Royal continues to hold events, and the city has a contract with the American Royal through 2045.

Hale Arena

Hale Arena is a 5,000-seat multi-purpose arena that is part of the American Royal Center. Built in 1992 it is primarily used for horse shows, livestock shows and rodeos. The primary tenant, American Royal Association, offers competition, educational and live entertainment events at the Hale Arena.

Municipal Auditorium

Municipal Auditorium is located in the heart of downtown Kansas City and steps from the new Kansas City Power & Light District. The Municipal Auditorium was completed in 1935, is owned and operated by the City of Kansas City. The auditorium is designed to accommodate a wide range of events both large and small such as sporting events, conventions, trade shows, plays and concerts. The facility is connected to the Kansas City Convention Center and Entertainment Facilities. Comprised of four facilities: the Arena, Exhibit Hall, Music Hall and Little Theatre, the auditorium provides the ability to hold simultaneous events without conflict.

The table below summarizes information concerning the Municipal Auditorium.

Table 5-16

| Municipal Auditorium | |
|-----------------------------|--|
| Key Data Points | |
| Location | Kansas City, Kansas |
| Ownership | City of Kansas City |
| Management | Kansas City, Missouri Convention & Entertainment Facilities |
| Year Complete | 1935 |
| Renovations | 2007 |
| Maximum Seating Capacity | |
| Arena | 10,721 |
| Music Hall | 2,363 |
| Little Theatre | 400 |
| Cost of Construction | \$6.5 million* |
| Funding | City of Kansas City, Public Works Administration |
| Other Amenities | Connected to Convention Center Each facility has its own entrance |
| *Cost \$110 million in 2012 | |
| Source: Kansas City CC, HSP | |

Municipal Auditorium Arena

The Arena is one of four self-contained venues in the Municipal Auditorium. The Municipal Arena has hosted nearly every type of event since the arena opened in 1936.

The following figure shows an interior view of the Municipal Auditorium Arena.

Figure 5-10



Municipal Auditorium Arena seats 10,700 people, including 7,316 permanent seats, 2,405 seats on risers plus capacity for 1,000 theater-style seats on the main floor. The Arena plays host to numerous events throughout the year. The Arena has a history in College Basketball, often hosting the Big 12 Women's Tournament, and is the permanent home of the NAIA Men's Division I Basketball Tournament.

Below is a table showing notable events that have taken place at the Municipal Auditorium Arena.

Table 5-17

| Notable Events | | |
|----------------|--------------------------------------|---------------------------------|
| Concerts | Sports | Other |
| Green Day | Kansas City Roller Warriors | Barack Obama Rally |
| Foo Fighters | MIAA Basketball Championships | Shrine Circus |
| Commodores | Big 12 Women's Basketball Tournament | Gospel Fest |
| Kid Rock | UMKC Basketball | Rockhurst University Graduation |
| Dolly Parton | The X Fights | Cheerleading Competition |

Source: Various Sources, HSP

It was home to the University of Missouri-Kansas City Kangaroos basketball team until they moved their games to the Swinney Recreation Center on campus in fall 2010. Since January 2009, it has been the home of the Kansas City Roller Warriors roller derby league.

Kansas City Music Hall

The Kansas City Music Hall is a 2,400-seat proscenium theatre. The music hall includes amenities such as an orchestra pit, chorus dressing rooms, star dressing rooms, green room, and high-quality lighting and sound systems. It is used for special convention presentations, general sessions and featured entertainment. The music hall has partnered with Broadway Across America the exclusive Broadway show provider to bring touring productions, musicals and family shows to the music hall. Some of the popular Broadway shows scheduled include Les Miserables, Jersey Boys, Grease and West Story. Other events scheduled at the music hall are comedy acts, talent competitions and smaller concerts.

The music hall underwent a \$13.7 million renovation and expansion project that brought the theatre to modernized standards and ADA requirements. The project expanded the theater's backstage, back-of-house, and support areas to accommodate larger productions and traveling national shows.

Since the facility schedule consists mostly of Broadway shows and touring performances, it seeks to book more upscale events, and in close proximity to the convention center, the music hall may compete for most of the type of events that St. Joseph would try to obtain, however, it may not be as much of a competitor for concerts.

The Little Theatre

The Little Theatre is a smaller and more intimate theatre as part of the Municipal Auditorium. The Little Theatre has a capacity for theatre seating of 400 and up to 250 for banquet functions. Since the facility is smaller, it seeks to book smaller functions such as wedding and special events. The room features a permanent stage area with a balcony overlooking the main floor on five sides. This venue is smaller than the proposed project but could provide competition for certain shows and events that the St. Joseph Project would try to obtain due to its close proximity to meeting and event facilities.

The following figure provides an illustration of the Little Theatre setup to host a banquet.

Figure 5-11



Landon Arena

Landon Arena is the main facility of the Kansas Expocentre located in Topeka, Kansas. The 10,000 seat multi-purpose arena with 7,450 fixed seats and over 2,550 floor seats was built in 1987. The arena hosts an array of events including exhibitions, sporting events, conventions, community events and performances.

The images below illustrate inside of views of Landon Arena configured for indoor football and ice hockey.

Figure 5-12



Landon Arena is home to the Kansas Koyotes indoor football team and the Topeka Roadrunners junior hockey team of the NAHL. The arena hosts approximately four Koyotes home games and 28 Roadrunner games annually. When the facility is not being used for competition, the city is able to offer open ice-skating for a \$5 admission fee and \$2 to rent equipment. It has hosted the Kansas State High School Activities Association Class 5A boys and girls state basketball

tournaments since opening, and the KSHSAA Class 5A and 6A volleyball state championships since 1992. The arena also hosts the USA Wrestling Kansas Kids state championship tournament every March.

In February 2009, a long-term strategic plan was presented to address issues facing the aging Kansas Expocentre and facilities. Recommendations were made to renovate current facilities to improve customer touch points such as seating and concessions, build additional event and meeting space and condition facilities for the next 30 years.

Below is an illustration of the proposed expansion of the Kansas Expocentre.

Figure 5-13



The \$6.5 million strategic plan is intended to position the Expocentre in a more competitive position amongst other cities such as Wichita, Overland Park and Manhattan. The redevelopment calls for the arena to receive deferred maintenance, upgrade interior accommodations and improve back-of-house facilities. The exhibit halls and event space would be expanded in addition to current space undergoing renovations and reconfiguration. New livestock show arenas would be built and house over 400 new stalls. The expansion includes connecting all current and new facilities throughout the Expocentre.

Regional Competitive Performing Art Theatres

Kauffman Center

The Kauffman Center for the Performing Arts is one of Kansas City’s newest developments opening in September 2011. The Kauffman Center is part of the redevelopment of downtown Kansas City, located near the Power & Light District, Sprint Center and Crossroads Arts District.

The 285,000 square foot complex houses two unique performance halls, the 1,600 seat Muriel Kauffman Theatre and the 1,800 seat Helzberg Hall.

The figure below shows the Kauffman Center for the Performing Arts.

Figure 5-14



The Kauffman Center was created as a 501(c)(3) non-profit organization. The \$326 million performing arts center was financed using private donations to including a gift of over \$100 million from the Kauffman family to the project. The following is an overview of the Kauffman Center facility.

- Muriel Kauffman Theatre: 1,800 seats
- Helzberg Hall: 1,600 seats
- Brandmeyer Great Hall: 15,000 square feet
- Performing Arts Center Terrace: 113,000 square feet
- Offices for the Kauffman Center staff: 7,000 square feet
- 1,000-car garage, owned and operated by the City of Kansas City
- Shared backstage facilities:
 - Dressing accommodations for over 250 performers
 - 11 rehearsal and warm-up rooms
 - Meet-and-greet lounge

Both performance venues were designed and constructed allowing for flexibility when hosting both large and small performances. The seating configurations and adaptable staging capabilities allow the audience a more intimate experience during the various performances.

The new state-of-the-art facility is home to the Kansas City Symphony, the Lyric Opera of Kansas City, and the Kansas City Ballet. The Kansas City Symphony is the region's only full-time professional symphony orchestra and performs during a 42-week season. The season includes 13 programs on its Classical Series, a Pops Series, Family Series and a variety of subscription, educational, touring and outreach concerts. The Lyric Opera of Kansas City's season includes four performances of four works, scheduled in October, November, March and April. The Kansas City Ballet performs four mixed production seasons per year from October through May.

Midland Theatre

The Midland Theatre is a 3,573-seat theatre located in downtown Kansas City, Missouri and is part of the Power & Light District. The theatre has a long and famed history first opening in 1927. In 1977, the theatre was placed on the National Register of Historic Places. Midland Theatre has closed and undergone various renovations operating as a theatre and even an arena during periods through out its history.

The figure below shows an image of the recently renovated theatre.

Figure 5-15



The theatre has transformed from a standard theater into a live entertainment and private event venue. Since reopening the theatre has hosted private events, concerts and performances from the likes of Jerry Seinfeld, Kid Rock, Tony Bennett and the National College Basketball Hall of

Fame Induction.

The building encompassing the Midland Theatre also included office space above the theatre that was converted to a mix of bars, lounges and office space to further enhance a visitor's experience. The theatre partnered with AEG Live to privately manage the venue's event bookings and operations.

The following figure shows the theatre in two different seating configurations.

Figure 5-16



The Midland Theatre underwent a two-year \$28 million redevelopment that removed and replaced the main-level seating with a tiered open floor plan creating a hybrid type facility. The new layout includes seven tiers that will allow the theatre to offer theatre style seating, cabaret-style tables and chairs or an open floor layout based on the type of event. The theatre includes a lobby with over 6,000 square feet of event space including a second floor mezzanine while also providing 2,000 square feet of event space on its built-in-stage. The main theatre configurations can seat the following:

- Banquet – seats 450 to 600.
- Cocktail Reception – holds up to 1,500 guests.
- Theatre Set – seats 1,241 on the main floor, 857 balcony seats and 138 loge built-in banquette seating

This offers the Midland Theatre greater flexibility when attracting various types and sized events. Live events can range from 1,300 to 3,000, providing the perception of a full house to performers while creating an intimate setting for guests.

Implications

This chapter presents a range of event centers, arenas and performance halls that all have similar characteristics to the vision of the proposed multi-use development in St. Joseph. While there are both recognizable and subtle differences found between each facility, each complex strives to support local needs while attracting regional and touring events. These facilities attract events of

all sizes, drawing a number of non-local attendees that will have a direct impact on the local market. These facilities are typically maintaining local partnerships to help supplement each facility's usage and financials.

The proposed project in St. Joseph will not be competing with most of the facilities in eastern Missouri. It will generally compete with facilities in western and central Missouri as well as eastern Kansas. St. Joseph should be attractive for regional event business, especially if the Project is of high quality. It will also be able to lure a share of state association business.

Arenas and other entertainment venues in the region create competition for the proposed Event Center for conventions, concerts and other events. The only other entertainment venues in northwest Missouri are smaller performance halls like the Historic Missouri Theatre, built in 1927 and renovated in 2002. Other event facilities provide examples of smaller facilities that capture regional events and at the same time provide events that benefit the community. While no one existing or planned facility compares to the needs and goals of the proposed Event Center, the attributes of many of the facilities analyzed above and in previous chapters point out the possibilities and opportunities that exist for the proposed multi-use development in St. Joseph.

In the next chapter, the convention industry will be analyzed in more detail, as will some comparable facilities.

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CONVENTION CENTER TRENDS AND COMPARABLE FACILITIES

Meeting and Event Industry Trends

This section provides a current overview of trends and developments impacting meeting and convention facilities, as this will have an effect on any new facility. Since an events center in St. Joseph would have a large flat floor space that could host a number of events, such as trade and consumer shows, it is important to understand this industry.

Conventions, exhibitions and trade shows are conducted for the purposes of exchanging information, conducting business transactions and for educational, cultural and social enrichment. As developments occur in the larger economy, simultaneous developments occur in the meetings market, such as the growth of the tech sector generating growth in tech related meetings and events.

Often, a single event will use many different types of spaces, including exhibit halls, banquet facilities and breakout meeting rooms. Well-designed multi-purpose facilities offer the proportions of different types of spaces appropriate for their market. In addition, it offers the flexibility to host multiple events at one time. Different types of conventions and meetings have differing needs.

The following table summarizes the key attributes of various types of meetings, including facility requirements.

Table 6-1

| Facility Types & Requirements for Various Event Types | | | | | | | | | | |
|---|---|--------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|--|--|--|--|--|
| Event Type | Conventions with Exhibits | Conventions | Tradeshows | Consumer Shows | Assemblies | Sports Events | Conferences | Meetings | Trainings | Banquets |
| Attendance Range | 150 - 50,000 | 150 - 15,000 | 250 - 50,000 | 8,000 - 1,000,000 | 5,000 - 50,000 | 500 - 100,000 | 50 - 2,000 | 10 - 300 | 10 - 300 | 50 - 2,000 |
| Primary Purpose | Info Exchange & Sales | Info Exchange | Sales | Advertising & Sales | Info Exchange | Sports | Info Exchange | Info Exchange | Training | Social, Business & Charity |
| Facility Requirements | Exhibit Halls, Ballroom, Meeting Rooms, Hotel Block | Ballroom, Meeting Rooms, Hotel Block | Exhibit Halls, Hotel Block | Exhibit Halls | Arena or Exhibit Halls, Hotel Block | Arena, Stadium or Exhibit Halls, Hotel Block | Ballroom, Meeting Rooms, Hotel Block | Meeting Rooms, Hotel Block | Meeting Rooms, Hotel Block | Ballroom |
| Typical Facility Used | Convention Center & Large Hotels | Convention Center & Large Hotels | Expo Facilities & Convention Centers | Expo Facilities & Convention Centers | Arenas or Convention Centers | Arena, Stadiums, Convention Centers | Convention/Conference Centers and Hotels |

Source: HSP

The various types of convention and conference center events are described below:

Conventions and Trade Shows – Associations, professional groups and other membership organizations hold conventions and trade shows, with attendance ranging from 150 to 50,000 attendees. The larger of these meetings take place in convention centers with large exhibit halls,

but as a Center for Exhibition Industry Research (CEIR) survey indicates, the majority of events require less than 50,000 square feet. Conventions and trade shows may feature a single meeting, but usually offer a number of concurrent meetings and exhibitions. Facility needs include assembly space for general sessions and displays, banquet facilities and numerous breakout-meeting rooms. Two-thirds of conventions and trade shows use exhibit space as a means to communicate ideas and to display products.

Conventions are high-impact events economically because a large percentage of attendees originate from outside the local area, typically stay several nights in the host city and spend money on accommodations, food, transportation, retail goods, and entertainment. Spouses, family, or companions typically accompany a significant number of attendees.

Like conventions, **trade shows** offer a forum for exchanging industry ideas. They vary slightly from conventions in that they are more product and sales-oriented. Trade shows are exhibit-intensive, and exhibitors prefer column-free, open-space facilities in which temporary custom booths for product display are constructed. Trade shows typically attract a large number of attendees, who originate from outside the host city, but tend to have a shorter average stay than convention attendees.

Consumer Shows – Consumer shows are public, ticketed events featuring exhibitions of merchandise for sale or display. Consumer shows provide a means of product distribution and advertising. Some, such as auto and boat shows, have a recreational and entertainment function as well. Consumer shows range in size from small local and specialized shows with a few hundred attendees to large shows with thousands of attendees. The larger consumer shows may occur in convention centers, shopping malls, fairgrounds and other public-assembly facilities with large exhibition areas. The majority of attendees are local, but exhibitors often come from out of town. Site selection considerations for consumer shows include the size and income of the local population, availability of facilities and the number of competitive shows in the market.

Assemblies – Assembly events are social, military, educational, religious, and fraternal (SMERF) events. They attract large numbers of people and require arena or stadium seating. Similar to conventions, attendees originate from outside the host city, but, unlike conventions, these events do not usually require large amounts of exhibit and meeting room space.

Sports – Sporting events are any youth, amateur, professional, or senior event of any variety of sports that can be played indoors. Typically, such events are held in arenas or stadiums; however, many events, from boxing to wrestling, to basketball, can be held in exhibit facilities with temporary seating/stands. A growing trend in this sector is cheerleading competitions. As such, convention centers can be marketed for a variety of event types.

Conferences – Conferences are meetings typically held by associations, professional groups, and other membership organizations. Educational institutions also host conferences. These events do not usually require exhibit space, but otherwise the facility demands are similar to those of conventions—such as meeting space for general sessions, food service facilities and breakout rooms. Hotels and conference centers typically serve as venues for conferences.

Corporate, Training and Other Meetings – Corporate meetings include training seminars, professional and technical conferences, incentive trips and management meetings. Corporate meeting planners and attendees demand high-quality facilities. The existing facilities can accommodate most of these types of meetings; however, there are catering challenges for some users. With a higher-quality and expanded program of spaces, higher-rated and larger corporate meetings can be accommodated.

Banquets – Banquets are typically locally generated events, from social and wedding events to the annual Chamber of Commerce event, which can be the largest of its kind in a given city. A mainstay of hotels and convention centers, banquets provide significant catering income and provide the community with its largest dining room, in most cases.

National Supply

Demand for meeting and exhibition space allowed many communities in the U.S. to develop successful convention and trade show facilities during the 1970s and 1980s. Public sector involvement in these developments was motivated primarily by the desire to capture the economic benefits of the events they hosted in their communities.

The following figure shows the comparison of supply and demand growth beginning in 1987.

Figure 6-1

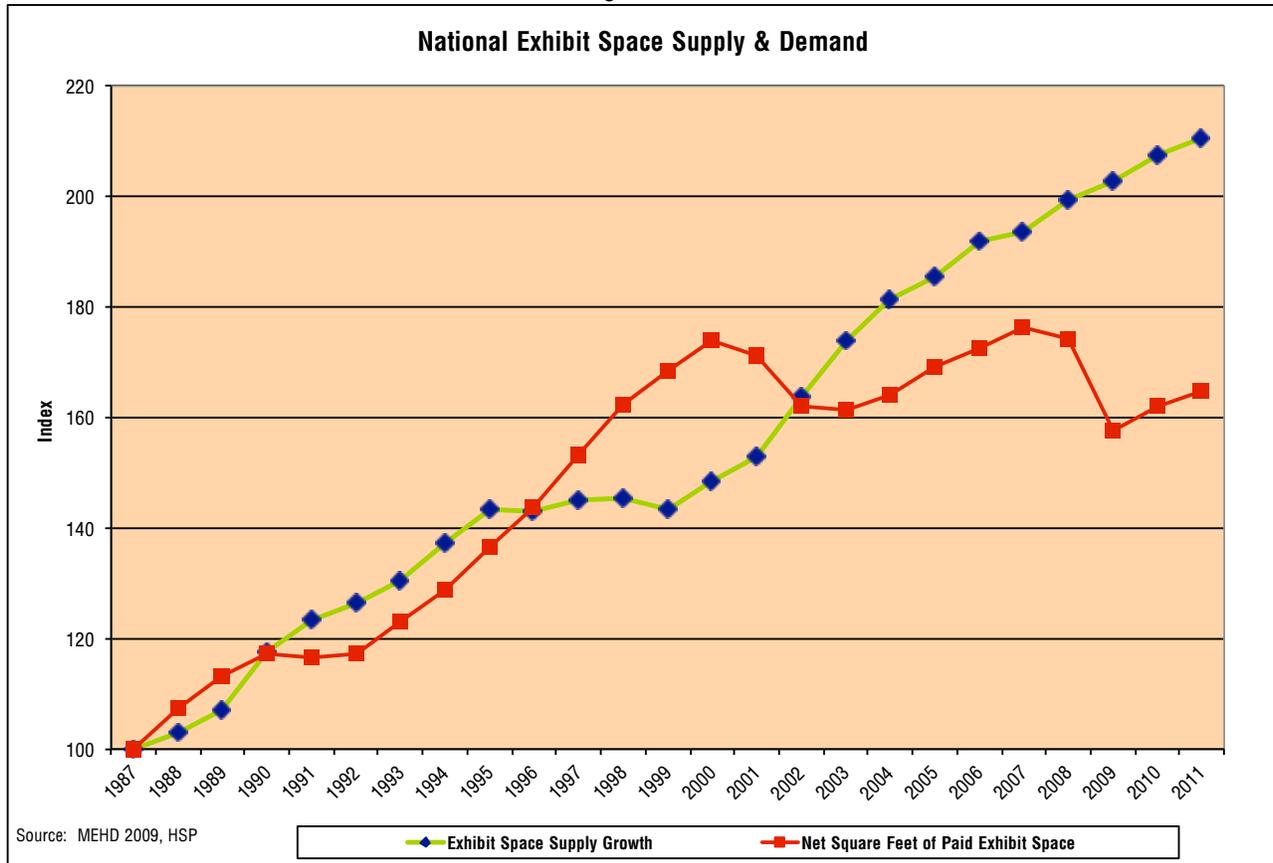


Exhibit space supply has increased every year since 1999, however paid exhibit space rises and falls with the economy, decreasing in 2001 and 2002 as well as 2008 and especially in 2009. This has led to increased competition amongst convention centers, especially larger facilities.

The following table shows the increases in supply of exhibit space over the past few years, as well as 2011 and beyond. The Major Exhibit Hall Directory ceased publication in 2011, so future data is no longer available from this source.

Table 6-2

| National Projected Added Exhibit Space (Square Feet) | | | | | |
|--|------------|----------------|-----------|--------------------|------------|
| Fiscal Year | Expansions | New Facilities | Total | Increase from Base | Base |
| 2009-2010 | 1,023,532 | 441,728 | 1,465,260 | 1.6% | 92,079,589 |
| 2010-2011 | 985,587 | 201,000 | 1,186,587 | 1.3% | 93,266,176 |
| 2011+ | 20,000 | 816,000 | 836,000 | 0.9% | 94,102,176 |

Source: Major Exhibit Hall Directory

The future increase in supply is expected to slow as a percentage of the base supply, which, as the economy improves, should help to alleviate some of the stress on convention venues to make deals on rent that have been increasing over the past few years.

Most existing facilities are in some form of expansion or renovation, to update aging facilities, add new technology features and services and add space to attract larger events. The following table shows the percentage of national facilities that are currently in some form of growth.

Table 6-3

| Current Improvements in Industry | |
|---|-------------------|
| Type of Improvement | Percentage |
| New Construction | 17% |
| Expansion | 32% |
| Renovation | 17% |
| Total | 66% |
| No Development Plans | 35% |
| Source: AIPC, R7M Research & Consulting | |

Sixty-six percent of facilities nationally are taking some current action to improve the facility, either through new construction, expansion or renovation.

One of the major considerations in renovations and expansion is improvements to the facilities to accommodate new technology. The Internet has become an essential part of all exhibit space and convention facilities.

The following table sets out the changes that have occurred in convention center technology in the past ten years.

Table 6-4

| Convention Facilities Technology Status Ten-Year Comparison | | |
|--|------------|--------------|
| Type | Ago | Today |
| <u>Facility</u> | | |
| Facility Website | 87% | 100% |
| Internet Access | 77% | 100% |
| Wireless Internet | 60% | 94% |
| Teleconferencing | 58% | 72% |
| Video Conferencing | 50% | 66% |
| Social Media Presence | 0% | 54% |
| Security Access Cards | 43% | 44% |
| <u>Online Event Planning</u> | | |
| Booking Events | 20% | 19% |
| Ordering Supplies for Events | 18% | 31% |
| Booking Accommodations | 16% | 23% |

Source: PricewaterhouseCoopers

Every convention center in the United States has a website and Internet access, which was not the case ten years ago. Almost every facility has wireless Internet, 94 percent, up from sixty percent ten years ago. More than half of the convention centers in the United States have some social media presence, either on Facebook, Twitter, or some other platform.

Online event planning has not changed much in the past ten years, however. The only category that has significantly changed is ordering supplies for events, up from 18 percent to 31 percent. This indicates that staffing and personal marketing are still very important to a convention center, with the one-to-one contact through telephone and in person still essential for event planning.

The following table shows the distribution of facilities by size.

Table 6-5

| Distribution of Facilities by Size | |
|---|----------------------------------|
| Total Function Space (SF) | Percent of Facilities |
| 25,000 - 49,999 | 16% |
| 50,000 - 99,999 | 29% |
| 100,000 - 499,999 | 47% |
| 500,000+ | 8% |

Source: Major Exhibit Hall Directory

Most facilities range in size from 50,000 to 500,000 in total function space.

The following table summarizes the ownership and management structure of U.S.-based exhibit halls.

Table 6-6

| Ownership and Management of U.S. Meeting Facilities | | |
|--|------------------|-------------------|
| Type of Entity | Ownership | Management |
| Private | 37% | 63% |
| City | 32% | 16% |
| County | 11% | 4% |
| State | 9% | 6% |
| Combination Government | 5% | 2% |
| Government Authority | 3% | 5% |
| Other | 3% | 4% |
| Total | 100% | 100% |

Source: Major Exhibit Hall Directory

As shown, most convention facilities are managed by the private sector and owned by some form of the public sector. This trend toward private management has increased as governments and citizens are demanding more professional management and accounting related to the results at these major public investments.

Meeting Demand

Meeting planners have the strongest influence on conventions and meetings held nationwide. This section includes some of the preferences of U.S. meeting planners based on Meetings Media’s Market Trends Survey as well as data from other sources.

The following table shows the size of convention center events, measured by the total gross square feet of space used for their event.

Table 6-7

| Event Size (Gross Function Space) | | |
|--|-------------------------|-------------------------|
| Function Space (SF) | Percent of Total | Cumulative Total |
| 6,000 - 14,999 | 19% | 19% |
| 15,000 - 24,999 | 13% | 32% |
| 25,000 - 34,999 | 15% | 47% |
| 35,000 - 49,999 | 13% | 60% |
| 50,000 - 99,999 | 19% | 79% |
| 100,000 - 199,999 | 14% | 93% |
| 200,000+ | 7% | 100% |

Source: Center for Exhibition Industry Research

Distribution is fairly equal for the size of exhibitions. Nearly 20 percent of exhibitions occur in less than 15,000 square feet of function space and an additional 13 percent take place in 15,000

to 25,000 square feet of space. Facilities under 25,000 square feet of gross exhibit space can host one third of conventions. This is a positive data point for St. Joseph, so that with a new facility, it could host a significant number of events.

The following table shows the typical meeting duration organized by meeting planners.

Table 6-8

| Typical Meeting Duration | |
|---------------------------------|-------------------------|
| Duration | Percent of Total |
| 0.5 day | 7% |
| 1 day | 9% |
| 1.5 days | 7% |
| 2 days | 14% |
| 2.5 days | 13% |
| 3 days | 22% |
| 3.5 days | 9% |
| 4 days | 8% |
| 4.5 days | 3% |
| 5 days | 5% |
| More than 5 days | 3% |

Source: Meetings Media, HSP

Half of all meetings and events last between two and three days.

The following table shows the types of facilities used for all conventions and meetings (respondents could give more than one answer).

Table 6-9

| Types of Facilities - U.S. Meetings and Conventions | |
|--|-------------------------|
| Facility Type | Percent of Total |
| Downtown Hotels | 68% |
| Suburban Hotels | 48% |
| Resort Hotels (excluding golf resorts) | 42% |
| Airport Hotels | 26% |
| Convention Centers | 19% |
| Golf Resorts | 16% |
| Suites Hotels | 16% |
| Gaming Facilities | 9% |
| Residential Conference Centers | 9% |
| Nonresidential Conference Centers | 6% |
| Cruise Ships | 1% |

Source: Meetings Market Report

For all meetings and conventions, hotels of all sorts are the primary host venue, while convention centers host one out of five meetings or conventions. For the larger convention events, typically only convention centers and large hotels host these types of events.

The following table presents average attendance for convention/trade shows and consumer shows.

Table 6-10

| U.S. Exhibit Hall Events - Average Attendance | | |
|--|----------------------------------|-----------------------|
| Size | Conventions / Trade Shows | Consumer Shows |
| Less than 100,000 square feet | 1,600 | 3,300 |
| 100,000 to 500,000 square feet | 3,600 | 9,500 |
| More than 500,000 square feet | 9,100 | 17,500 |

Source: PricewaterhouseCoopers

The following table shows the average event count and attendance for survey respondents by facility size.

Table 6-11

| U.S. Convention Centers - All Event Characteristics | | |
|--|----------------------------|---------------------------------|
| Size | Average Event Count | Average Total Attendance |
| Less than 100,000 square feet | 322 | 218,300 |
| 100,000 to 500,000 square feet | 370 | 627,000 |
| More than 500,000 square feet | 219 | 1,119,200 |

Source: PricewaterhouseCoopers

The following table displays the number of convention/trade show and consumer show events hosted by survey respondents. In general, most of the survey respondents are much larger than the proposed Event Center.

Table 6-12

| Surveyed National Exhibit Halls - Average Number of Events | | | |
|---|----------------------------------|-----------------------|--------------|
| Size | Conventions / Trade Shows | Consumer Shows | Total |
| Less than 100,000 square feet | 27 | 22 | 49 |
| 100,000 to 500,000 square feet | 45 | 24 | 69 |
| More than 500,000 square feet | 54 | 24 | 78 |

Source: PricewaterhouseCoopers

The following table shows the average number of room nights generated annually by respondents to the convention center survey. In general, convention centers should generate from .25 to .75 room nights per square foot of exhibit space. The average for larger convention centers is about .50 - .60 room nights per square foot of exhibit space.

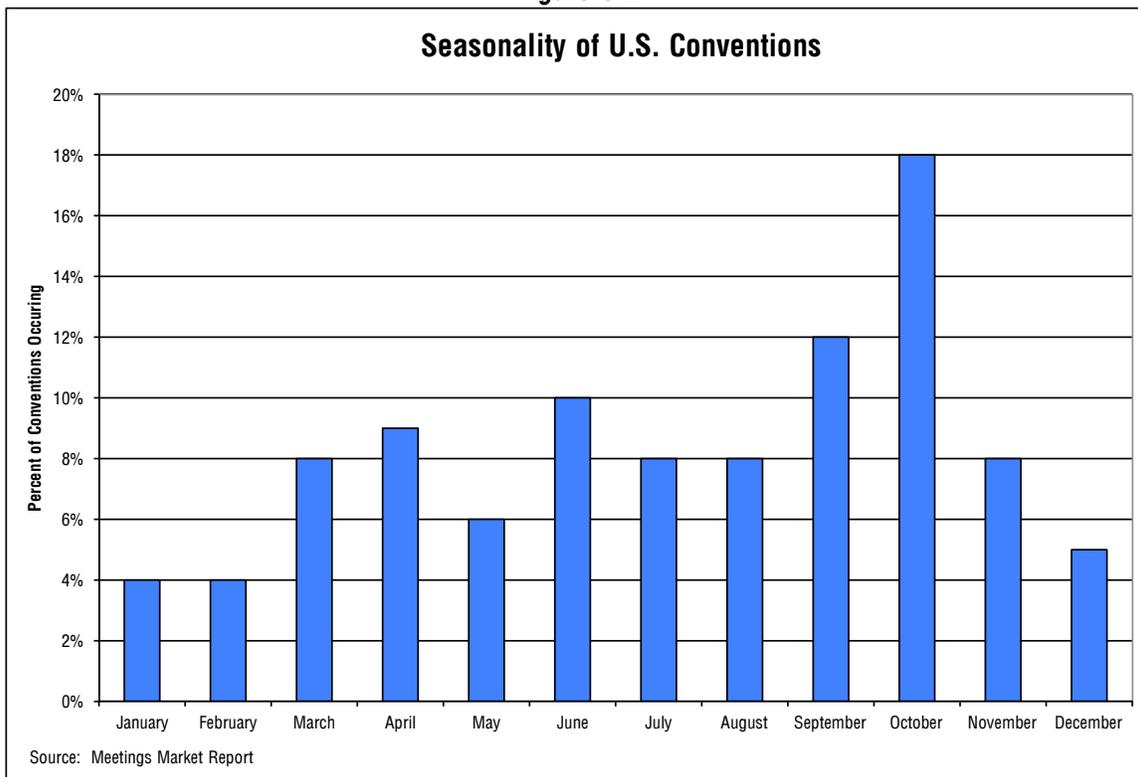
Table 6-13

| U.S. Convention Centers - Hotel Room Nights | |
|--|--------------------------------------|
| Size | Average Number of Room Nights |
| Less than 100,000 square feet | 34,200 |
| 100,000 to 500,000 square feet | 182,000 |
| More than 500,000 square feet | 927,500 |

Source: PricewaterhouseCoopers

The next figure shows the seasonality of the convention calendar across the United States.

Figure 6-2



The fall is the most popular time of year for conventions and events, follow by the spring and summer.

The following table shows the important factors when choosing a meeting destination/city.

Table 6-14

| Important Factors when Selecting a U.S. Meeting Destination | | | |
|--|-------------------|----------------------------|--------------------------|
| | Convention | Association Meeting | Corporate Meeting |
| Availability of suitable hotels and/or other facilities | 83% | 79% | 74% |
| Affordability of Destination | 77% | 81% | 77% |
| Safety and Security of Destination | 46% | n/a | n/a |
| Ease of Transporting Attendees to/from Location | 43% | n/a | 62% |
| Transportation Costs | 43% | n/a | n/a |

Source: Meetings Market Report

The availability of a suitable hotel and meeting space is of primary importance, followed closely by the affordability of the destination. Below market rent for facilities is a key factor driving the industry. However, availability of hotels and the proper types of function space (ballrooms and breakout meeting rooms), remains the most important factor. For St. Joseph, having a quality hotel attached to a multi-functional meeting facility should open up the market for many more events and visitors. Having a casino and restaurants attached will enhance its appeal even more.

Once a destination is selected, planners must then choose a hotel. The following table shows the important factors for selecting hotels within the destination.

Table 6-15

| Important Factors when Selecting a Hotel within a U.S. Meeting Location | | | |
|--|-------------------|--------------------|------------------|
| Item | Convention | Association | Corporate |
| Number, Size and Quality of Meeting Rooms | 93% | 69% | 81% |
| Negotiable Food, Beverage and Room Rates | 87% | 80% | 79% |
| Cost of Hotel or Meeting Facility | 82% | 80% | 80% |
| Number, Size and Quality of Sleeping Rooms | 79% | 54% | 72% |
| Quality of Food Service | 70% | 63% | 70% |

Source: Meetings Market Report

As shown, availability of the right spaces and the fees for those spaces are the primary factors.

Implications

The convention and conference event industry is diverse and responds well to facilities that can accommodate their needs, such as assembly space for general sessions and displays, ballroom facilities and numerous breakout-meeting rooms. Supply has been outpacing demand in the convention and meetings industry, even before the economic downturn in 2008. Even in an economic downturn, however, more than 65 percent of convention and meetings facilities are

expanding, renovating or building new facilities. This will continue to drive pricing down, which is favorable for planners and unfavorable for meeting facilities. “Buying” business is a factor for a number of events, when rent is either reduced or eliminated for the more important shows. However, for those communities with the right mix of facilities and attractiveness, the return on investment can be quite measurable, in jobs, business activity and tax revenue.

Important factors in the decision process of choosing a convention or meeting site include availability of nearby hotel rooms, cost of travel, and meeting space in the convention center and hotels. The most important types of meeting space now are the number of breakout meeting rooms and ballrooms. Expo and exhibition space are still important, but less so now than in the past. Higher rated business (corporate, medical, association) needs many breakout rooms and high quality ballrooms to conduct their trainings and other meetings.

Is investment in this industry worth it? For those that construct and manage the right set of facilities, yes. The market is currently absorbing expansions planned during the past economic expansion. With the economy on the rebound and civic budgets strained, supply increases should be constrained for the next several years while demand should increase. This will mean that for the next five to ten years, the expanding demand will shift the market more toward the seller’s advantage. Those that put the right package together: hotels and the right kinds of function space in a walkable environment, will generate new meetings and event business. Enhancing the ‘fun’ side of the community, such as a nearby downtown or entertainment/restaurant district, will provide the community more to sell against its competitors. Ultimately, those cities with a competitive package will generate a constant flow of group and event business that will support a number of hotels, restaurants and jobs.

Comparable Convention and Meeting Facilities

The proposed facility in St. Joseph is an event center that has the elements of an arena and a convention center in an efficient structure. Essentially, the “box” of the convention center exhibit space also acts as an arena setting, with high quality retractable seats that may be used for concerts, basketball, ice shows (if ice is included) and other entertainment event. It also includes an appropriately sized ballroom and breakout meeting rooms. Small arenas were profiled in Chapter 4 and smaller convention centers are profiled in the following text. Only one combination facility, which is proposed, is in place today in the US in modern form. That facility is currently under construction in Enid, Oklahoma, a city similar in size to St. Joseph and it is profiled here as well.

Throughout the United States certain convention centers and meeting spaces constructed in the past decade have aspects and attributes that are similar to the proposed event center in St. Joseph. Facilities have specific attributes that correspond to the needs of their users, whether conventions, wedding receptions or concerts. HSP has taken implications from a variety of projects that offer some insight when making decisions about this proposed downtown event center.

The table below is a summary of the convention centers and event space that HSP has used as comparable facilities to the proposed St. Joseph project. The convention centers selected for benchmarking have much in common with the suggested event center in St. Joseph.

Table 6-16

| Function Space of Comparable Meeting Facilities (SF) | | | | | | | |
|--|-------------------|---------------|----------------|---------------|-----------------------------|-----------------------|----------------------|
| Facility | Location | Exhibit Space | Ballroom Space | Meeting Space | # of Meeting Room Divisions | Total Function Space* | Adjacent Hotel Rooms |
| Overland Park Convention Center/ Sheraton Hotel | Overland Park, KS | 58,494 | 24,991 | 15,015 | 14 | 98,500 | 412 |
| Owensboro Convention Center*** | Owensboro, KY | 44,096 | 26,304 | 26,453 | 14 | 96,853 | 150 |
| Century Center | South Bend, IN | 24,472 | 28,246 | 17,698 | 18 | 70,416 | 298 |
| St. Charles Convention Center | St. Charles, MO | 27,600 | 22,225 | 6,520 | 6 | 56,345 | 296 |
| Enid Conference Hall & Event Center | Enid, OK | 31,500 | 14,000 | 5,500 | 12 | 51,000 | 0 |
| Pueblo Convention Center (pre-expansion) | Pueblo, CO | -- | 16,200 | 4,900 | 6 | 21,100 | 164 |
| Average | | 37,232 | 21,994 | 12,681 | 12 | 65,702 | 220 |
| Median | | 31,500 | 23,608 | 10,768 | 13 | 63,381 | 230 |

*Does Not include foyer, prefunction or courtyard space
 **Exhibit Space includes Arena Floor
 *** Adding second hotel of 120 rooms in 2014
 Source: HSP

There are six facilities profiled, ranging size from the 98,500-square foot Overland Park Convention Center and Sheraton to the 21,100-square foot Pueblo Convention Center, which is undergoing an expansion. The average size of facilities is similar to that proposed for St. Joseph.

Overland Park Convention Center – Overland Park, Kansas

Overland Park, Kansas is the second largest city in Kansas after Wichita and is located on the eastern border of the state, serving as the largest suburb of Kansas City. The city has consistently been ranked near the top of a variety of quality-of-life and livable cities rankings in the United States.

Overland Park is home to a number of corporate headquarters, highlighted by three Fortune 500 companies, Sprint, TRC Worldwide and Embarq. The city is also home to the Oak Park Mall, the largest shopping mall in Kansas and Missouri as well as the Overland Park Arboretum and Botanical Gardens.

The city has demonstrated the ability to attract a large number of youth and traveling sport tournaments and events. The Overland Park Convention Center, opened approximately ten years ago, features 58,000 square feet of exhibit space and a 25,000-square-foot ballroom. The community also is home to one of the largest outdoor soccer facilities in the country, the Overland Park Soccer Complex.

The figure below shows the Overland Park Convention Center and Sheraton hotel. The facility opened in 2002.

Figure 6-3



The table below shows the facility breakdown at the convention center.

Table 6-17

| Overland Park Convention Center Function Space | | | |
|--|---------------|------------------|------------|
| | Total (SF) | By Division (SF) | Divisions |
| Exhibit Space | | | |
| Exhibit Hall | 58,494 | | 2 |
| Exhibit Hall A | | 29,464 | |
| Exhibit Hall B | | 29,030 | |
| Ballroom Facilities | | | |
| Grand Ballroom | 24,991 | | 4 |
| Ballroom A1 | | 4,232 | |
| Ballroom A2 | | 4,250 | |
| Ballroom B | | 7,830 | |
| Ballroom C | | 8,679 | |
| Meeting Rooms | | | |
| Meeting Room 1 | 3,093 | 3,093 | 1 |
| Meeting Room 2 | 1,858 | 1,858 | 1 |
| Meeting Room 3 | 1,810 | 1,810 | 1 |
| Meeting Room 4 | 1,810 | 1,810 | 1 |
| Meeting Room 5 | 1,858 | 1,858 | 1 |
| Meeting Room 6 | 1,858 | 1,858 | 1 |
| Meeting Room 7 | 1,828 | 1,828 | 1 |
| Pipes Room | 900 | 900 | 1 |
| | <u>15,015</u> | <u>15,015</u> | <u>8</u> |
| Total | 98,500 | 98,500 | 14 |
| Hotel Rooms | | | |
| Hotel Rooms | 412 | | |
| Total Exhibit Space | 58,494 | Per Guest Room | 142 |
| Total Ballroom Space | 24,991 | | 61 |
| Total Meeting Space | 15,015 | | 36 |
| Other Space | 0 | | 0 |
| Total Function Space | 98,500 | | 239 |
| Divisions | | | |
| Exhibit Divisions | 2 | /100 Guest Rms | 0 |
| Ballroom Divisions | 4 | | 1 |
| Meeting Room Divisions (incl. audit/amph) | 8 | | 2 |
| Total Divisions (including Ballroom) | 14 | | 3 |

Source: Overland Park CC, mpoint.com, HSP

The convention center has approximately 98,500 square feet of total function space with 58,494 square feet of exhibit space. There is also a ballroom that provides the facility with 25,000 square feet of ballroom space. The exhibit hall is connected to the ballroom, so it can be increased to over 83,000 square feet for consumer shows. The convention center is connected to the Sheraton hotel, which offers 412 guest rooms.

The table below shows an overview of the number of events and attendees held in 2010 and 2011 at the Overland Park Convention Center.

Table 6-18

| Overland Park Historical Convention Market - Overview | | |
|--|-------------|-------------|
| | 2010 | 2011 |
| Events | 285 | 341 |
| Attendance | 251,021 | 235,097 |
| Room Nights Generated | 40,417 | 40,485 |
| Source: Global Spectrum, HSP | | |

As shown, the Overland Park Convention Center was able to increase the number of events held at the convention center from 285 events in 2010 to 341 in 2011. However, total attendance decreased from 251,000 attendees to 235,000. The events held at the convention center still generated the same amount of room nights despite the decrease in attendance.

The table below provides a breakdown of the types of event held at the Overland Park Convention Center in 2010 and 2011.

Table 6-19

| Overland Park Convention Market - Event Type | | |
|---|-------------|-------------|
| | 2010 | 2011 |
| Banquets | 63 | 78 |
| Consumer Shows | 20 | 20 |
| Conventions | 9 | 10 |
| Meetings | 128 | 147 |
| Special Events | 40 | 55 |
| Trade Show | 26 | 31 |
| Total | 285 | 341 |
| Source: Global Spectrum, HSP | | |

Like in most facilities, there are more small events than large events. In Overland Park, meetings accounted for 147 events, approximately 43 percent of all events in 2011. The convention center hosted 78 banquets while other or special events, which traditionally include in-house staff meetings and other events such as graduations and blood drives, accounted for 16 percent of all events. Trade shows and conventions have the biggest impact on a community, as they generate longer stays, more hotel room nights and spending by visitors. Consumer shows are often the most attended events, but are primarily local and nearby residents.

The following table provides a breakdown of the room nights generated by event type.

Table 6-20

| Overland Park CC 2011 Activity | | | |
|--------------------------------|------------|---------------|-------------------|
| Event Type | # Events | Room Nights | Room Nights/Event |
| Banquets | 78 | 1,012 | 13 |
| Consumer Shows | 20 | 1,012 | 49 |
| Conventions | 10 | 19,433 | 1,900 |
| Meetings | 147 | 6,882 | 47 |
| Special Events | 55 | 4,858 | 89 |
| Tradeshows | 31 | 7,287 | 237 |
| <i>Total</i> | <i>341</i> | <i>40,485</i> | <i>119</i> |

Source: HSP, Overland Park CC

The events that contributed the largest amount of room nights were conventions, accounting for 48 percent of all room nights generated and resulted in 19,433 rooms, or 1,943 room nights per event. Meetings accounted for the most number of events with 147, but only 17 percent of room nights. Tradeshows generated 237 room nights per show on average.

The following table shows the Overland Park Convention Center’s income for 2011.

Table 6-21

| Overland Park 2011 Income | | |
|---------------------------|-----------|-----------|
| | Budgeted | Actual |
| Events | 270 | 341 |
| Attendance | 237,732 | 235,097 |
| Income | \$133,401 | \$303,932 |

Source: Overland Park, HSP

The Overland Park Convention Center experienced a profitable 2011, with net operating income of \$303,932. The convention center outperformed its budgeted number of events by 70, which helped it to earn approximately \$170,000 above its budgeted income for the year. This is the sixth consecutive profitable year for the Overland Park Convention Center.

Implications

Similar to Overland Park, the St. Joseph Project will face a more competitive regional landscape from the likes of Kansas City, Lincoln, Omaha and even St. Louis. While the facility in St. Joseph will be new and consist of innovative amenities, they should definitely consider the expertise private management can offer. Private facility management is commonly practiced to improve marketing, lower operating costs and take advantage of economies of scale. This is one avenue St. Joseph can look at to help minimize any operating deficits. As Overland Park is competing in this same marketplace, it will directly compete for many groups, although Overland Park has a built in corporate market that helps insulate it from the competitive pressure of most centers.

Owensboro Convention Center – Owensboro, Oklahoma

The Owensboro Convention Center is currently under construction in Owensboro, Kentucky, located along the Ohio River, 100 miles west of Louisville. Owensboro is in the midst of an urban transformation that is remaking downtown area as a place to live, work and play. In addition to preserving the unique historical character of the downtown corridor, this market based placemaking initiative will result in \$120 million in publicly funded infrastructure and amenities to reinvent downtown Owensboro as a walkable, mixed-use urban center with the addition of a new convention center, hotel, arts and cultural venues, as well as ample opportunities for downtown housing.

The figure below shows a drawing of the new Owensboro Convention Center.

Figure 6-4



The new convention center is set to open in December 2013 and is part of the current revitalization of downtown Owensboro. The facility will be attached to a new 150-room Hampton Inn & Suites hotel that will be opening at the same time. Both will overlook the Ohio River. A second hotel, a 120-room Holiday Inn, is expected to start construction in 2013.

The table below shows the facility breakout at the convention center.

Table 6-22

| Owensboro Convention Center | | | |
|---|-------------------|-------------------------|------------------|
| | Total (SF) | By Division (SF) | Divisions |
| Exhibit Space | | | |
| Exhibit Hall | 44,096 | | 3 |
| Exhibit Hall 1 | | 14,869 | |
| Exhibit Hall 2 | | 14,353 | |
| Exhibit Hall 3 | | 14,874 | |
| | 44,096 | 44,096 | 3 |
| Ballroom Facilities | | | |
| Western Ballroom | | 13,283 | 1 |
| Eastern Ballroom | | 13,021 | 1 |
| | 26,304 | 26,304 | 2 |
| Meeting Room Facilities | | | |
| Meeting Room 210 | 595 | 595 | 1 |
| Meeting Room 220 | 595 | 595 | 1 |
| Meeting Room 230 | 690 | 690 | 1 |
| Meeting Room 311 | 1,510 | 1,510 | 1 |
| Meeting Room 312 | 1,508 | 1,508 | 1 |
| Meeting Room 313 | 1,508 | 1,508 | 1 |
| Meeting Room 314 | 2,413 | 2,413 | 1 |
| Meeting Room 315 | 3,698 | 3,698 | 1 |
| Meeting Room 331 | 1,511 | 1,511 | 1 |
| Meeting Room 332 | 1,811 | 1,811 | 1 |
| Meeting Room 333 | 1,509 | 1,509 | 1 |
| Meeting Room 334 | 2,113 | 2,113 | 1 |
| Meeting Room 335 | 3,431 | 3,431 | 1 |
| Boardroom | 3,561 | 3,561 | 1 |
| | 26,453 | 26,453 | 14 |
| Cinema | -- | Seats | -- |
| Hotel Rooms | 150 | Per Guest Room | |
| Total Exhibit Space | 44,096 | | |
| Total Ballroom Space | 26,304 | | 175.4 |
| Total Meeting Space | 26,453 | | 176.4 |
| Other Space | -- | | -- |
| Total Function Space | 96,853 | | 351.7 |
| Ballroom Divisions | 2 | /100 Guest Rms | 1.3 |
| Meeting Room Divisions (incl. audit/amph) | 14 | | 9.3 |
| Total Divisions (including Ballroom) | 16 | | 10.7 |

Source: Owensboro CC, HSP

The convention center will have approximately 97,000 square feet of total function space, with 44,000 square feet of exhibit space. There are also two ballrooms totaling 26,000 square feet. The convention center is attached to the under-construction Hampton Inn & Suites.

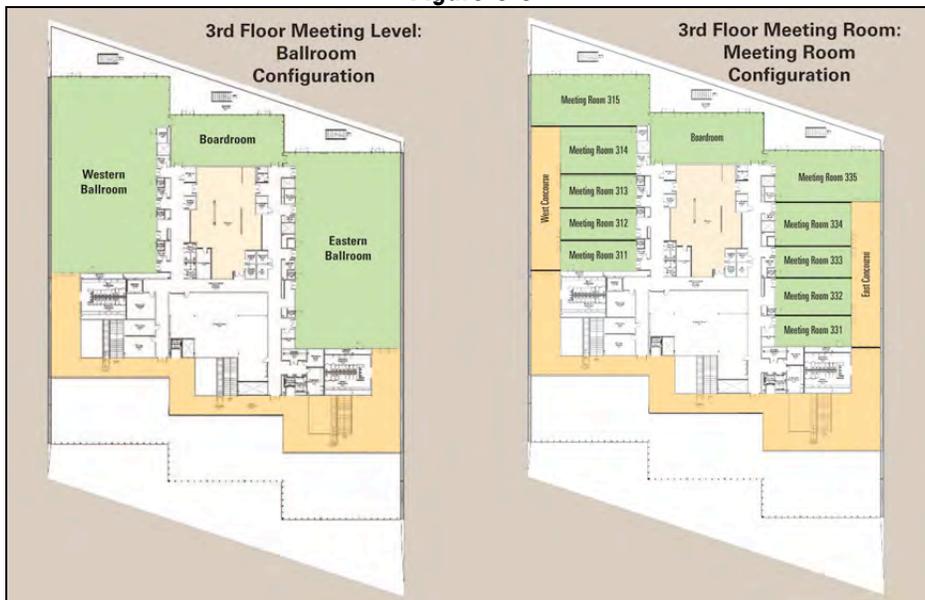
The following figures show the layout of the three floors of meeting space at the Owensboro Convention Center.

Figure 6-5



The exhibit halls will be located on the first level of the convention center. The second floor will consist of a mezzanine level with multiple meeting rooms.

Figure 6-6



As shown above on the left, the ballrooms and boardroom are located on the third floor of the convention center. The layout on the right provides an illustration of the third floor with a meeting room configuration. This layout will allow for the ballrooms and boardroom to be reconfigured into many layouts.

In addition to conventions and despite the offset design, the facility will be able to host concerts and sporting events, just not in as efficient a manner as if the design was not offset.

Implications

Owensboro provides a comparable facility for St. Joseph in that it is a small convention center situated outside of a larger metropolitan areas. Without the hotel, the St. Joseph facility would not have sufficient hotel rooms to appropriately support the meeting and exhibit space, much like in Owensboro. So the relationship between the two is critical. The event center's management will encounter times when booking windows overlap for space usage. As a result, one of the facilities will lose out on booking meetings or event business and hotel rooms due to the hold times that may occur on the calendar. This hurts both facilities. This will be one situation that the Project will face when managing the event calendar of the convention center and reserving hotel rooms. However, once St. Joseph expands its hotel room inventory to meet the needs of the market, it is likely the booking friction may be minimized, particularly for hotel needs.

Century Center – South Bend, Indiana

South Bend is located in northern Indiana, along the state's border with Michigan, approximately 90 miles east of Chicago and 135 miles north of Indianapolis. It is the fourth most populous city in the state, with a population of 101,000. The local MSA, which includes portions of northern Indiana and southern Michigan, is approximately 316,663. South Bend is the cultural hub of the surrounding Michiana region, and is the home of the University of Notre Dame, with a student enrollment of approximately 12,000,

South Bend is a Rust Belt community that utilized the Joseph River to provide access to the Great Lakes for heavy industrial and manufacturing factories through the mid-20th century. As local manufacturing diminished, so did South Bend's population, dropping from more than 130,000 residents in 1960 to 100,000 in 2010. Although manufacturing industries were slowly phased out of the community, healthcare, education and tourism industries have supported the local economy.

The figure on the following page shows downtown South Bend.

Figure 6-7



The Century Center was originally constructed in 1977 in downtown South Bend along the Joseph River. The facility is South Bend's convention center and consists primarily of an exhibit hall, breakout meeting rooms and the Great Hall, which serves as both the lobby and special event space and is comparable to a ballroom. The complex also includes the South Bend Regional Museum of Art and is attached via skywalk to the 298-room Doubletree Hotel and by underground walkway to the College Football Hall of Fame.

The following figure shows an image of the Century Center along the Saint Joseph River.

Figure 6-8



The following page shows the space breakout for the facility.

Table 6-23

| South Bend Century Center Center Function Space | | | |
|--|-------------------|-------------------------|------------------|
| | Total (SF) | By Division (SF) | Divisions |
| Exhibit Space | | | |
| Convention Hall | 24,472 | | 2 |
| Convention Hall A | | 14,744 | |
| Convention Hall B | | 9,728 | |
| | <hr/> | <hr/> | <hr/> |
| | 24,472 | 24,472 | 2 |
| Ballroom Facilities | | | |
| Great Hall | 16,640 | 16,640 | 1 |
| Discovery Ballroom | 11,606 | 11,606 | 2 |
| | <hr/> | <hr/> | <hr/> |
| | 28,246 | 28,246 | 3 |
| Meeting Rooms | | | |
| Suites 1-3 | 3,196 | 3,196 | 3 |
| Suites 4-7 | 2,914 | 2,914 | 4 |
| Suites 8-11 | 2,444 | 2,444 | 4 |
| Suites 12-15 | 6,225 | 6,225 | 4 |
| Suites 16 | 1,257 | 1,257 | 1 |
| Suites 17 | 687 | 687 | 1 |
| Suites 18 | 975 | 975 | 1 |
| | <hr/> | <hr/> | <hr/> |
| | 17,698 | 17,698 | 18 |
| Bedix Theatre | | Seats | 694 |
| Recital Hall | | Seats | 166 |
| Hotel Rooms | | | |
| Hotel Rooms | 298 | | |
| Total Exhibit Space | 24,472 | Per Guest Room | 82 |
| Total Ballroom Space | 28,246 | | 95 |
| Total Meeting Space | 17,698 | | 59 |
| Other Space | 0 | | 0 |
| | <hr/> | | <hr/> |
| Total Function Space | 70,416 | | 236 |
| Divisions | | | |
| Exhibit Divisions | 2 | /100 Guest Rms | 1 |
| Ballroom Divisions | 3 | | 1 |
| Meeting Room Divisions (incl. audit/amph) | 18 | | 6 |
| | <hr/> | | <hr/> |
| Total Divisions (including Ballroom) | 23 | | 8 |

Source: St. Charles CC, mpoint.com, HSP

The South Bend Century Center has nearly 70,500 square feet of total function space. Almost 25,000 square feet of the function space is exhibit space, more than 28,000 square feet is ballroom space, and over 17,000 square feet is meeting room space.

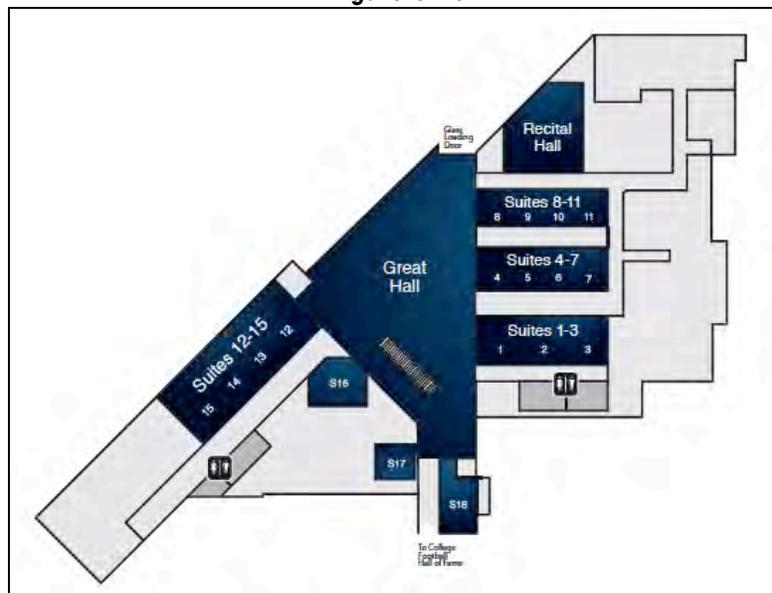
The following figure shows the layout of the main level of the Century Center.

Figure 6-9



The following figure shows the layout of the lower level of the Century Center.

Figure 6-10



The following table shows the event statistics for the Century Center for 2009 and 2010.

Table 6-24

| Century Center - Event Demand | | | | |
|--------------------------------------|-------------|-------------|----------------|-------------------------|
| Event | 2009 | 2010 | Average | Percent of Total |
| Conventions/Conferences | 11 | 9 | 10 | 1.8% |
| Tradeshows | 8 | 6 | 7 | 1.3% |
| Consumer Shows | 21 | 16 | 19 | 3.4% |
| Banquets/Receptions | 66 | 69 | 68 | 12.3% |
| Special/Sports Events and Concerts | 74 | 114 | 94 | 17.2% |
| Business Meetings | 404 | 297 | 351 | 64.0% |
| Total | 584 | 511 | 548 | 100.0% |

Source: Century Center, HSP

As shown, the Century Center hosted an average of 548 events from 2009 to 2010. Sixty four percent of these events were business meetings, followed by special events (17 percent) and banquets and receptions (12 percent).

The following table shows the attendance at the Century Center in 2009 and 2010.

Table 6-25

| Century Center - Attendance | | | | |
|------------------------------------|----------------|----------------|----------------|-------------------------|
| Event | 2009 | 2010 | Average | Percent of Total |
| Conventions/Conferences | 8,122 | 11,194 | 9,658 | 6.6% |
| Tradeshows | 4,385 | 3,400 | 3,893 | 2.7% |
| Consumer Shows | 40,231 | 44,629 | 42,430 | 29.0% |
| Banquets/Receptions | 19,048 | 17,844 | 18,446 | 12.6% |
| Special/Sports Events and Concerts | 28,954 | 52,896 | 40,925 | 28.0% |
| Business Meetings | 33,957 | 27,533 | 30,745 | 21.0% |
| Total | 134,697 | 157,496 | 146,097 | 100.0% |

Source: Century Center, HSP

In terms of attendance, the Century Center averaged approximately 146,000 visitors from 2009 to 2010. Consumer shows accounted for the greatest percentage of attendees, 29 percent. Special events accounted for the next greatest percentage of attendees (28 percent), followed by business meetings, 21 percent of total attendance.

Global Spectrum, a private management company, manages the facility. The firm took over the management from the public sector in 2007.

Implications

The Century Center is another facility that has similar facilities to the proposed function space of the downtown center complex in St. Joseph. The data collected dealing with the number of events and attendance by event type provides insight into the potential performance of the St.

Joseph project. The Century Center is a comparison due to its performance in relation to the other larger metropolitan areas, as it is situated about two hours from Chicago and three hours from Indianapolis – somewhat similar to St. Joseph’s one-hour distance from downtown Kansas City.

St. Charles Convention Center - St. Charles, Missouri

The City of St. Charles, Missouri, with approximately 60,000 residents, is the second largest city in the St. Louis MSA and has experienced strong growth in the last decade. The growth of the overall market has moved west from St. Louis and St. Charles has been a prime beneficiary of this growth. The city’s population and corporate base have both grown significantly in recent years and as a result, its overall infrastructure for residents, businesses and visitors has improved.

The convention center and 296-room headquarters hotel are located along I-70 in St. Charles, between the Fifth Street and First Capitol Drive exits. The 21-acre site features the convention center, a headquarters hotel (a John Q. Hammons property) and 1,243 parking spaces. In addition to the site’s accessibility and visibility from I-70, it is five minutes from St. Charles’ historic district and the Ameristar Casino, 15 minutes from Lambert Airport, and 30 minutes from downtown St. Louis. In addition, there are approximately 2,000 hotel rooms within one mile of the site.

The figure below shows the St. Charles Convention Center and Embassy Suites hotel. The facility opened in 2005.

Figure 6-11



The table below shows the facility breakdown at the convention center.

Table 6-26

| St. Charles Convention Center Function Space | | | |
|--|---------------|------------------|------------|
| | Total (SF) | By Division (SF) | Divisions |
| Exhibit Space | | | |
| Exhibit Hall | 27,600 | | 2 |
| Exhibit Hall North | | 14,500 | |
| Exhibit Hall South | | 13,100 | |
| Ballroom Facilities | | | |
| Grand Ballroom | 16,200 | | 6 |
| Grand Ballroom A | | 4,010 | |
| Grand Ballroom B | | 4,010 | |
| Grand Ballroom C | | 4,010 | |
| Grand Ballroom D1 | | 1,390 | |
| Grand Ballroom D2 | | 1,410 | |
| Grand Ballroom D3 | | 1,370 | |
| Jr. Ballroom | 6,025 | | 4 |
| Jr. Ballroom A | | 1,450 | |
| Jr. Ballroom B | | 1,530 | |
| Jr. Ballroom C | | 1,530 | |
| Jr. Ballroom D | | 1,515 | |
| | 22,225 | | |
| Meeting Rooms | | | |
| Boardroom | 1,270 | 1,270 | 1 |
| Meeting Room 101 | 1,100 | 1,100 | 1 |
| Meeting Room 102 | 1,000 | 1,000 | 1 |
| Meeting Room 103 | 1,000 | 1,000 | 1 |
| Meeting Room 104 | 840 | 840 | 1 |
| Meeting Room 105 | 1,310 | 1,310 | 1 |
| | 6,520 | 6,520 | 6 |
| | 56,345 | 56,345 | |
| Summary | | | |
| Hotel Rooms | 296 | | |
| Total Exhibit Space | 27,600 | Per Guest Room | 93 |
| Total Ballroom Space | 22,225 | | 75 |
| Total Meeting Space | 6,520 | | 22 |
| Other Space | 0 | | 0 |
| Total Function Space | 56,345 | | 190 |
| Exhibit Divisions | 2 | /100 Guest Rms | 1 |
| Ballroom Divisions | 10 | | 3 |
| Meeting Room Divisions (incl. audit/amph) | 6 | | 2 |
| Total Divisions (including Ballroom) | 18 | | 6 |

Source: St. Charles CC, mpoint.com, HSP

The convention center has approximately 56,000 square feet of total function space with 27,600 square feet of exhibit space, a 6,359-square foot junior ballroom (with a lower ceiling height) and a total of 7,110 square feet of meeting rooms. The on-site and connected 296-room Embassy

Suites Hotel offers an additional 5,200 square feet of meeting space. The convention center cost \$48.1 million to construct and equip. It was paid by the following sources of revenues:

- Hotel/motel tax revenues available at the time of closing \$9.7 million
- Hotel/motel tax revenues collected during construction \$1.7 million
- A grant from the State of Missouri \$4.0 million
- Amounts already paid for the City for land acquisition. \$9.1 million
- Proceeds from General Obligation bond issuance \$23.6 million

The convention center is owned by the City of St. Charles, but privately managed by Global Spectrum, while the hotel is managed by John Q. Hammons. However, the two entities, along with the St. Charles CVB, share responsibility for marketing the venues and attracting convention and meeting business to fill the occupancy.

The following table shows the income and expenses for the facility for 2009 – 2011.

Table 6-27

| St. Charles Convention Center Income & Expense Summary | | | |
|---|---------------------------|---------------------------|-------------------------|
| Item | 2009 | 2010 | 2011 |
| Income | | | |
| Rental | \$1,073,185 | \$1,069,889 | \$1,078,022 |
| Service Income | \$574,535 | \$549,632 | \$609,856 |
| Ancillary Income | \$2,838,019 | \$3,189,539 | \$3,833,955 |
| Gross Operating Revenue | <u>\$4,485,739</u> | <u>\$4,809,060</u> | <u>\$5,521,833</u> |
| Expenses | | | |
| Event Expense | \$1,195,495 | \$1,240,594 | \$1,491,514 |
| Personnel | \$2,452,031 | \$2,520,133 | \$2,503,502 |
| Operating Expense | \$1,196,441 | \$1,287,556 | \$1,449,221 |
| Total Expense | <u>\$4,843,967</u> | <u>\$5,048,283</u> | <u>\$5,444,237</u> |
| Net Profit | (\$358,228) | (\$239,223) | \$77,596 |
| Other Revenue | \$136,760 | \$100,428 | \$96,262 |
| Net Income (Loss) | <u>(\$221,468)</u> | <u>(\$138,795)</u> | <u>\$173,858</u> |
| Source: St. Charles Convention Center | | | |

Gross revenue was \$4.4 million 2009 and expenses totaled \$4.8 million, leading to a loss of \$358,000 before other non-operating revenue. The improved performance of the center has led to a decreasing loss since losses of \$221,000 in 2009. In 2011, the facility turned a profit of \$173,858. Expenses were about \$400,000 higher than the previous year, however, revenue was roughly \$700,000 higher.

The following table shows the revenue by event type for 2011.

Table 6-28

| St. Charles CC 2011 Revenues by Type | | |
|---|----------------------|--------------------|
| Event Type | Gross Revenue | % Gross Rev |
| Banquets | \$1,031,612 | 19% |
| Consumer Shows | \$900,791 | 16% |
| Special Events | \$401,352 | 7% |
| Conventions | \$941,011 | 17% |
| Meetings | \$1,663,012 | 30% |
| Tradeshows | \$584,054 | 11% |
| Total | \$5,521,832 | 100% |

Source: HSP, St. Charles CC

Meetings and banquets generated over \$2.5 million in combined revenue in 2011, representing 30 percent and 19 percent of total event income respectively. Consumer shows generated over \$900,000 and special events earned just over \$401,000.

The following table shows the event demand for 2011.

Table 6-29

| St. Charles CC 2011 Activity | | | | |
|-------------------------------------|-----------------|-------------------|--------------------|------------------------------|
| Event Type | # Events | Attendance | Room Nights | Avg. Atten. Per Event |
| Banquets | 64 | 20,199 | 359 | 316 |
| Consumer Shows | 30 | 131,680 | 1,286 | 4,389 |
| Conventions | 10 | 28,035 | 9,778 | 2,804 |
| Meetings | 155 | 33,444 | 6,531 | 216 |
| Special Events | 28 | 36,497 | 805 | 1,303 |
| Tradeshows | 24 | 21,962 | 1,305 | 915 |
| Total | 311 | 271,817 | 20,064 | 874 |

Source: HSP, St. Charles CC

St. Charles Convention Center event demand is comprised mostly of small meetings where a large facility is not necessary. In 2011, there were 155 meetings with over 33,000 attendees. Banquet events totaled 64 with 20,000 annual attendees. The most room nights were generated from conventions, with over 9,700 for the year. The total attendance of the facility was nearly 272,000 for the year with 311 total events.

Implications

The level of the operating deficit incurred by the St. Charles Convention Center in 2009 and 2010 is consistent with the scale of the convention center’s size, demand, and that of other comparable facilities. It is expected for a convention center such as the one planned for St. Joseph to generate annual operating deficits, particularly in its early years, and the benefits that accrue to a market, such as increased visitation and hotel demand, are justification for public investment and

funding. However, by leveraging the extensive demand generated from a casino, the quality of a new facility to attract a high level of meetings business, and using mutual partnerships to fund the development cost, St. Joseph can be successful at minimizing such losses.

Pueblo Convention Center – Pueblo, Colorado

The Pueblo Convention Center (PCC) is located in Pueblo, Colorado, approximately 40 minutes from the Colorado Springs Airport and 115 miles south of Denver. The Pueblo Convention Center, the second largest convention center in the State of Colorado, opened in June 1997 and was financed with bonds secured through tax increment finance (TIF) money and a sales tax/vendor fee. The facility is privately managed by Global Spectrum, which was hired by the Urban Renewal Authority of Pueblo in 1997. The facility is connected to a 164-room full-service Marriott Hotel. The facility received approval and financing for an expansion that will add an exhibit hall in its next phase, allowing the ballroom to keep from playing both roles. The convention center is located in historic downtown Pueblo and borders the historic Arkansas Riverwalk Project and the Historic Union Avenue District.

The figure below shows a picture of the Pueblo Convention Center and the Marriott hotel.

Figure 6-12



The convention center features more than 21,000 square feet of function space, as summarized in the following table.

Table 6-30

| Pueblo Convention Center | | | |
|---|---------------|------------------|------------|
| | Total (SF) | By Division (SF) | Divisions |
| Ballroom/Exhibit Space | | | |
| Grand Hall A | 5,400 | 5,400 | 1 |
| Grand Hall B | 5,400 | 5,400 | 1 |
| Grand Hall C | 5,400 | 5,400 | 1 |
| | <u>16,200</u> | <u>16,200</u> | <u>3</u> |
| Meeting Room Facilities | | | |
| Meeting Room 1 | 580 | 580 | 1 |
| Meeting Room 2 | 580 | 580 | 1 |
| Meeting Room 3 | 580 | 580 | 1 |
| Meeting Room 4 | 580 | 580 | 1 |
| Meeting Room 5 | 580 | 580 | 1 |
| Bernstein Brothers Room | 2,000 | 2,000 | 1 |
| | <u>4,900</u> | <u>4,900</u> | <u>6</u> |
| Cineam | -- | Seats | -- |
| Hotel Rooms | 164 | Per Guest Room | |
| Total Exhibit Space | -- | | |
| Total Ballroom Space | 16,200 | | 99 |
| Total Meeting Space | 4,900 | | 30 |
| Other Space | -- | | -- |
| Total Function Space | <u>21,100</u> | | <u>129</u> |
| Ballroom Divisions | 3 | /100 Guest Rms | 1.8 |
| Meeting Room Divisions (incl. audit/amph) | 6 | | 3.7 |
| Total Divisions (including Ballroom) | <u>9</u> | | <u>5.5</u> |

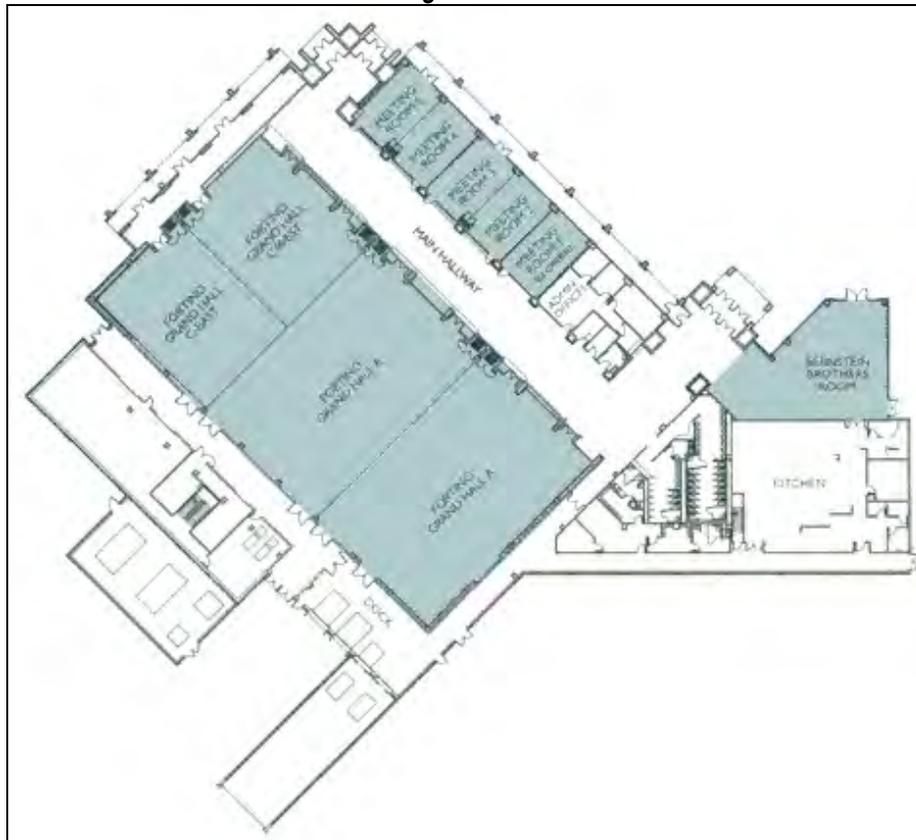
Source: Pueblo CC, HSP

Grand Hall contains 16,200 square feet and is divisible into three main sections of 5,400 square feet each. In addition, Grand Hall C can be further divided in half (2,700 square feet each) for a total of four separate spaces. The Bernstein Brothers Meeting Room provides 2,000 square feet of pre-function meeting space and five meeting rooms contain a total of approximately 3,000 square feet. Meeting Rooms 2 and 3, as well as Rooms 4 and 5, are connected by moveable walls.

The expo/exhibit space is small and not as flexible as it could be for a variety of customers. There is an attached 164-room Marriott hotel at the PCC and recently a 105-room Cambria Suites opened in close proximity and another hotel is in the planning stages for the area. The expanded room block will allow for better packaging of events at the PCC.

The following figure shows the layout of the meeting space at the PCC.

Figure 6-13



The table below shows a summary of the recent performance of the facility.

Table 6-31

| Pueblo Convention Center Performance | | | | | | |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| Number of Events | 612 | 609 | 544 | 481 | 448 | 440 |
| Attendance | 54,302 | 55,704 | 70,417 | 68,355 | 52,197 | 47,511 |
| Gross Revenue | \$1,279,558 | \$1,309,900 | \$1,454,309 | \$1,490,943 | \$1,624,234 | \$1,634,921 |
| Direct Event Expenses | 733,213 | 610,239 | 568,623 | 553,075 | 578,232 | 584,597 |
| Indirect Expenses | 835,545 | 1,025,841 | 1,237,866 | 1,473,166 | 1,503,140 | 1,478,337 |
| Total Expense | \$1,568,758 | \$1,636,080 | \$1,806,489 | \$2,026,241 | \$2,081,372 | 2,062,934 |
| Net Profit (Loss) | (\$289,200) | (\$326,180) | (\$352,180) | (\$535,298) | (\$457,138) | (428,013) |

Source: Pueblo CC, HSP

While the number of events has decreased from 2005 through 2010, revenue has increased over the same time period. Attendance ranged from 47,500 to 70,400 during this period. Total expenses ranged from \$1.5 million to \$2.0 million. In keeping with industry norms, the convention center operates with a negative cash flow. The facility was able to generate \$1.2 million in gross revenues in 2005 and has been able to grow its gross revenue to \$1.6 million

even though the number of events has decreased to its lowest number of 440 for the period. With revenues growing, the PCC has decreased the net loss in the last three years reviewed.

The PCC is one of many projects that the Urban Renewal Authority of Pueblo has undertaken to develop both downtown and the Historic Arkansas Riverwalk area. The Urban Renewal Authority of Pueblo, Colorado has been seeking the expansion of the Pueblo Convention Center (PCC) for several years in order to move the facility from a basic civic meeting facility to a full-service convention center. In 2010, the PCC underwent several upgrades that included a redesign of the main entrance, new landscaping, televisions for the main corridor, new fixtures and window replacements. The construction of an attached pavilion would add approximately 5,500 square feet in efforts to expand meeting space to meet unmet demand.

Currently, the ballroom totals 16,200 square feet, there is no dedicated exhibit space and less than 3,000 square feet of meeting room space. The expanded facility, with a budget of approximately \$12 million, will feature a 28,600 square foot exhibit hall, a 16,200-square foot ballroom and nearly 10,000 square feet of meeting rooms. The changes will result in a facility roughly three times larger than the current PCC.

Implications

The Pueblo Convention Center is in the midst of a potential expansion that will increase its function space to mimic that of most full-service convention centers, which offer exhibit space, ballrooms and meeting rooms.

This is a model that illustrates the potential for cultivating new business for St. Joseph. Pueblo entered the market with no previous identity for this type of function, but by offering a high-quality facility has quickly developed such a robust business that the facility is currently pursuing an expansion program. While St. Joseph can develop an identity for meetings, it is hidden behind poor facility offerings. The strategy employed in Pueblo has been to nurture growth by marketing to drive-in regional business at first (state association and regional corporate), then expand when the user base could reasonably be extended. In addition, expansion also allows the facility to grow the size of its existing events, which attracts more users and, subsequently, generates more business in the form of increased hotel room nights, retail sales, etc. Once St. Joseph has a well-functioning building, it can maximize meetings like Pueblo has been able to achieve.

Multi-Purpose Events Center Market Context

The concept of a multi-purpose events center is somewhat unique to rural regional centers and Enid, Oklahoma is a very parallel situation to St. Joseph. That is, regional centers serve much larger populations than their immediate metro area for shopping, dining, entertainment, sports, transportation and other activities. While the local population is relatively small, the area and population served by its assets is larger than what is considered in other areas of the country. So facilities have been developed to serve these demographic characteristics.

Larger markets typically support multiple venues with specific uses, such as performing arts centers, convention centers and fixed-seat arenas, accompanied by headquarter hotels. Smaller communities can also support such single-purpose facilities, but these are often large suburbs of major metro areas that capitalize on the surrounding area market of one million or more residents. In both cases, the investment in single-purpose facilities can be large and it is not unusual to have a budget of \$40 million or more for each. All but the hotel component generally necessitate nearly 100 percent public funding (and the hotel often requires a significant public investment) because such facilities generate economic activity for the community, but do not run at an operating profit level that supports debt service. So for a community to fund these distinct facilities, the minimum investment is \$120 million (\$40 million for each of three facilities) plus any hotel investments and annual operating subsidies. This is generally too large for a smaller market to consider.

So for a small to mid-sized regional market center like Enid, the concept of a multi-purpose events center is logical as it combines the majority of components of the three facility types into one, more efficient public assembly facility. It can host most of the event types of the three distinct facility types (except certain performing arts events better left to theaters), but at a total cost more supportable by a smaller market.

Enid Convention Hall & Event Center – Enid, Oklahoma

The Enid Event Center and Convention Hall is located in Enid, Oklahoma, approximately 90 miles north of Oklahoma City. Mostly known for its oil and agriculture industry, Enid's market has been experiencing growth over the past few years. The city has begun redeveloping various parts of the city in effort to attract and host more visitors. Current developments include the \$20+ million Enid Renaissance Project, which consists of a new event center and renovation of the current conference center. The revitalized conference center is expected to open in the fall 2012 and the event center in spring 2013. In addition, Mark Price Arena is being converted from an unusable arena to a convention hall as part of the event and conference center.

The following figure shows the convention hall on the left and event center on the right.

Figure 6-14



The table below shows the facility breakout at the Convention Hall and Event Center.

Table 6-32

| Enid Convention Hall & Event Center | | | |
|---|---------------|------------------|-----------|
| | Total (SF) | By Division (SF) | Divisions |
| Exhibit Space | | | |
| Event Center | 31,500 | -- | 1 |
| | <u>31,500</u> | | 1 |
| Ballroom Facilities | | | |
| Grand Ballroom | 11,000 | -- | 3 |
| Jr. Ballroom | 3,000 | -- | 3 |
| | <u>14,000</u> | | 6 |
| Meeting Room Facilities | | | |
| Meeting Rooms | 5,500 | -- | 12 |
| | <u>5,500</u> | | 12 |
| Seating | -- | Seats | 4,000 |
| Hotel Rooms | 0 | Per Guest Room | |
| Total Exhibit Space | 31,500 | | |
| Total Ballroom Space | 14,000 | | -- |
| Total Meeting Space | 5,500 | | -- |
| Other Space | -- | | -- |
| Total Function Space | <u>51,000</u> | | -- |
| Ballroom Divisions | 3 | /100 Guest Rms | -- |
| Meeting Room Divisions (incl. audit/amph) | 12 | | -- |
| Total Divisions (including Ballroom) | <u>15</u> | | -- |

Source: Individual Property, HSP

At the event center and conference hall, there are approximately 51,000 square feet of total function space with 31,500 square feet of exhibit space in the event center. There are also two ballrooms that provide the facility with 14,000 square feet of ballroom space. The multi-purpose venue will be able to host a diverse set of events that will include concerts, sporting events, family shows, consumer shows and conventions.

The following figures illustrate the exhibit space and ballrooms rooms that will be available at the event center and conference hall.

Figure 6-15



The event center will be a site of live entertainment, sports events and consumer shows for the region. The facility will be able to seat up to 4,000 visitors for events and concerts.

Figure 6-16



The construction of the event center and renovations to the convention hall have allowed the complex to become a more flexible and functional facility. Event organizers have the ability to combine the event center event floor and convention hall ballroom for over 40,000 square feet of

event space. This allows Enid to attract and host both large and small events as well as host multiple events simultaneously.

Summary

HSP has analyzed several types of event spaces comparable to the size and type of space that the city of St. Joseph and the interested parties are considering. The comparable convention centers ranged throughout the United States were either constructed in the last fifteen years or under construction presently. Each has some aspect that is an important consideration for development of a new downtown center complex in St. Joseph.

The comparables provide function space and amenity indications as well as performance indications. From a function space perspective, the facility must include an exhibit space, ballroom and breakout meeting rooms. Amenities should include at least 150 hotel rooms and as many as 400, either adjacent, connected or easily walkable. Management by private experts is recommended, which should generate a variety of event types, including arena events as well as convention center events. Avoiding an operating deficit is an excellent goal, however driving activity at the center is usually the top priority of communities. By driving activity, the likelihood of generating an operating profit is possible, as has been shown in several communities.

In today's competitive convention market, the market has demanded and received top-quality hotel and convention center packages, usually connected to each other, in most major U.S. cities and now even in second and third-tier cities. Smaller cities have stood behind the development of smaller hotel and conference center developments. For a community to be competitive in the industry, a convention center alone will not suffice. Clearly, the destination package must include a solid-quality convention hotel.

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ST. JOSEPH HOTEL MARKET AND TRENDS ANALYSIS

This chapter presents national hotel market and industry trends and an overview of the St. Joseph hotel market. Considering the proposed project may induce overnight stays for visitors, it is important to know how the hotels in St. Joseph support and/or contribute to the community's effort to increase and attract new and repeat visitors.

In order to better understand the hotel market of a specific location, an assessment of the local competitive market must be conducted. This chapter presents national hotel market and industry trends and an overview of the St. Joseph hotel market.

This chapter begins with national hotel market trends followed by an analysis and profile of the local existing establishments.

National Hotel Market Trends

National hotel market trends are important to the development prospects of any project, whether it involves macro supply and demand issues, amenity trends, financing trends or other trends impacting the industry.

The table below shows selected characteristics of the U.S. lodging industry from 1992 through 2011.

Table 7-1

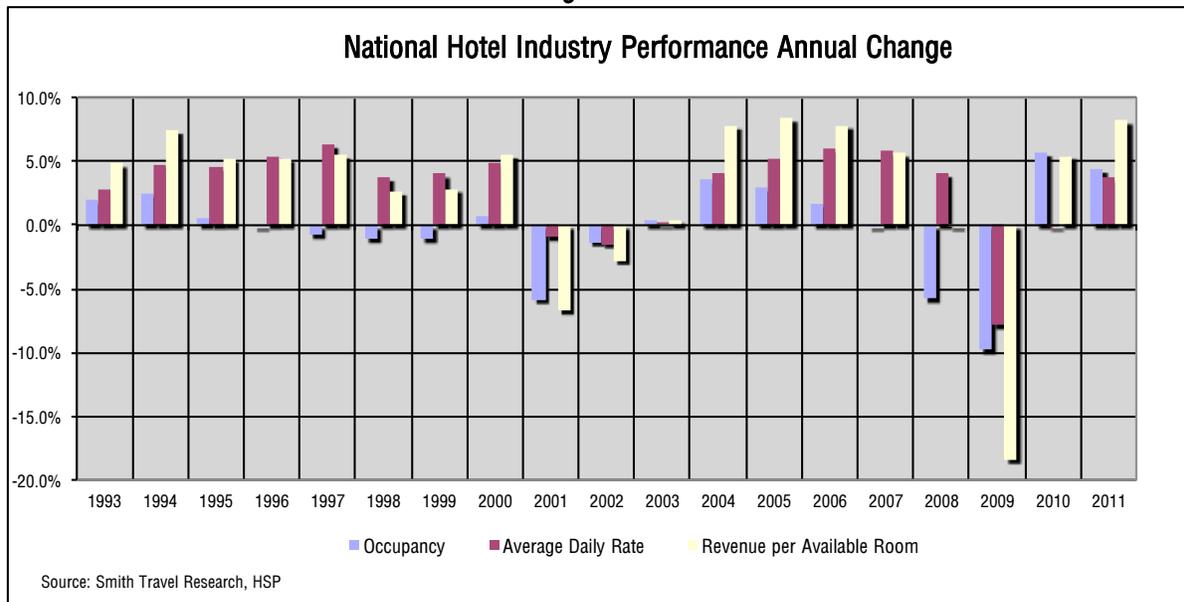
| National Lodging Industry Annual Summary | | | | | | |
|--|--------------|--------------|--------------------|-------------|----------------------------|--------------|
| Year | Occupancy | Change | Average Daily Rate | Change | Revenue per Available Room | Change |
| 1992 | 61.9% | -- | \$59.62 | -- | \$36.90 | -- |
| 1993 | 63.1% | 1.9% | \$61.30 | 2.8% | \$38.68 | 4.8% |
| 1994 | 64.7% | 2.5% | \$64.24 | 4.8% | \$41.56 | 7.4% |
| 1995 | 65.1% | 0.6% | \$67.17 | 4.6% | \$43.73 | 5.2% |
| 1996 | 65.0% | -0.2% | \$70.81 | 5.4% | \$46.03 | 5.3% |
| 1997 | 64.5% | -0.8% | \$75.31 | 6.4% | \$48.57 | 5.5% |
| 1998 | 63.8% | -1.1% | \$78.15 | 3.8% | \$49.86 | 2.7% |
| 1999 | 63.1% | -1.1% | \$81.29 | 4.0% | \$51.29 | 2.9% |
| 2000 | 63.5% | 0.6% | \$85.24 | 4.9% | \$54.13 | 5.5% |
| 2001 | 59.8% | -5.8% | \$84.45 | -0.9% | \$50.50 | -6.7% |
| 2002 | 59.0% | -1.3% | \$83.20 | -1.5% | \$49.09 | -2.8% |
| 2003 | 59.2% | 0.3% | \$83.28 | 0.1% | \$49.30 | 0.4% |
| 2004 | 61.3% | 3.5% | \$86.70 | 4.1% | \$53.15 | 7.8% |
| 2005 | 63.1% | 2.9% | \$91.29 | 5.3% | \$57.61 | 8.4% |
| 2006 | 64.2% | 1.7% | \$96.77 | 6.0% | \$62.13 | 7.8% |
| 2007 | 64.1% | -0.2% | \$102.38 | 5.8% | \$65.63 | 5.6% |
| 2008 | 60.4% | -5.8% | \$106.55 | 4.1% | \$65.61 | 0.0% |
| 2009 | 54.5% | -9.8% | \$98.20 | -7.8% | \$53.55 | -18.4% |
| 2010 | 57.6% | 5.7% | \$98.08 | -0.1% | \$56.47 | 5.5% |
| 2011 | 60.1% | 4.4% | \$101.64 | 3.7% | \$61.06 | 8.2% |
| Jul-12 | 70.0% | 16.5% | \$107.44 | 3.8% | \$75.25 | 23.2% |
| Avg. Annual Growth Rate | | -0.1% | | 2.9% | | 2.9% |

Source: Smith Travel Research, HSP

Occupancy peaked at an all-time high of 65.1 percent in 1995, decreased to 59.0 after 9/11 and then peaked again at 64.2 percent in 2006. The latest recession is the most severe recorded in the hotel industry post-Depression. Occupancy decreased to 54.5 percent, a 15 percent decline. Average daily rate peaked at \$106.55 in 2008 and bottomed out in 2010 at slightly over \$98. Occupancy increased in 2011 and 2012 and rates began to increase as well in 2011. Rate and occupancy growth have been strongly increasing, July 2012 statistics indicate 70 percent occupancy and \$107.44 average daily rate.

The figure below shows the above data in graph form, highlighting the annual change in performance.

Figure 7-1



Performance in 2011 was much improved from the drastic decline in 2009. As the above graph indicates, from 1996 through 1999 and then again in 2007 and 2008, even when occupancy declines, average daily rates can increase. This speaks to the concept of maximum practical occupancy. At a certain average occupancy, there are enough “sold-out” dates and demand pressure to raise prices.

The table below shows the breakdown of supply by market segment, as well as the growth pipeline for new product.

Table 7-2

| U.S. Active Rooms Development Pipeline & Change - 2010 to 2011 | | | | | | | |
|--|------------------|-------------------|------------------------|-----------------|------------------------|-----------------------|------------------------|
| Chain Scale | Existing Supply | % of Total Supply | % Change (2010 - 2011) | In Construction | % Change (2010 - 2011) | Total Active Pipeline | % Change (2010 - 2011) |
| Luxury | 124,261 | 2.5% | 1.4% | 820 | -63.5% | 3,918 | -27.8% |
| Upper Upscale | 549,891 | 11.3% | 2.6% | 6,317 | -10.7% | 14,994 | -19.9% |
| Upscale | 607,852 | 12.4% | 2.7% | 13,944 | -19.6% | 77,090 | -3.5% |
| Upper Midscale | 801,301 | 16.4% | 5.3% | 15,536 | -24.1% | 90,232 | -13.0% |
| Midscale | 527,785 | 10.8% | -8.3% | 4,619 | -72.0% | 28,162 | -22.3% |
| Economy | 783,528 | 16.0% | -0.1% | 1,386 | -51.0% | 4,243 | -36.0% |
| Unaffiliated | 1,491,109 | 30.5% | 1.5% | 7,713 | -29.5% | 103,784 | -10.9% |
| Total | 4,885,727 | 100.0% | 0.9% | 50,335 | -35.0% | 322,423 | -12.2% |

Source: Smith Travel Research

Economic recession and poor hotel performance caused a less than favorable outlook for lending institutions; therefore, new supply has been limited. This will help the industry recover as demand

increases. From 2010 to 2011, total supply increased less than one percent. The largest increase was in Upper Midscale properties, with more than 15,000 new rooms. Midscale rooms declined by 8.3 percent. The number of rooms under construction decreased by 35 percent across the chain scales with the top scales being the most affected from the prior year.

Development and Financing

The hotel development pipeline had been robust until 2008, when the credit crisis hit and real estate in all sectors declined. This has made credit more expensive and the combination of lack of funds and poor market performance, as mentioned above, essentially stopped new developments in 2009.

The loan-to-value ratio (LTV) is an important measure of the amount of risk banks are willing to take on real estate investments. Historically, hotels have exhibited a higher risk level in the eyes of lenders and have required a substantial equity investment. However, cookie-cutter branded prototype projects at interstate intersections – very predictable to bankers in terms of safety and profitability – have achieved loan-to-value rates of up to 75 percent.

As the performance of hotels improved, bankers felt more comfortable approving higher loan amounts relative to the value of the project. As its peak in 2005, the LTV was nearly 70.6 percent on average. It decreased to 60 percent in 2008 and has been slowly recovering since that time.

According to a Hotel Business survey, regional banks were the most often used source for hotel loans.

Transactions

Cap rates are a measure of risk and reward. The higher the cap rate, the riskier the market expects an investment to be (and the higher the reward expected). To determine value, appraisers, buyers and sellers use net operating income divided by the cap rate. A hotel with \$1 million in net operating income and a 10 percent cap rate would have a value of \$10 million. However, using a 5 percent cap rate would give a value of \$20 million. During the height of the hotel buying frenzy in 2005 and 2006, some hotels were sold at effective cap rates lower than five percent, leading to extraordinary values.

Cap rates for hotels have historically been in the 9 to 12 percent range for most markets, except in places like New York, San Francisco, Boston and Hawaii. The rate was below ten percent in 2005 and 2007 and below nine percent in 2006, leading to record sales prices and intense transaction activity. Some transactions included cap rates as low as three percent during the height of the hotel financing and construction boom of 2005 – 2007. The rates then increased substantially during the recession, lowering valuations and the ability to get loans. The higher the cap rate, the lower the valuation of the hotel and with the market-wide increase in cap rates, hotel transaction activity ceased for about three years, with the exception of foreclosed hotels.

Development Costs

The table below shows the hotel developments costs for the different segment hotels for 2011, the latest year available. These figures are critical when considering which type of hotel to develop.

Table 7-3

| 2011 Hotel Development Cost Survey Per-Room Averages | | | | | | |
|--|----------|--------------------------------|------------|----------|---------------------------------|-----------|
| | Land | Building and Site Improvements | Soft Costs | FF&E | Pre-Opening and Working Capital | Total |
| Budget/Economy Hotels | | | | | | |
| Average from Budgets | \$11,100 | \$52,300 | \$4,400 | \$8,300 | \$3,000 | \$67,200 |
| Median | \$10,600 | \$47,600 | \$2,200 | \$8,300 | \$2,900 | \$54,300 |
| Allocation | 14% | 66% | 10% | 11% | 3% | |
| Midscale Hotels w/o F&B | | | | | | |
| Average from Budgets | \$22,200 | \$73,500 | \$11,100 | \$9,800 | \$4,100 | \$100,900 |
| Median | \$11,600 | \$65,000 | \$8,100 | \$9,500 | \$2,800 | \$84,600 |
| Allocation | 12% | 67% | 10% | 10% | 5% | |
| Extended Stay Hotels | | | | | | |
| Average from Budgets | \$12,200 | \$81,400 | \$11,300 | \$13,000 | \$3,300 | \$135,500 |
| Median | \$10,900 | \$71,400 | \$9,900 | \$13,400 | \$2,400 | \$108,700 |
| Allocation | 13% | 67% | 9% | 12% | 4% | |
| Midscale Hotels w/ F&B | | | | | | |
| Average from Budgets | \$13,900 | \$79,100 | \$13,200 | \$12,400 | \$3,800 | \$120,800 |
| Median | \$10,200 | \$65,200 | \$10,400 | \$11,600 | \$3,000 | \$103,600 |
| Allocation | 13% | 65% | 11% | 12% | 3% | |
| Full-Service Hotels | | | | | | |
| Average from Budgets | \$15,500 | \$125,400 | \$22,200 | \$22,700 | \$6,900 | \$212,300 |
| Median | \$12,100 | \$113,800 | \$14,000 | \$18,600 | \$5,700 | \$159,300 |
| Allocation | 12% | 64% | 12% | 12% | 4% | |
| Luxury and Resorts | | | | | | |
| Average from Budgets | \$79,800 | \$356,100 | \$133,800 | \$55,100 | \$20,800 | \$610,500 |
| Median | \$81,500 | \$308,800 | \$88,600 | \$58,900 | \$18,700 | \$549,000 |
| Allocation | 17% | 59% | 14% | 10% | 4% | |

Source: HVS

Costs per room vary drastically depending on the chain scale, from a median of \$54,300 for economy properties up to \$549,000 for luxury properties. For most developments, the question is whether or not to develop a midscale limited service hotel (with or without food and beverage) or a full-service hotel. The cost differential is significant. The median cost per room for a full-service hotel was \$159,300 in 2011, while the median for a midscale limited service hotel with food and beverage is \$103,600.

A good rule of the thumb in the industry is that the average daily rate multiplied by 1,000 will give a developer a sense of what cost of hotel the market will support. So for example, a hotel

expected to perform at \$125 per night on average could be developed for \$125,000 per room. This is not enough to support a full-service hotel without public assistance, but instead calls for an upscale limited-service hotel with food and beverage.

Largest Hotel Brands

One of the continuing trends of the past decade has been the growth of hotel companies to create and expand brands into every conceivable niche, including extended stay (discussed below), boutiques, fractional, etc. These companies typically do not own their hotels, but brand them and provide the support, advertising, group sales and other services for the hotel owners for a fee.

The table below shows the top 20 hotel brands in the world, by number of rooms.

Table 7-4

| Top Twenty Global Hotel Brands by Room Count | | | | | |
|--|---|-----------------------------|---------------|------------------|-------------|
| Rank | Brand | Hotel Group | Hotels 2011 | Rooms 2011 | Rooms/Hotel |
| 1 | Hampton Inn | Hilton Hotels | 1,758 | 170,959 | 97 |
| 2 | Best Western | Best Western | 2,011 | 165,180 | 82 |
| 3 | Comfort Inns & Comfort Suites | Choice | 2,058 | 160,415 | 78 |
| 4 | Holiday Inn Express | IHG | 1,724 | 146,312 | 85 |
| 5 | Marriott Hotels Resorts and Suites | Marriott International | 357 | 143,349 | 402 |
| 6 | Days Inn of America, Inc. | Wyndham Hotel Group | 1,668 | 129,530 | 78 |
| 7 | Holiday Inn | IHG | 674 | 120,494 | 179 |
| 8 | Super 8 Motels | Wyndham Hotel Group | 1,863 | 112,027 | 60 |
| 9 | Courtyard | Marriott International | 795 | 111,634 | 140 |
| 10 | Motel 6 | Accor | 1,072 | 105,910 | 99 |
| 11 | Hilton | Hilton Hotels | 259 | 105,375 | 407 |
| 12 | Quality Inns, Hotels, Suites & Resorts | Choice | 1,012 | 89,185 | 88 |
| 13 | La Quinta Inns | La Quinta | 809 | 84,945 | 105 |
| 14 | Residence Inn | Marriott International | 595 | 71,571 | 120 |
| 15 | Hyatt Hotels (Park Hyatt, Regency, and Grand) | Hyatt Hotels Corp. | 135 | 67,138 | 497 |
| 16 | Sheraton Hotels | Starwood Hotels and Resorts | 176 | 66,025 | 375 |
| 17 | Hilton Garden Inns | Hilton Hotels | 476 | 64,485 | 135 |
| 18 | Ramada Worldwide | Wyndham Hotel Group | 530 | 62,442 | 118 |
| 19 | Fairfield Inn and Suites | Marriott International | 648 | 58,510 | 90 |
| 20 | America Best Value Inn | Vantage Hospitality Group | 943 | 56,567 | 60 |
| Total/Average | | | 19,563 | 2,092,053 | n/a |

Source: MKG Hospitality

Other Trends of Note

Several other trends have been occurring in the industry over the past several years. These include:

- **Amenity Creep.** The major brands, led by Starwood, began expecting a higher quality of amenities in their hotels. This began with the “Heavenly Bed” for Westin and now all major brands have their own premium-bedding product. It continued with

bathroom products, flat screen televisions, wireless internet, customizable sound and lighting systems, branded gym/spa experiences and other amenities now expected that previously were considered to be luxuries. These have even crept into the limited service brands. Overall, this has increased the initial and ongoing costs of hotels, although customers have been loyal to those that have implemented the improvements.

- **Brands Multiply.** Worldwide, the expansion of brands continues to change the face of the competitive environment. Eager to show earnings and market share for Wall Street, major brands compete fiercely. Using multiple brand products clustered in the same corporate structure, proprietary reservation systems and corporate programs work in tandem to drive business. Comparing profit potential with a brand or without a brand is becoming a serious exercise for hotel owners. At the same time, the proliferation of brands means fewer independents that struggle for fair share using price as the preferred strategy.
- **Boutiques Multiply.** Boutique hotels, with trendy bars, individual style and a brand all their own have been increasing across the U.S. This has led major hotel brands to try to create boutique brands where each feels like an individual boutique hotel. Marriott created the Autograph collection, which allows boutiques to use the Marriott reservation and rewards system but retain their own name, style and independence.
- **Global Travel and the Impact of Energy Prices and Economic Conditions.** The large fluctuations in oil and fuel costs have a continual impact on travel and this will continue to be a major factor in the coming years.
- **Distribution.** The increase in booking travel via the Internet has been a major trend in the industry for the past ten years, with approximately one-third of revenue booked online in 2010. An additional estimated 30 to 40 percent of bookings were researched online. This has brought transparency and increased competition to the market and all players with a solid Internet and distribution strategy are able to compete effectively.
- **Technology.** The fast advance of technology means hotels have to continually keep up with expectations of their guests. With multiple wireless devices, guests expect a high-speed wireless network throughout the hotel that will allow them to use their smartphones, tablets (led by the iPad) and laptops without connectivity issue. In-room movies via Lodgenet can now be controlled via an application on a guest's smartphone. Many hotels have introduced in-room iPads that allow concierge services, room service, check out, entertainment and other items to be taken care of directly from the iPad.
- **Social Media and Crowd-Rating.** The rise of social media and user-based ratings has had a direct impact on hotel decision-making. Sites like Trip Advisor allow users to rate and castigate hotels directly on the website, which allows potential customers to determine if they will choose that hotel. Hotels have to be incredibly proactive and reactive to comments posted on Twitter, Facebook and such ratings sites.

- Demographics.** The advent of two major demographic shifts will have a positive impact on the hotel business over the foreseeable future. The first is the baby boomer generation reaching retirement. With the largest amount of disposable income and nest egg capital, this large group will have the ability to travel in large numbers for the next 10 to 15 years. Secondly, the BRIC economies (Brazil, Russia, India and China) have exploded in their economic power over the past several years. This has led to a massive increase in the middle classes in these nations and these populations are traveling in increasing numbers.

Local Hotel Market

The local hotel market is characterized by a collection of limited-service, smaller hotel properties, some older full-service properties a few motels within a five-mile radius of downtown St. Joseph.

Table 7-5

| City of St. Joseph Hotels * | | | |
|--|-------|-------------|----------------|
| Property Name | Rooms | Date Opened | Chain Scale |
| Holiday Inn St. Joseph Riverfront Historic | 169 | 1984 | Upper Midscale |
| Ramada Inn St. Joseph | 161 | 1976 | Midscale |
| Drury Inn & Suites St. Joseph | 132 | 1980 | Upper Midscale |
| Stoney Creek Inn St. Joseph | 129 | 2002 | Independent |
| Motel 6 St. Joseph | 117 | 1977 | Economy |
| Days Inn St. Joseph | 100 | 1961 | Economy |
| Candlewood Suites St. Joseph | 80 | 2012 | Midscale |
| Comfort Suites St. Joseph | 65 | 1998 | Upper Midscale |
| Hampton Inn St. Joseph | 60 | 1998 | Upper Midscale |
| Budget Inn | 54 | n/a | Independent |
| Americas Best Value Inn St. Joseph | 53 | 1985 | Economy |
| Super 8 St. Joseph | 52 | 1996 | Economy |
| Farris Truck Stop Motel | 24 | 1980 | Independent |
| | 1,196 | | |
| * Hotels within City limits | | | |
| Source: Smith Travel Research, HSP | | | |

The City of St. Joseph’s hotel market boasts 13 lodging establishments within the city-limits totaling nearly 1,200 rooms. The largest hotels are the Holiday Inn Riverfront and the Ramada Inn accounting for a total of 330 hotel rooms; the hotels opened in 1984 and 1976 respectively. The most recent hotels to open in the city are the 80-room Candlewood Suites in 2012 and the Stoney Creek Inn in 2002.

Analysis of the Competitive Hotel Market

Within the St. Joseph market area, HSP chose a set of primary competitive hotels to profile and analyze. The factors considered were quality, amenities, size, brand and market demand mix.

The table below shows a summary of the hotels in the competitive set.

Table 7-6

| St. Joseph Competitive Set Hotels | | |
|-----------------------------------|-------------|------------|
| Hotel | Date Opened | Rooms |
| Holiday Inn St Joseph Riverfront | 1988 | 169 |
| Ramada Inn St Joseph | 1980 | 161 |
| Drury Inn & Suites St Joseph | 1984 | 132 |
| Candlewood Suites St Joseph | 2012 | 80 |
| Comfort Suites St Joseph | 2002 | 65 |
| Hampton Inn St Joseph | 2002 | 60 |
| Total | | 667 |
| Average | 1995 | 111 |

Source: Smith Travel Research

There are six hotels in the competitive set totaling 667 rooms. The largest is the Holiday Inn Riverfront, followed by the Ramada Inn.

The following figure shows a map of the competitive set.

Figure 7-2



As shown, nearly every hotel in St. Joseph is located near the intersection of I-29 and Frederick Boulevard. Only the Holiday Inn and Candlewood Suites are outside of this cluster. Each hotel in the competitive set is described below.

Holiday Inn St. Joseph Riverfront Historic

The Holiday Inn is the only hotel in downtown St. Joseph and is located at 102 South Third Street. The hotel is the only full-service hotel in the area, just off I-229.

The property opened in 1984 and includes 169 guestrooms and suites, banquet facilities, coffee house in the lobby area, 24-hour business center and a fitness center. The following picture shows the exterior of the hotel.

Figure 7-3



The hotel is located on the historic site of the first Pony Express weigh station and is near major corporations such as Hillyard Industries, Herzog Industries, Heartland Hospital and Nestle Purina. Attractions near the site include the Pony Express Museum and Missouri Western State University. It is one block from the Civic Arena. The hotel underwent a \$3.5 million renovation in 2004. The renovation included all 169 guest rooms and public space. There is one 4,050 square foot ballroom and eight meeting rooms totaling 7,324 square feet.

As the only hotel downtown, it would be relied upon by any new development, including an event center. In a prior study by HSP, it was recommended to be expanded to 250 rooms and that recommendation stands. The hotel suffers due to train noise downtown. The property recently underwent a bank refinancing.

Ramada Inn – Conference Center and Water Park

Built in 1980, this 161-room hotel is located on Frederick Boulevard off of I-29. A water park called Monkey Cove was added in the past several years.

Hotel amenities include parking, fitness and business centers, a bar and a restaurant, as well as event facilities that include a ballroom, banquet facility, conference rooms and meeting rooms. The property's meeting facilities have over 7,000 square feet of banquet center space and the

ballroom can accommodate up to 800 people, making it one of the largest hotel convention facilities in Northwest Missouri.

The figure below shows the main entrance of the Ramada Inn.

Figure 7-4



Drury Inn & Suites St. Joseph

Opened in 1980 with 132 guestrooms, the Drury Inn & Suites is located on the northeast corner of Frederick Boulevard and Interstate 29, within four miles of downtown St. Joseph. The hotel on-site amenities include an indoor pool, laundry facilities, fitness and business facilities as well as complimentary breakfast and snacks.

The following figure shows the Drury Inn.

Figure 7-5



There are 2,100 square feet of function space at the hotel and 70 percent of the hotel's business is generated by corporate transient visitors.

Candlewood Suites St. Joseph

Located off Interstate 29, the new 80-room Candlewood Suites is located near major companies such as Heartland Health and Johnson Controls. Hotel amenities include a fitness center, laundry facilities and parking as well as a business center and a Gazebo with grilling area.

The hotel meeting space is limited, with one 538-square foot meeting room that has a capacity of 25 people and it is equipped with a DVD player and whiteboards. The hotel opened in June of 2012 and is the first new competitive hotel to open in the past several years.

The figure below shows the main entrance of the Candlewood Suites.

Figure 7-6



Room rates for this hotel begin at \$105.

Hampton Inn St. Joseph

The Hampton Inn in St. Joseph is one of the upper midscale limited service hotels in the city. Located on Frederick Boulevard, the hotel opened in 2002 and offers 60 guestrooms with breakfast included. There is no significant function space.

The following picture shows the hotel's exterior.

Figure 7-7



The Hampton Inn's location appeals to the leisure customer segment as well as to the corporate guests due to the establishment's close proximity to the business district and local attractions. The majority of business is generated by the corporate transient market.

Accommodated Demand and Competitive Set Performance

HSP used Smith Travel Research data to analyze the competitive set. The following table shows performance data for St. Joseph hotels from 2006 to July 2012.

Table 7-7

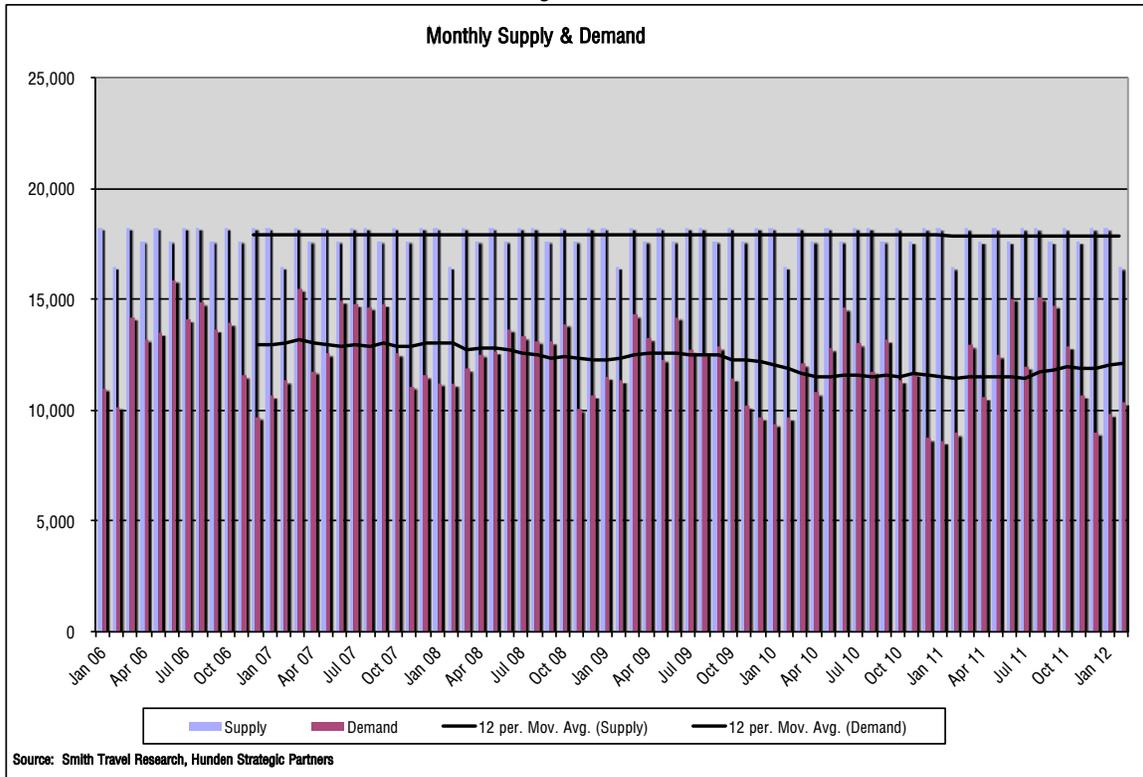
| Historical Supply, Demand, Occupancy, ADR, and RevPar for Competitive Hotels | | | | | | | | | | | |
|--|-----------------------------|-----------------------|----------|------------------|----------|-------|----------|---------|----------|---------|----------|
| Year | Annual Avg. Available Rooms | Available Room Nights | % Change | Room Nights Sold | % Change | Occ. | % Change | ADR | % Change | RevPar | % Change |
| 2006 | 588 | 214,620 | -- | 155,677 | -- | 72.5% | -- | \$61.11 | -- | \$44.32 | -- |
| 2007 | 588 | 214,620 | 0.0% | 156,104 | 0.3% | 72.7% | 0.3% | \$67.56 | 10.6% | \$49.14 | 10.9% |
| 2008 | 588 | 214,620 | 0.0% | 147,242 | -5.7% | 68.6% | -5.7% | \$71.52 | 5.9% | \$49.07 | -0.1% |
| 2009 | 588 | 214,620 | 0.0% | 146,321 | -0.6% | 68.2% | -0.6% | \$74.15 | 3.7% | \$50.55 | 3.0% |
| 2010 | 588 | 214,528 | 0.0% | 138,977 | -5.0% | 64.8% | -5.0% | \$75.60 | 2.0% | \$48.98 | -3.1% |
| 2011 | 587 | 214,255 | -0.1% | 142,880 | 2.8% | 66.7% | 2.9% | \$75.96 | 0.5% | \$50.66 | 3.4% |
| 2012 YTD (July) | -- | 129,324 | 3.9% | 86,709 | 7.7% | 67.0% | 3.6% | \$79.61 | 4.5% | \$53.38 | 8.2% |
| Projected 2012 | 627 | 228,815 | 6.8% | 153,596 | 7.5% | 67.1% | 0.7% | \$79.53 | 4.7% | \$53.39 | 5.4% |
| CAGR* (2005-2011) | 1.1% | 1.1% | -- | -0.2% | -- | -1.2% | -- | 5.0% | -- | 3.4% | -- |

*Compound Annual Growth Rate
Sources: STR, HSP

Demand for room nights in the market has fluctuated over the previous six years. Room nights sold peaked in 2007 at 156,000 and bottomed out during the latest recession at 139,000. Supply has been stable until June of this year when the Candlewood Suites opened. Supply is therefore expected to increase by 6.8 percent in 2012. Room nights sold have increased by 7.7 percent year to date as of July and that trend is expected to continue. Occupancy will therefore increase slightly over last year despite the increase in supply. Average daily rate did not decrease during the recession, unlike in most markets. It is expected to increase to nearly \$80 in 2012, supported by the new quality rooms at the Candlewood. RevPAR is revenue per available room and is the product of occupancy and rate.

The following figure shows the supply and demand trends for the set.

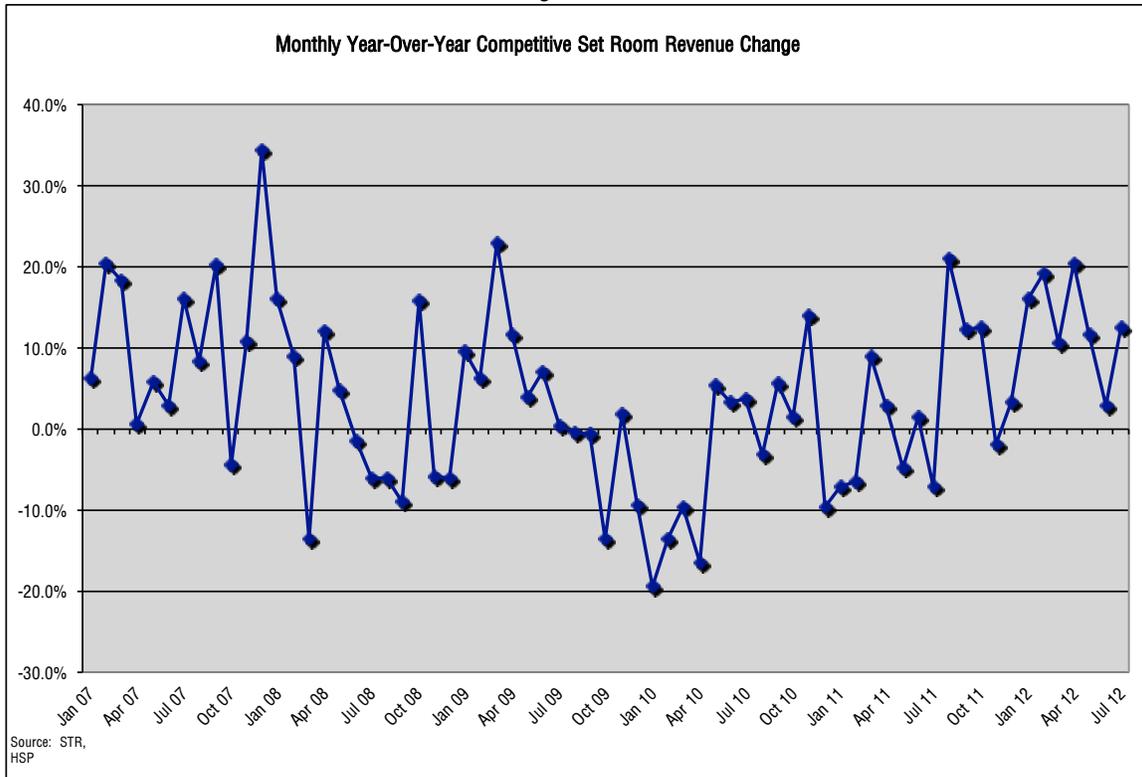
Figure 7-8



The market has been remarkably consistent in its occupancy.

The following figure shows room revenue changes by month (year-over-year).

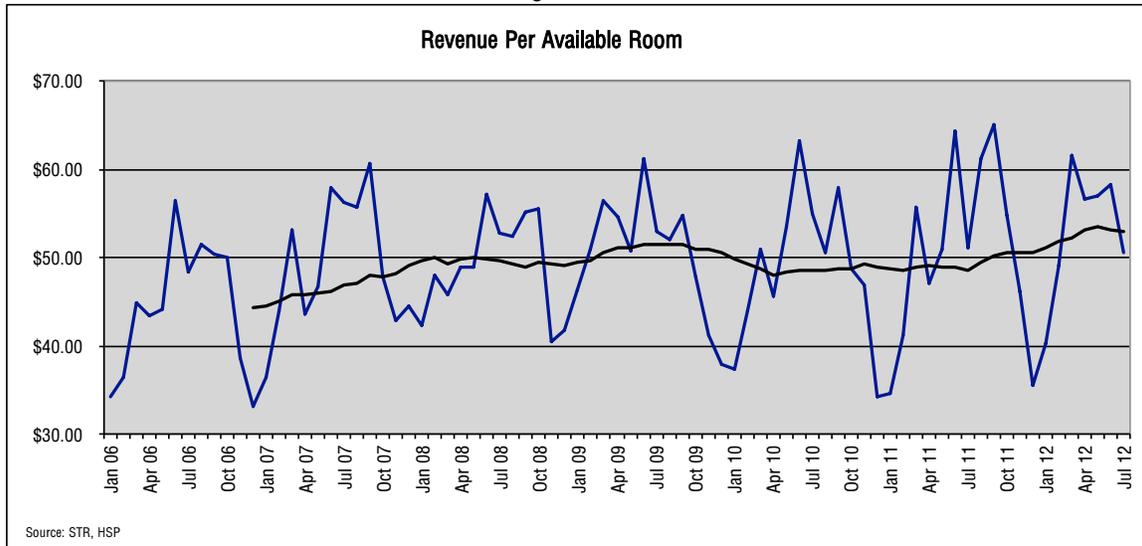
Figure 7-9



Any data point greater than zero is positive and is a positive indicator for the competitive set. As shown, the competitive set's room revenue declined in 2010, but has generally been positive during most months of the last several years.

The next figure shows Revenue Per Available Room (RevPAR), which is the product of occupancy and rate.

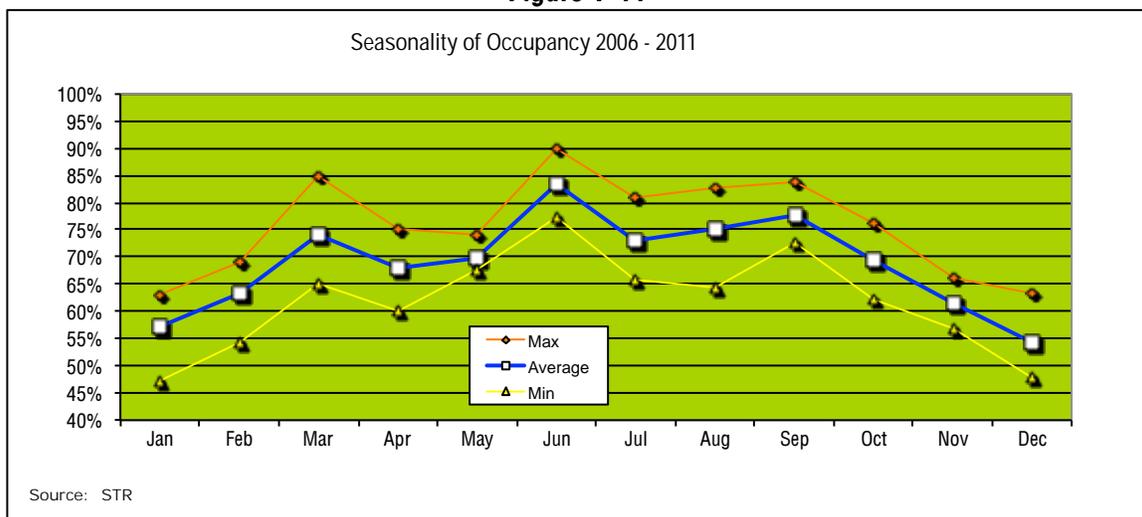
Figure 7-10



The smooth line above shows the 12-month moving average. The figure above shows RevPAR increasing during the city's peak seasons from 2006 to July 2012. As shown, RevPAR has essentially been steady over the period when considering the moving average, although it is on an upward trend for the past year.

The following figure displays the seasonality of occupancy during the last six years.

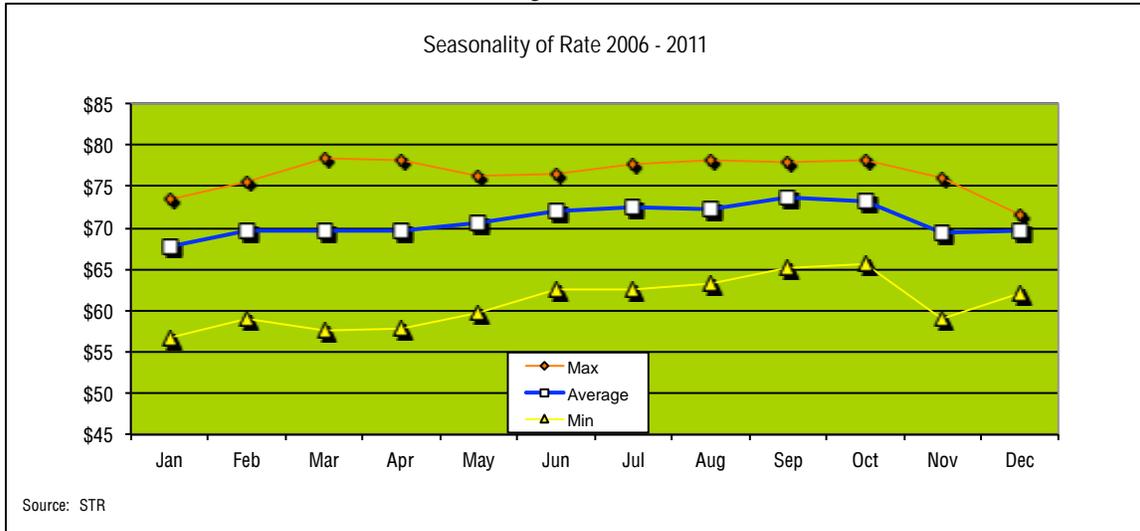
Figure 7-11



In terms of occupancy, June is the most occupied month, followed by September, August, March and July. This matches the typical leisure transient summer break, although is much higher in June than in July or August.

The following figure shows the seasonality of rate.

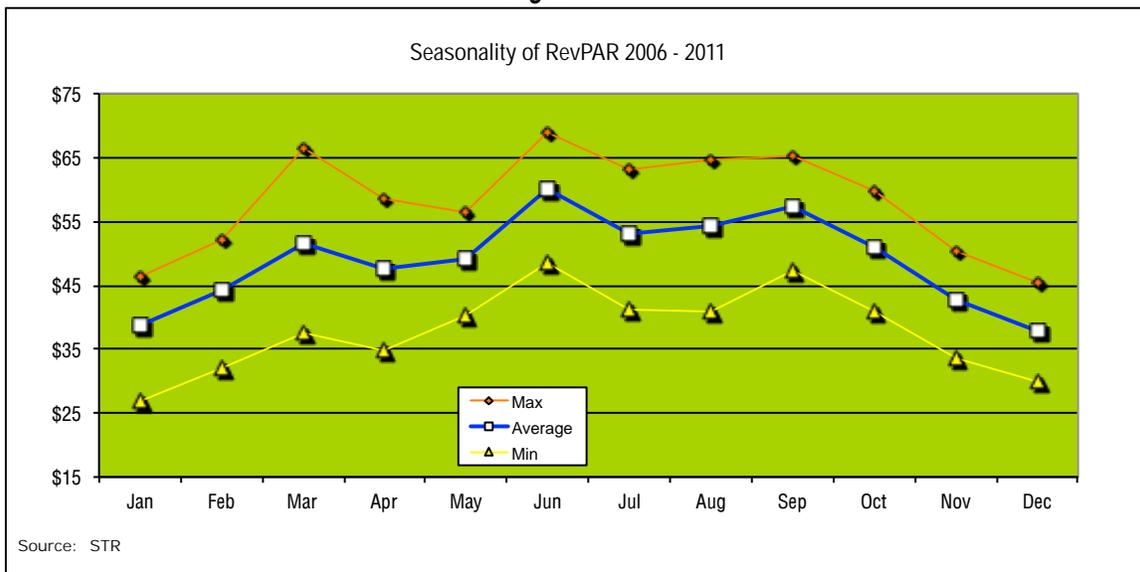
Figure 7-12



Average daily rate does not fluctuate extensively but does increase from June through October.

The following figure shows the seasonality of RevPAR, which is the product of rate and occupancy and suggests overall revenue.

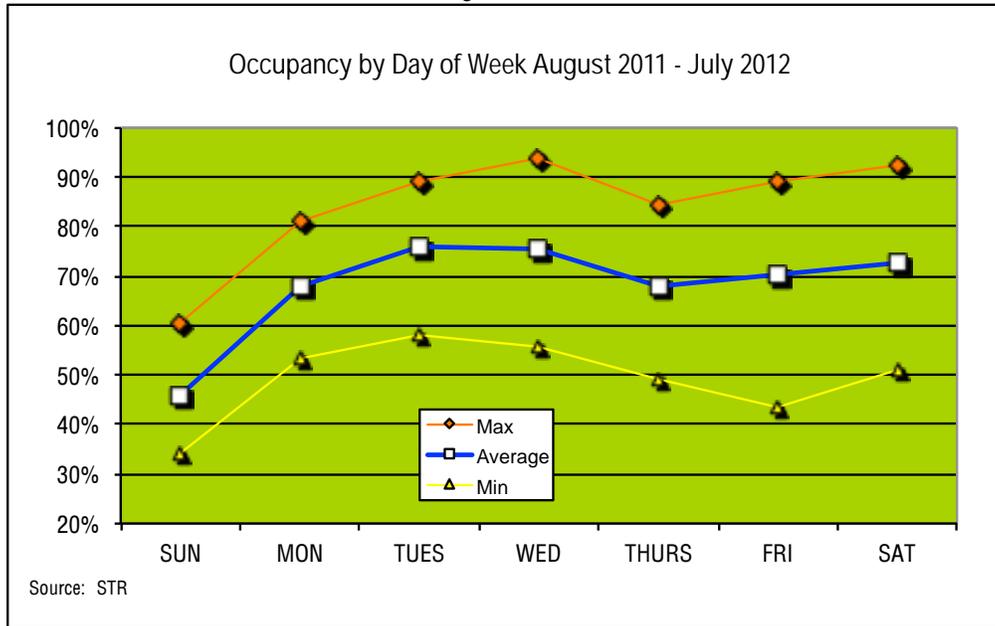
Figure 7-13



As with the other performance indicators, RevPAR data is consistent with the analysis of the prior graphs. RevPAR is highest in June and September when both the rate and the occupancy are high.

The following figure shows occupancy by day of week during the 12 months ended July 2012.

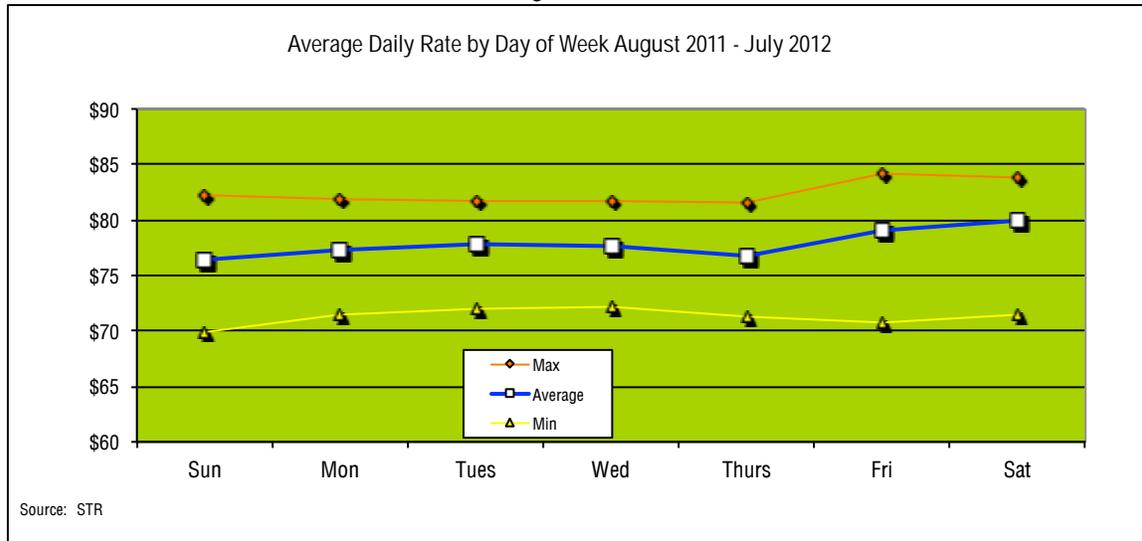
Figure 7-14



Occupancy is highest on Tuesday and Wednesday, suggesting a strong corporate market, but it is also high on weekends, showing strength in leisure travel as well. Occupancy is lowest on Sunday nights, which is typical for all markets.

The following figure shows average daily rate by day of week.

Figure 7-15



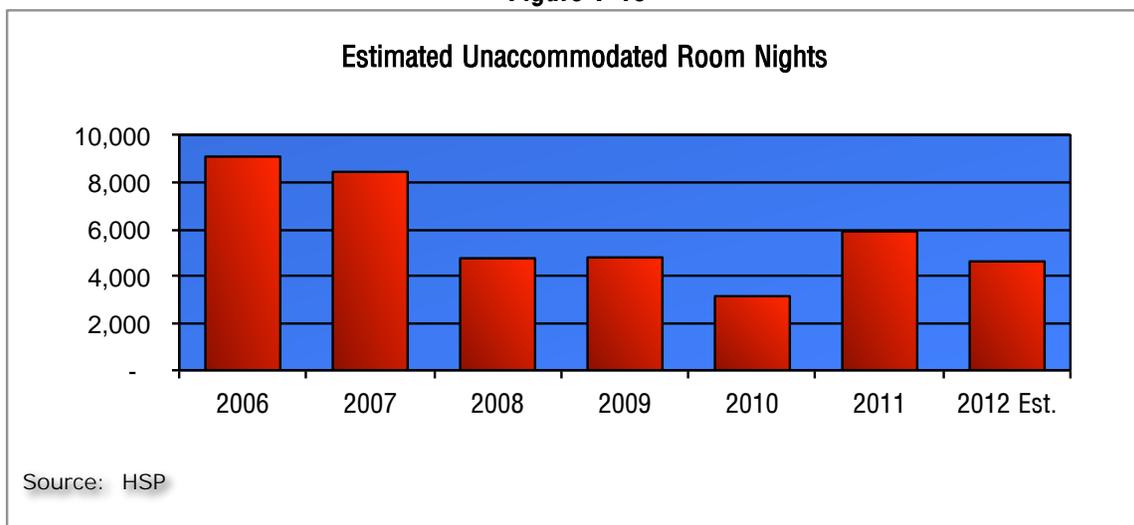
Rates remain rather steady from Sunday to Wednesday, dip on Thursdays and begin increasing and are highest on Fridays and Saturdays.

Unaccommodated Demand

Unaccommodated demand is defined as demand that would have been captured by the market, but for a lack of available rooms. This demand is therefore deferred to later dates, accepts lesser accommodations, moves just outside the competitive set, moves its business to another area, or cancels plans altogether. As new properties are added to the market, it is expected that this demand will be accommodated in the new supply, suggesting that when new hotels are added, they do not cannibalize all of their demand but accommodate previously unaccommodated demand. In most markets, average monthly demand in excess of 66 percent indicates unaccommodated demand.

The figure below shows the estimated of unaccommodated demand.

Figure 7-16



The estimated number of unaccommodated room nights for the competitive set was 6,000 in 2011 and is estimated to be nearly as high in 2012 based on year-to-date data.

The table below shows the occupancy by day of week per month for the past twelve months as of July 2012. Days of week between 75 and 80 percent occupancy are shown in yellow, suggesting mild displacement and unaccommodated demand, while orange shows days in months with 80 to 90 percent occupancy, suggesting very likely displacement. Days in red are for times when occupancy was beyond 90 percent for the set, suggested near certain displacement.

Table 7-8

Occupancy by Day of Week by Month - August 2011 - July 2012

| | Sunday | Monday | Tuesday | Wednesday | Thursday | Friday | Saturday | Avg |
|----------|--------|--------|---------|-----------|----------|--------|----------|-------|
| Aug - 11 | 60.5% | 81.2% | 88.5% | 89.7% | 84.7% | 84.0% | 87.8% | 82.8% |
| Sep - 11 | 59.0% | 75.9% | 89.3% | 94.0% | 84.3% | 89.0% | 92.4% | 83.6% |
| Oct - 11 | 47.3% | 67.1% | 80.7% | 80.1% | 73.3% | 76.7% | 75.6% | 70.7% |
| Nov - 11 | 35.3% | 66.3% | 69.0% | 64.8% | 61.3% | 64.3% | 60.0% | 60.6% |
| Dec - 11 | 33.9% | 53.8% | 58.3% | 55.9% | 49.0% | 43.7% | 52.5% | 49.5% |
| Jan - 12 | 34.5% | 53.3% | 64.8% | 64.3% | 56.0% | 57.0% | 50.8% | 54.1% |
| Feb - 12 | 37.4% | 60.1% | 70.3% | 69.3% | 53.1% | 75.0% | 74.1% | 63.0% |
| Mar - 12 | 54.2% | 80.1% | 85.3% | 85.1% | 80.7% | 76.0% | 90.0% | 79.1% |
| Apr - 12 | 43.0% | 73.6% | 81.7% | 77.1% | 66.5% | 74.5% | 75.3% | 69.4% |
| May - 12 | 49.7% | 60.8% | 77.7% | 76.7% | 68.9% | 71.0% | 78.7% | 69.6% |
| Jun - 12 | 50.6% | 75.6% | 80.5% | 81.9% | 73.9% | 69.0% | 73.3% | 72.1% |
| Jul - 12 | 43.8% | 67.3% | 67.9% | 65.6% | 63.5% | 63.1% | 64.5% | 62.0% |
| Average | 45.5% | 68.1% | 75.9% | 75.3% | 68.2% | 70.1% | 72.8% | 68.0% |

Source: STR

As shown, occupancy during August of 2011 was consistently high every day of the week, with even Sundays above 60 percent and the rest over 80 percent. August was not as consistent, but showed the highest occupancy of time during the year, with Wednesdays and Saturdays in August over 90 percent occupied. March of 2012 was also extremely busy, with nearly every day above 75 percent and Saturdays averaging 90 percent occupancy.

Implications

The St. Joseph hotel market has not been very active in terms of new development, however there appears to have been a flight to quality and willingness to pay for it as the new Candlewood is doing well and helping boost rates in the market. Rates did not decline during any year in the past six, unlike most markets, suggesting a resiliency. Occupancy during certain days and months of the year is extremely strong, including certain mid-week days as well as weekends in March and June, as well as other months. There is clearly displaced demand given the strong occupancy levels during certain times. A new or expanded hotel would recapture some of that displaced demand as well as support rate growth if its quality is high.

The Holiday Inn is the only downtown hotel and will need to stay in top physical condition if it is to remain competitive. With a new entertainment district proposed downtown, it will play a key role. While another downtown hotel is not warranted yet until the entertainment district is more established, a renovated and expanded Holiday Inn, perhaps with a new flag or name, will be an appropriate and prudent way to enhance the Project and the hotel market.

As discussed in the gaming market chapter, there is no hotel associated with the casino in St. Joseph. This hampers the performance of the casino. Bringing the casino downtown and linking it with the Holiday Inn rather than building a new hotel, should be a boon for both properties, as long as quality is high and amenities are competitive with other gaming hotels.

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DOWNTOWN DINING, ENTERTAINMENT AND RETAIL ANALYSIS

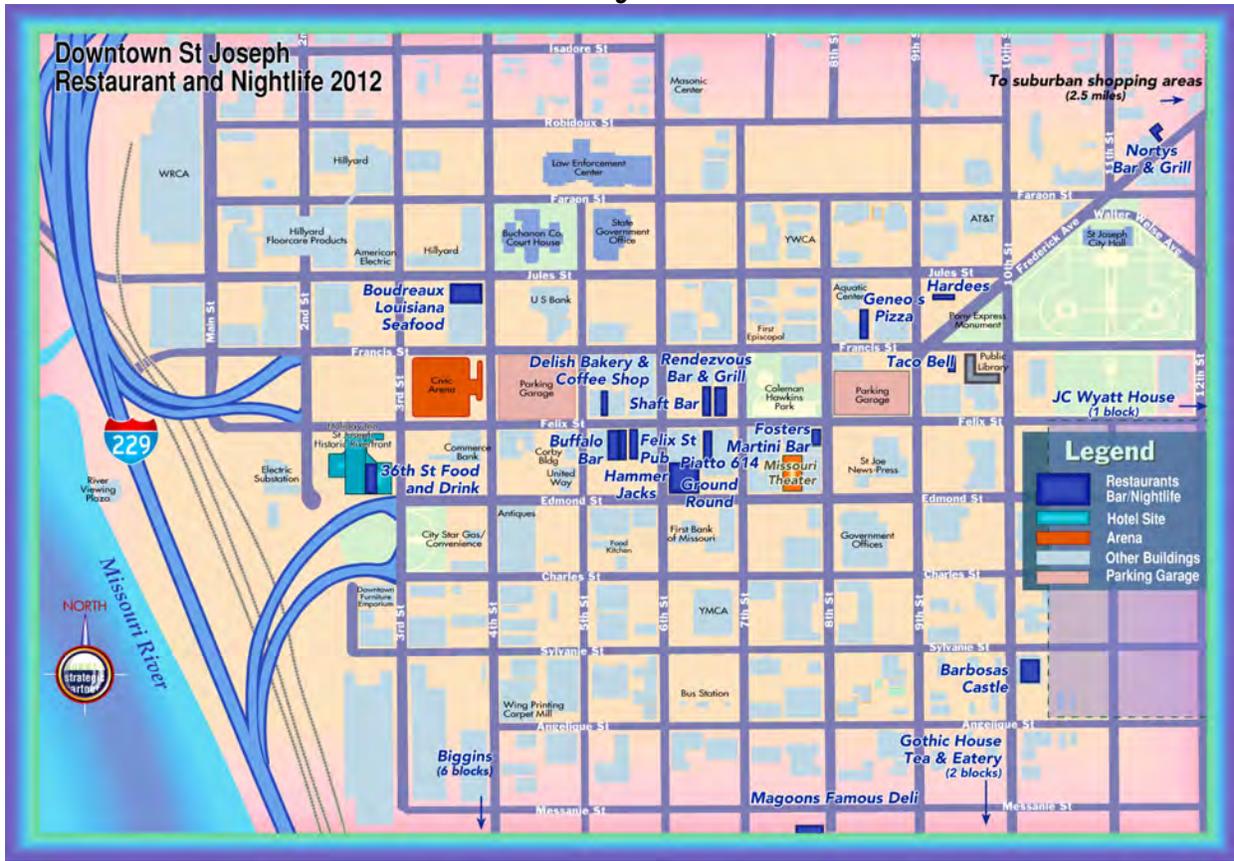
This chapter presents an analysis of the local dining, entertainment and retail establishments in the downtown area. These leisure options can stimulate visitation and spending from out-of-state or out-of-city visitors while recapturing spending of local and in-state residents. Considering the project may contribute to overnight and daily visitors, these venues are critical to economic development. However, there may not be enough family-friendly options as well as tenants that may be attractive to younger knowledge workers that St. Joseph seeks to retain (reversing brain drain). The section also shows the total establishments in the area and includes an overview of selected establishments.

Dining and Nightlife Establishments

The City of St. Joseph has a variety of restaurant options for family or business dining and after work, pre-game drinks or a night out. Casual establishments dominate the dining and entertainment industry in the city. There are very few options for fine dining or other nightlife such as dance clubs and bars, although there are several bars located along Felix Street downtown, which is the focus of this analysis. There is an opportunity for the addition of upscale dining, nightclub-style establishments, a variety of cuisines and related options to complement other city attractions such as the casino in order to induce and repeat visitation.

The following map shows St. Joseph's dining and entertainment venues downtown.

Figure 8-1



The following table shows a summary of St. Joseph's dining and nightlife establishments.

Table 8-1

| Downtown Dining and Nightlife Establishments | | |
|--|-----------------------|---|
| Name | Type | Notes |
| Fine Dining Restaurants | | |
| JC Wyatt House | Steakhouse | Reservations only, historic mansion |
| The Gothic House Tea & Eatery | Dinner, Tea House | Reservations only, historic building |
| Casual Restaurants | | |
| 36th Street Restaurant | American Bar & Grill | Inside Holiday Inn; casual |
| Barbosa's Castle | Mexican | In a stunning historic brick mansion |
| Boudreaux's Louisiana Seafood | Cajun Bar & Grill | Authentic Cajun cuisine |
| Geneo's Pizza | Pizza & Pub | Voted #1 pizza in the City by UrbanSpoon |
| Piatto 614 | Italian | New rustic, traditional Italian establishment |
| Fast Food/Fast Casual | | |
| Hardee's | Hamburger chain | Hamburger & Breakfast fast food |
| Taco Bell | Mexican Taco chain | National Mexican taco chain |
| Bars/Sports Bar & Grills | | |
| Biggins | Hamburgers | Sports Bar/Restaurant |
| Buffalo Bar | Nightclub | Country Music- capacity 600 |
| Felix St. Pub | Bar | Classic downtown bar |
| Fosters Martini Bar | Martini Bar | Live music, on Felix Street |
| Hammer Jacks | Nightclub | Live Rock Bands and Billiards |
| Legends Sports Cafe | Sports Bar | Husker-fans bar |
| Magoon's Famous Delicatessen | Deli and Bar | Deli, happy hour, saloon and live music |
| Pappy's Grill | Bar & Grill | Nightlife destination |
| Rendezvous Bar & Grill | Bar & Grill | Bar |
| Shaft Nightclub | Alternative Lifestyle | Bar |
| Other/Breakfast | | |
| Delish Bakery & Coffee Shoppe | Bakery and Deli | Custom bakery |

Source: St. Joseph CVB, HSP

As the table above shows, there are a total of 20 food and beverage outlets in the St. Joseph downtown area. Each of these establishments offers either dining, drinking or entertainment, with many offering both. Dining and entertainment options in the downtown area lack variety; most of the venues offer bar and grill environments as well as fast food options.

Two finer dining restaurants are located downtown, JC Wyatt House and The Gothic House Tea & Eatery. Both are low profile, higher-end dining in a historic building or mansion. Seating is by reservation only. JC Wyatt House is located on Felix Street in a historic Victorian house from 1891 and offers two meals per day, lunch at 11:30 am and dinner at 5:30 pm. The Wyatt House, other

than functioning as a restaurant, is used as a private venue for social and corporate events with the availability of custom menus and in-house catering. The second downtown fine dining venue is The Gothic Tea House & Eatery, housed in a National Register Historic Gothic Revival mansion from 1869. The seasonal menu includes homemade meals and a separate tea menu; seating takes place from 10:30 to 2:30 for lunch and afternoon tea from 4:00 pm to 6:00. Similar to Wyatt House, the teahouse is available for dinners and special events in any of the rooms of the house, the garden over the summer, the tearoom or the main dining room.

Casual dining establishments are predominant in the downtown area, totaling 17 venues. These establishments include bar & grill's, sports bars and specific cuisine restaurants such as Piatto 614, a recently opened traditional Italian establishment and a Cajun seafood restaurant called Boudreaux's Louisiana Seafood. At least seven general bar and grill establishments are spread throughout the downtown area.

Coffee shops, chain restaurants, snack and dessert spots as well as nightlife venues also exist in the area. Foster's Martini Bar specializes in martinis and small plates and often features live music. There are a few nightclub-specific bars such as Hammer Jack's, a rock live music-and-billiards venue, Buffalo Bar, a country music bar with a large capacity, and Shaft nightclub, Northwest Missouri's only GLBT-friendly bar. These bars, along with Rendezvous and Foster's, line a two-block area of Felix Street, creating the area's claim to a nightlife district. The area is lacking an upscale nightlife component, however.

There is one coffee shop or bakery, the Delish Bakery and Coffee Shoppe. Daytime eateries and sidewalk cafes are virtually nonexistent in Downtown St. Joseph. The addition of an arena/convention facility, a relocated St. Joe Frontier casino, and an expanded Holiday Inn, and riverfront recreation development could greatly re-energize central downtown St Joseph and its dining and nightlife scene.

Retail

St. Joseph's retail stores and malls are mostly congregated on the northeast side of the city along Belt Highway, near Interstate 29. East Hills Mall, Belt Highway and Frederick Avenue are the most visited areas for retail shopping and dining and entertainment options. Big box retailers such as Best Buy, Home Depot and Dillard's are located in the aforementioned areas. Downtown shopping is mainly on Felix and Francis streets and from 5th to 8th streets. The stores include a few boutique, antique and specialty shops separated by empty storefronts and even entire blocks that prevent the possibility to achieve a retail and entertainment critical mass.

The Stetson Hat Factory Outlet is located on the outskirts of the City of St. Joseph. Stetson Hats is one of the most recognized brands of American hats in the world. The brand started production in 1865 in Texas and relocated the factory to St. Joseph in 1971; factory tours and discount shopping are available and are one component in the area's tourist offerings. Enticing those tourists from the Stetson factory to the downtown area is a challenge that could be met by offering the Stetson company retail space in downtown to sell their hats and western gear as a downtown retail anchor.

The following table lists retail establishments in the city.

Table 8-2

| Commercial Retail in St. Joseph | | |
|---------------------------------|------------------------|---|
| Establishment | Distance from Downtown | Type |
| Belt Highway area | 3 to 6 miles | Fast food, chain stores, most of the city's retail since 1950 |
| East Hills Mall | 3.1 mi | General Retail Mall |
| East Ridge Village | 3.2 mi | General Retail |
| Hillcrest Plaza | 3.3 mi | General Retail |
| Horn's Antique Emporium | 0 mi | Antiques |
| Hunterland Antique Mall | 5.0 mi | Antiques |
| Jesse James Antique Mall | 8.2 mi | Antiques |
| Rivertown Antique Emporium | 0 mi | Antiques |
| The Shoppes at North Village | 4.0 mi | General Retail |
| Woodlawn Shopping Center | 3.6 mi | General Retail |

Source: St. Joseph CVB, Respective Establishments

The City of St. Joseph has a retail scene that centers mostly along Belt Highway, in the east and far northeast portion of the city near the I-29 and Frederick Avenue intersection, northward to Rochester Road. Most of the retailers, as shown on the table, are general retail and chain stores while the remaining are antique shops. Nearly all the area's retail has developed along Belt Highway (the rerouting of US 169 around the outskirts of the city) since the 1950s. The construction of I-29 in the late 1960s kept through-traffic concentrated along the same areas east of the city at interchanges, paralleling Belt Highway.

St. Joseph has four shopping establishments dedicated to antique distribution and auctions. Two establishments are located in the downtown area. Horn's Antique Emporium and Rivertown Antique Emporium are located on Felix Street in downtown, while Hunterland and the Jesse James Antique Mall are located five and eight miles away from downtown, respectively. Horn's Antique Emporium is one of the largest antique stores in the area, as well as Hunterland, featuring over 70 and 100 dealers respectively.

The East Hills Mall is a very successful 676,000-square foot indoor one-level shopping mall located along Frederick Avenue at Belt Highway three miles northeast of downtown St. Joseph. The mall opened in 1965 with 416,000 square feet and JCPenney and Montgomery Ward as anchoring tenants. Since its opening, two renovations have been executed; a renovation and expansion during 1988 where improvements included 34 new storefronts and two department stores, Dillard's and Sears. This expansion increased the mall's size to its current size, and draws shoppers from all over the trade area of northwestern Missouri and counties in three other states. . In 2008 renovations took place in order to revitalize and upgrade the facilities. The mall features 62 storefronts including eight dining venues. As of this year, ten new tenants leased space in the mall, including Victoria's Secret and Gordman's department store. The last renovation, for

upgrades and reinvigorating, was mainly needed to attract bigger and nationally branded retailers, optimize space, adopt green initiatives and, foremost, retain the existing tenants and customers while adding more retailers and gaining new customers.

East Hills is one of the largest features drawing visitors to the city of St. Joseph, being the only enclosed shopping mall in a 50-mile radius.

The following figure shows one of the mall entrances.

Figure 8-2



The picture above shows one of the upgraded entrances in 2008.

The Shoppes at North Village is a relatively new, very sprawling open-air suburban retail center housing Michael's, Dress Barn, Petco, Kohl's, Buffalo Wild Wings, Pier One, Target, T.J. Maxx, Home Depot, Bed Bath and Beyond, Sam's Club, Bob Evans restaurant, and a ten-screen cinema complex. It is located on the east side of the city near Belt Highway and North Village Drive at 5201 North Belt Highway. The property, built on 77 acres in 2005, includes 501,117 square feet of leasable space and includes four anchor tenants: Home Depot, Sam's Club, Target and TJ Maxx. Of the 37 tenants, eight are food and beverage outlets.

The following figure shows a small portion of the Shoppes exterior.

Figure 8-3



The completion of this complex has moved the center of retail gravity farther north and out toward I-29, away from downtown. This retail magnet is the only location for many of these retailers such as Target and Home Depot within outside of Kansas City, Topeka and northeast Kansas, Columbia, and as far north as Council Bluffs and Des Moines in Iowa, 130 and 190 miles away. The catchment area for these stores is essentially the same area as the St. Joe Frontier Casino. St. Joseph is fortunate to have branches of these large, successful chains to add to the overall metro area's retail vitality and economy. Downtown St. Joseph can not and should not compete with these retail outlets, as the services and goods that these store supply generally meet different demands in the populous' daily lives. Instead, downtown St. Joseph can leverage weekend trips from residents and out-of-towners into longer weekend stays and visits with special events, unique dining and entertainment establishments in historic surroundings, and festivals.

ENTERTAINMENT DISTRICT PROFILES

This section profiles purpose-built entertainment districts that focus on restaurant, bar and nightclub tenants in an indoor/outdoor atmosphere. While most have been developed by the Cordish Companies of Baltimore, there are other less "packaged" districts that have been developed in smaller communities across the U.S., often in suburban areas. These mimic what the

Project in St. Joseph will be trying to accomplish, in terms of a mixed-use entertainment area downtown that compliments what is already there and expands it in multiple directions in terms of demand attractions.

The concept for most of these districts is that a variety of food and beverage options all in one place drives repeat visitation. Adding in a strong dose of entertainment by programming bands or other entertainment in a public area or in a large bar in the district keeps the activity fresh. By creating a critical mass of options for visitors and residents, the concept/question is not “what restaurant to go to?” but “let’s go downtown and figure out a place to eat and drink once we get there.” By providing numerous options for all demographics and price points, the district becomes a destination where young singles can go as well as retired couples and everyone demographic in between.

Unlike convention centers, performance halls and sports facilities, which are only active when a show, game or event is in town, these districts by their nature (everyone eats everyday) are a continuous source of visitation and compliment the sports, concert and meetings/events that are in town. In fact, having such a district helps attract events to convention and conference centers because attendees and planners know there will be something to do. The synergy amongst these various demand generators, such as exist and are proposed for St. Joseph, is extremely positive and creates an atmosphere of constant activity. This in turn gives the community a vibe and halo effect. When potential employers or employees come to town, they do not simply finish their meetings, have dinner and go to bed. Instead, the district is the activity after all the meetings are finished and allow the participants (and future employees) to enjoy the community and see that it is truly a place to live, work and play.

St. Joseph’s goal is to create this constant energy downtown and a critical mass of facilities and activities that set it apart and make it unique and fun for residents, visitors and employers.

Harrison Street Live!

As proposed, Harrison Street Live! In Fort Wayne, Indiana, will be a food, beverage and entertainment-based destination, developed by The Cordish Companies (Cordish) in downtown. The Project will include two large-format restaurant/clubs, four restaurants and a large enclosed “Plaza” area with live entertainment and mini-tenants/kiosks and points of sale all under an enclosed glass roof. Typically, these “Plazas” allow open liquor containers, as visitors are encouraged to move from establishment to establishment, creating a festival-like atmosphere in a controlled environment. Dress codes and security checkpoints at the entrances help ensure a safe and fun environment.

The developer, Cordish, specializes in such developments, with “Live!” projects in Baltimore, Louisville, Kansas City and Philadelphia and a casino-based “Live!” project in Shelbyville, Indiana called Indiana Live! All of Cordish’s downtown, non-casino projects are public-private partnerships with a substantial public investment. The public investment is typically for public infrastructure like parking, streets/sidewalks, utilities and extra allowances for tenant build-out. Since downtowns generally do not have robust restaurant, bar and entertainment markets and these projects are

designed to jump-start such areas, public investment is needed to help these highly themed environments compete with less expensive and easily accessible suburban malls and restaurants.

The project will include two major tenants, including a large format performance venue/bar concept and a large-format sports bar/restaurant. There are also plans for a country western bar/restaurant with some entertainment, a lounge/bar/club currently dubbed “Ultra Lounge,” a steakhouse and a neighborhood tavern. In the plaza will be a beer garden and entertainment as well as a number of kiosks for other food and beverage options. The proposal is similar to the recently opened Philly Live! in Philadelphia.

The largest areas in the development include the Plaza area and the 23,400-square foot performance venue, which is essentially the Live! component. The Plaza area is used for all manner of activities and can be the site of large parties, shows or just lounging around in the quasi-outdoor atmosphere on couches, chairs and what not. It is essentially a massive outdoor-feeling lounge. It will feature ten points of sale for various food and drink purchases. While the area will be family friendly until 9pm, after this time it will convert to a 21-and-over policy.

The 23,400-square foot venue can blend into the Plaza area to accommodate up to several thousand for a performance. However, normally, it could seat several hundred within its space.

The second-largest tenant will be a large-format sports bar and grille, similar to the former ESPN Zone. Other concepts like Sport & Social, Lucky Strike (bowling and billiards-themed) and NASCAR Grille could also work, as some have in other Cordish projects. However, a likely tenant could be the NBC Sports Arena, which is very similar to the ESPN Zone concept and would be a brand extension for the new NBC Sports Network. At 15,000 square feet, the concept will be able to hold several hundred patrons at any given time.

The other tenants will be typical restaurant sized-units with four themes: an Irish pub/tavern/restaurant, a high-end steakhouse, a country and western bar and an ‘ultra’ club with bottle service (similar to clubs found in Vegas, Miami, New York, etc.).

The Project’s proposed soft and hard costs is \$74.1 million and includes both the developer and tenant costs, since Cordish and its affiliates are expected to make up both parties in most cases. Developer Costs make up 69 percent of the budget.

Power & Light District - Kansas City Live!

Kansas City Live! is the central entertainment component of the larger Kansas City Power & Light District. The Power & Light district is a mixed-use development created as an urban revitalization project through a partnership between the City of Kansas City, Missouri, and the Cordish Company. The development consists of seven square blocks (and parts of two additional blocks) that include restaurants such as Gordon Biersch Brewery and Restaurant, Bristol Seafood Grill, and Ted’s Montana Grill, bars and clubs such as Angel’s Rock Bar and McFadden’s Sports Saloon, entertainment venues including Lucky Strike Lanes and AMC Mainstreet Theater, and retail stores such as GNC, Sprint and Jos. A. Banks. The renovated downtown area is between the Sprint Center Arena and the Kansas City Convention Center.

The figure below is a picture of the Kansas City Live! area.

Figure 8-4



The retail and entertainment district of the development includes approximately 462,000 square feet of leased space. The cost of that space was \$180 million, for which the City of Kansas City, Missouri, and the state paid approximately \$70 million in combined incentives. Additionally, the City has granted the real estate to Cordish and has done substantial infrastructure work, as well as donating 2,500 parking spaces. Cordish has paid \$50 million in equity and has financed \$60 million.

Cordish has entered into different types of rental agreements with tenants, including a fee per square foot, up to \$45 per square foot, and a fee based on percentage of gross sales for the larger tenants, including the grocery tenant, Cosentino's Market. The average rental per square foot is estimated to be \$27 per square foot.

The Kansas City Live! element of the development has made the project unique from a traditional mall or shopping district. The entertainment venues include the Midland Theatre and the outdoor Kansas City Live! stage. As with all Live! districts, visitors may attend the entertainment events at the Kansas City Live! stage with open alcohol containers that have been purchased at the bars in the Power & Light District. The project generates an estimated \$130 million in annual sales (at current lease and sales rates) and more than six million visitors per year. Sales per square foot ranges from \$85 to \$660.

The Kansas City Convention Center and the new Sprint Center have been two of the driving forces behind the success of the Kansas City Power & Light District. The Kansas City Convention Center

complex, located just west of the Power & Light District, consists of 388,800 square feet of exhibit space, a 10,700-seat arena, and a 46,484 square foot ballroom. Accommodations near the convention center include the 946-room Marriott Kansas City Downtown, which is across the street from the convention center and the newly renovated Hilton President Kansas City Hotel, which is within the nine-block Power & Light District.

The \$276 million Sprint Center, which opened in 2007, is a 18,000 seat arena that hosts a variety of events that range from sports, concert and family shows. The Sprint Center has incorporated the new College Basketball Experience museum and National Collegiate Basketball Hall of Fame next to the facility. The Sprint Center is across Grand Avenue from the Power & Light District.

Fourth Street Live!

Fourth Street Live! is a project in downtown Louisville, Kentucky, that took an enclosed mall and redeveloped the property into a mixed-use open-air retail and entertainment district. Located next to the Kentucky International Convention Center, Fourth Street Live! is a \$90 million redevelopment of the former Louisville Galleria on Fourth Street between Liberty Street and Muhammad Ali Boulevard. The development includes primarily bars, nightclubs and restaurants, but also features a recently vacated Borders Books & Music (being converted into a Gordon Biersch restaurant). Tenants include Hard Rock Café, Lucky Strike Lanes, Felt and Maker's Mark Bourbon House & Lounge.

The Fourth Street Live! project opened in 2004, with 257,000 square feet of leasable retail/restaurant space. In its first full year, 2005, the project attracted 4.2 million visitors, a number which has been equaled each successive year. It is estimated that 60 percent of the visitors are from out of state. The project has sparked additional retail and restaurant development south of Muhammad Ali Boulevard.

The figure below is a picture of part of Fourth Street Live!

Figure 8-5



Fourth Street Live! has an outdoor space for concerts and other events, including the popular “Hot Country Nights” concert series during the summer. Many of the events and concerts are free to the public.

The Fourth Street Live! development benefits from its location and relationship with the Kentucky International Convention Center (KICC), located one block north of Fourth Street Live! The KICC has more than 200,000 square feet of exhibit space, a 30,000 square foot ballroom and 52 meeting rooms. In 2007 the KICC had an attendance of 438,675. Many of these attendees use the restaurant, retail and entertainment venues of Fourth Street Live!

Another venue that drives traffic to Fourth Street Live! is the KFC Yum! Center, the 22,000-seat home arena for the University of Louisville’s men’s basketball program as well as concert events and family shows. The Yum! Center is located at the corner of Second Street and Main Street along the Ohio River waterfront, only three blocks north of the Fourth Street Live! development.

The Fourth Street Live! project had a total development cost of \$70 million, with \$35 million of that from equity capital. The City of Louisville contributed a grant, the Commonwealth granted a tax rebate and the federal government issued New Market Tax Credits, all of which totaled \$30 million. Furthermore, the City of Louisville provided approximately 2,000 parking spaces to the project. The average rent for tenants is \$25 per square foot, with the larger tenants such as Borders and Lucky Strike paying on a percentage of income basis.

Power Plant Live!

The Power Plant and Power Plant Live! developments are within the Inner Harbor area of downtown Baltimore, which has been undergoing successful redevelopment efforts for approximately 30 years. Power Plant Live! was the first phase of the project and consists of a renovated waterfront power plant in the downtown Inner Harbor area of Baltimore that dates from the late 1800's.

The buildings had a history of failed urban entertainment uses until the Cordish Company redeveloped the facilities into a mixed-use development funded through Cordish and public sector funds. Primary tenants of Power Plant include the first ESPN Zone, Hard Rock Café, Barnes & Noble, Gold's Gym and office space. After all phases of the development were complete, the total cost of the project was \$100 million.

Power Plant Live! is a second phase and is comprised of numerous bars, restaurants and clubs, as well as some retail development. It is similar to what is proposed in Fort Wayne. There is a large common area with outdoor bars and a live music venue called Rams Head Live! Many of the tenants convert from restaurants to clubs later in the evening.

The City of Baltimore granted the property and buildings to Cordish, a value of \$20 million. Cordish invested \$15 million in equity and financed \$29 million for this project. The development has become a success. While rental rates were initially low (this was the first project of its kind and the tenants were taking a risk along with the developer), these should increase substantially as leases are renewed.

The figure below shows a picture of Power Plant Live!

Figure 8-6



As in all Cordish Live! districts, there are built-in controls for public safety and security, such as dress codes and monitored entrances and exits. However, to allow for a free-flowing crowd, there is a single liquor license for alcohol that allows patrons to move from place to place with open drinks. Additionally, there are age limits, typically 21 and up after certain hours, although all ages are allowed at the restaurants within the attraction and at the summer concert series. Power Plant Live! has been very successful, according to both the developer and downtown stakeholders and has helped downtown Baltimore become an improved live/work/play district.

Power Plant Live! caters more to a younger demographic. The Baltimore Area Convention and Visitors Association estimates that more than 15 million people, both residents and tourists, visit the Inner Harbor area of Baltimore annually. Cordish estimates that Power Plant Live! has sales averaging \$400 per square foot.

The Inner Harbor region has been a hot spot for attraction and entertainment development in Baltimore since the implementation in the 1970's of the Inner Harbor Master Plan. Since the development of the Master Plan, numerous developments have been spurred within the area proximate to the Inner Harbor, including, but not limited to, the Baltimore Convention Center in 1979, the National Aquarium in 1981, and Harborplace, a festival marketplace, in 1980. A second Inner Harbor renaissance occurred in the early to mid 1990's, with a number of new developments, the most prominent of which is Oriole Park at Camden Yards that opened in 1992. The Inner Harbor is now home to approximately 14 diverse attractions, ten hotels, more than 15 restaurants and two retail areas. Power Plant Live! opened in 2001 and has benefited from the surrounding development, as the basis for the Inner Harbor as a local/regional attraction was already well established.

Xfinity Live!

Xfinity Live!, originally known as Philly Live!, is a mixed-use development that is currently under development on the South Side of Philadelphia. The project is located on the site of the former Spectrum arena, located within the South Philadelphia Sports Complex. In addition to Xfinity Live!, the complex also includes Lincoln Financial Field (home of the Philadelphia Eagles), the Well Fargo Arena (Philadelphia 76ers and Flyers) and Citizen's Bank Ballpark (Philadelphia Phillies).

The following image shows the proposed Xfinity Live! development.

Figure 8-7



Xfinity Live! opened in April of 2012 and has approximately 60,000 square feet of leasable space at a cost that has been reported between \$31 and \$100 million, depending on the costs included. The Philly MarketPlace serves as a central gathering place and provides guests with access to each of the venues. The Philly MarketPlace at XFINITY Live! Philadelphia includes many local institutions, including Chickie's & Pete's, Comcast SportsNet Interactive Zone, Goodnoe's Ice Cream, Old Original Nick's Roast Beef and Original Philadelphia Cheesesteak Company. The largest open area inside the Philly MarketPlace features a VIP lounge, custom draft tables, a raw bar, and sports viewing. Additional tenants include the NBC Sports Arena, with its sports-focused theme, the Spectrum Grill, Victory Beer Hall, the Broad Street Bullies Pub and the PBR Bar & Grill.

Both the cost and tenants are critical to investigate as this the concept most similar to that proposed in Fort Wayne. If costs were \$31 million in Philadelphia, then it implies that costs in Fort Wayne could be much lower than proposed. If costs were \$100 million, then back up data should be provided to understand the high cost per square foot for the facility and what items (tenant buildout, etc.) were included.

The following figures show the tenants at Xfinity Live!, beginning with NBC Sports Arena.

Figure 8-8



The next photo is of the Philly MarketPlace.

Figure 8-9



The next picture is the Spectrum Grill.

Figure 8-10



The next photo shows the Victory Beer Hall.

Figure 8-11



The next picture shows the PBR Bar & Grill.

Figure 8-12



The following photo is of the Broad Street Bullies Pub.

Figure 8-13



Unlike its earlier Live! districts, Xfinity Live! is primarily composed of Cordish tenants. With each successive project, the benefits of self-tenanting appear to lead to a greater reliance on such a strategy.

Newport on the Levee

Newport on the Levee is an entertainment center located between Third Street and the Ohio River in Newport, Kentucky, immediately across the river from downtown Cincinnati, Ohio. It is located adjacent to the Purple People Bridge that spans the Ohio River, linking pedestrians with Great American Ballpark, home of the Cincinnati Reds Major League Baseball club, and is positioned to offer a view of the Cincinnati Skyline.

Beginning in the 1980s and 1990s, Newport made plans to develop its riverfront and core to focus primarily on "family friendly" tourism. In May 1999 the \$40-million Newport Aquarium opened, one year ahead of the adjacent entertainment complex, Newport on the Levee, opening in 2000. The total of \$160 million cost had 35 percent public incentives, including municipal bonds and a real estate tax waiver. Besides the Aquarium, the indoor/outdoor complex includes a dozen restaurants, some of which feature live music and performances, retail space for clothing, wine, gift stores and fine arts shops, a 20-screen AMC theater, and a Barnes & Noble Bookstore, surrounding a two-level outdoor plaza and a three-level indoor mall-like space. As a result of the increased attention, value, and visibility, the immediate area has added several adjacent residential condominium and apartment projects, either with new construction or in rehabilitated historic structures.

Due to the access of the Purple People Bridge, fans from Cincinnati Reds games and other concerts and events at the U.S. Bank Arena patronize Newport on the Levee's restaurants and gift stores before and after games. The project has served well as a catalyst for Newport's new image and growth into a trendy and desirable mixed-use downtown district in terms of prosperity and in the minds of the Cincinnati Area's two-million-plus residents.

Current restaurants and nightspots include Bar Louie, Brothers Bar & Grill, Cold Stone Creamery, Brio Tuscan Grill, Claddagh Irish Pub, Dewey's Pizza, Five Guys burgers, Mitchell's Fish Market, naked Tchopstix, Saxbys Coffee, Tom+Chee Grilled Cheese. Entertainment includes Gameworks, and Star Lanes on the Levee with a full restaurant, bars, patio and billiards, Funny Bone Comedy Club, Jefferson Hall live music, a TV show studio called Cincinnati, Toro Bar, Ride the Ducks amphibious sightseeing tours, and Shillito's Elves, a historic animatronic display surrounding Santa's Workshop, preserved from the old Shillito's Department Store.

The following are aerial views of the Newport Aquarium and Newport On The Landing.

Figure 8-14



The following image shows a view of the complex.

Figure 8-15



As shown, the movie theater plays a prominent role in this development, although most of the activity is actually driven by restaurants and bars.

Implications

The concept of an entertainment-oriented food and beverage district, with a variety of restaurant and bar/club options, has been successful for the past ten years in various markets and has supplanted the old “festival marketplace” concept that was popular during the 1980s and early 1990s. The differences are significant. The old festival marketplaces were primarily geared toward tourists and features food courts, a few lower-end restaurant options or bars and also featured many gift shop style tenants. These lost their novelty appeal fairly quickly. The new entertainment/food and beverage districts are focused on both visitors and residents and have mostly avoided retail. Instead the focus is on a mix of restaurants, bars and clubs that are targeted to all types of ages, budgets, tastes, etc. The result is a district where most everyone should have several good options from which to choose. It makes “going downtown” a real option for many options, not just one or two restaurants, such as exist today.

The projects that have been developed on a massive scale have primarily been developed in the U.S. by the Cordish Companies. However, many districts without a single master developer have developed in a number of communities across the U.S., such as in certain suburban communities and college towns. They key to success is creating a walkable district with many options for food,

beverage and in some cases, entertainment. Often, there is a public 'square' or other public area in these districts where beverages can be consumed from any of the restaurants/bars, making for a festival-like atmosphere. That provides a sense of community, a constant sense of energy and activity and serves a number of economic development purposes.

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SITE ANALYSIS & RECOMMENDATIONS

SWOT Analysis

This section provides an analysis of the conditions for development of a downtown entertainment district in St. Joseph via a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis. A SWOT analysis identifies critical factors that will impact the recommended Project's overall performance. When considering the idea to develop facilities within a downtown entertainment district or any other business plan, the interested parties need to analyze the proposal in a clear and rational manner. HSP has used the "SWOT analysis" to evaluate the proposed event center, drawing on the facts surrounding the proposal, the city of St. Joseph and the surrounding community, the existing facilities in the city, the facilities that may be considered as competitors in the region, and event centers throughout the United States that would be considered comparable examples to the proposed facility.

These observations from the analysis result in recommendations on the size and quality of the event center in relation to the market. These recommendations also take into consideration the synergistic relationship the facility will have with the city of St. Joseph in general, the Holiday Inn, St. Jo Frontier Casino and an event center. The application of that analysis is as follows:

Strengths

- **St. Jo Frontier Casino** – As the location of the St. Jo Frontier Riverboat Casino, St. Joseph serves as a local and regional destination for visitors seeking entertainment. In addition and perhaps more importantly, the proposed relocation of the casino can help generate activity downtown and offer a convenient entertainment option for visitors attending conventions and meetings at the event center. It will also generate demand that will support a renovated and expanded Holiday Inn. Casinos have a natural synergy with entertainment, sports and restaurants as well. By locating the casino downtown, the viability for these types of uses improves. Without the casino, the business case for any major development downtown is marginal at best.
- **Location/Accessibility** – The site of the proposed Project is located near downtown St. Joseph's main interchange with Interstate 229. This location along the Interstate also provides a highly visible location to those traveling from outside of the area. The sites available are also centrally located downtown and provide a synergistic layout between function space, entertainment, food and beverage, retail and hotels. This will provide necessary access to amenities for those that may be in town for events at the downtown entertainment district.
- **Lack of Existing Nearby Competitors** – There is no competitor for this type of development in the local St. Joseph market or any competitive facility of any size for at least a 45-minute drive (Kansas City's downtown as well as the KC North large casinos). The northwestern region of Missouri is lacking in meeting, ballroom and other function space compared with the rest of the state and relative to its population

base. The development of this downtown entertainment district will enable St. Joseph to attract groups that would have otherwise gone elsewhere in the state or region. The unaccommodated demand from the regional area has to make do with less than ideal facilities.

- **Anchor Venue for Northwestern Missouri** – Once completed, the proposed event facilities will serve as anchor meeting facilities for the northwestern region of Missouri. This will provide statewide associations a destination in the state outside of Kansas City, Branson and St. Louis that can host their events. Associations like to rotate events every few years to lesser-populated areas to make sure to appeal to all members across the state. This will help draw visitors to the region and stimulate growth for business as well as tourism.
- **Committed City and Corporate Leadership** – The City of St. Joseph and Affinity Gaming’s corporate leadership have demonstrated a commitment to stimulating redevelopment and reinvestment in the central business district and revitalize the riverfront area. As active participants in the planning process, they have each committed significant resources to ensure that the facilities built will serve current and future needs of the community. In addition, these commitments may take the form of financial contributions and ongoing support that could allow for better facilities geared toward a longer-term growth trajectory, as opposed to basic facilities only meeting the needs of today.
- **Existing Tourism Base** – St. Joseph possesses a number of assets that contribute to the history of the community. St. Joseph is a unique community famous for its historical link to the Pony Express, Oregon Trail and Jesse James as well as various historical museums located throughout the community. The relocation of the St. Jo Frontier Casino would attract more visitors and activity downtown and complement the entertainment district. Visitors may be enticed to host an event in St. Joseph if facilities existed that could serve their needs.
- **Community Interest** – Interviews with stakeholders in the St. Joseph community reveal a great deal of support for projects that will enhance the city and area, including a possible multi-use event center. This was true even of professionals whose business included potential competition with a new facility.
- **Downtown Redevelopment** – Downtown St. Joseph has seen improvement based on private investment and public leadership. A vibrant downtown consists of popular restaurants, shops and entertainment, providing a more visible face to the city and drawing more visitors from the surrounding areas. This helps the community as a whole and proves to visitors that it is serious about a vision for itself, regardless of where the event center is located.
- **Ability to Induce Out-of-State Demand** – Due to its location, any development scenario, as proposed, will induce a significant amount of out-of-state demand to Missouri and help justify state incentives for the project.

Weaknesses

- **Regional Access and Location** – St. Joseph is located in a more remote portion of the state and not as close to the regional center of population, although it is only one hour north of Kansas City. Northwestern Missouri, northeastern Kansas and southwestern Iowa are sparsely populated and provide a small market from which to draw events. Even though it is located along Interstate 229, St. Joseph is still relatively isolated from other population bases, especially when compared to competitive markets and the population centers of Kansas City or other population centers of Lincoln and Omaha in Eastern Nebraska and Des Moines, Iowa. This suggests that the downtown entertainment district will need to rely primarily on drive-in based business, such as concerts, family shows, consumer shows and state-oriented events.
- **Competition** – The Western and Eastern regions of Missouri are well served by meeting facilities. These portions of the state also have a much higher population and easier access by air and highway for those coming from out of state.
- **Small Market Size/Population Base** – St. Joseph is not located near the center of population for Missouri and is in a fairly remote part of the state. This may enable the facility to only market to local groups and not see a large portion of statewide associations utilize the facility.
- **Present Lack of Events in St. Joseph** – Due to lack of function space or a decent concert facility/arena in the St. Joseph area, promoters have not considered the city a prime location for a variety of events, including family shows and major concerts. The Ron Houston Center at Northwest Missouri State University holds some events and concerts, but that facility's major focus is the university programs, especially performing arts. This is more of a challenge to overcome than a long-term weakness.
- **Current Lack of Event Marketing** – St. Joseph has had minimal need to actively market the existing facilities for events because of the lack of availability and undesirability of current facilities. Again, this is a challenge to be overcome with funding and expertise and does not present a long-term weakness.

Opportunities

- **Attract New Business to St. Joseph** – Due to the increased exposure from the opening of this facility, St. Joseph will attract new business that would have otherwise held their event elsewhere. The facility could also help retain and attract businesses in general.
- **Generate Economic, Fiscal and Employment Impact** – The business activity at the facility will generate new spending on hotels, restaurants and retail establishments in St. Joseph, which in turn will generate jobs, tax revenues and an expanding economic base.
- **Development Opportunities** – The facility is located near undeveloped land. This provides the opportunity for additional development, such as hotels, restaurants and retail as the community grows.

- **Lack of Current Facilities** – The city and surrounding market have only limited event facilities and those that exist cannot accommodate the number and size of events that would consider St. Joseph. Other facilities in the surrounding market cater more to dirt shows such as horse shows and rodeos, and are not optimal for the groups St. Joseph would be targeting.

Threats

- **U.S. Economy and Weaker Demand** – The U.S. economy has not been strong and any long-term economic malaise will be a headwind to long-term success.
- **Competition from New Venues** – A new facility has advantages over the older regional facilities, but would lose the advantages and gain a major competitor if another city within the region develops a new event center or other facility.
- **Cost** – The cost of the project is high and that could threaten the possibility of development. As such, various development options and scenarios were recommended.

Site Analysis

Based on the comprehensive analysis, a downtown entertainment district is recommended for St. Joseph. The community is currently bypassed for other markets with event facilities because event organizers do not find suitable function space and entertainment outlets in St. Joseph when considering sites to host their events. The opportunity to host various size group events and meetings not only are leaking from St. Joseph, but from the state. St. Joseph is the largest market in Northwest Missouri and does not have the function and meeting space or the number of hotel rooms to support these events. A downtown entertainment district is a public asset and infrastructure that contributes to the quality of life and such facilities help to attract and retain employers, employees, students and visitors. All of these groups contribute to the economic vitality of an area and as such, an event center becomes a catalyst and driver of economic growth for an area if well conceived and located.

When considering potential sites for an entertainment district downtown, there are a number of civic goals that should be identified and clearly addressed in the final choice. These goals are more subjective in nature and may appeal to the emotions in a way that can't be easily quantified. The act of defining common goals of the various proponents helps to build familiarity with and consensus for the project.

The ultimate site for the downtown entertainment district should be highly visible and easily accessible from the major approaches into the city. Many of the attendees are visiting from outside the core downtown area, and wayfinding through signage and landmarks should be as simple as possible. For the downtown entertainment district to be perceived as a public asset, strong design imagery can instill a sense of civic pride, which reinforces the high degree of St. Joseph's historic culture.

One of the economic purposes to developing the downtown entertainment district is to maximize the amount of economic impact gained from collateral development. An entertainment district is developed as a community investment in the hospitality and tourism business. While this has the direct benefit of bringing visitors (and their related spending) to town, there is great benefit in new construction and jobs for the related hotel, retail and entertainment business opportunities.

A new entertainment district should also leverage the existing hospitality infrastructure. The potential expansion of the Holiday Inn hotel could support the increase in room nights generated by the relocated gaming facility and revitalized downtown entertainment programming. There will be new retail, dining and entertainment opportunities created and the CVB should work with local businesses to reinforce the efforts to revitalize the downtown area. The goal should be to make this area a unique destination and a necessary part of the St. Joseph experience for convention attendees and tourists alike.

Downtown Development Scenarios

The proposed Project is intended to address the necessary needs to support increased visitation to St. Joseph. The Project entails various components that can be considered in developing the downtown entertainment center. The components considered include:

- Relocate the St. Jo Frontier Casino downtown.
- Improve the Holiday Inn and increase the number of hotel rooms to support groups and events.
- Increase the amount of event and function space to attract and support more events.
- Program restaurant and nightlife options into the entertainment district.
- Assess the functionality of the Civic Arena and its event space.

The Project intends to integrate these elements to establish a synergistic downtown entertainment district to not only revitalize the central business district of the city, but also increase economic activity. HSP collaborated with Convergence Design and the Client to develop a series of site development concepts for downtown St. Joseph. After review and discussion, the team began to focus on one of five options that were reviewed.

The following table outlines the five scenarios discussed below.

Table 9-1

| St. Joseph Entertainment District Development Scenarios | | | | | |
|---|---|--|---|---|---|
| | Scenario A | Scenario B | Scenario C | Scenario D | Scenario E |
| | Casino Only | Casino-Based Event Center | Casino + Modified Civic Arena | Casino + New Civic Event Center | Casino + New Civic Event Center w/ Ballroom |
| Casino | Yes 40,000 Gross SF | Yes 40,000 Gross SF | Yes 40,000 Gross SF | Yes 40,000 Gross SF | Yes 40,000 Gross SF |
| Hotel | Purchase, improve, convert Holiday Inn | Purchase, improve, expand, convert Holiday Inn | Purchase, improve, expand, convert Holiday Inn | Purchase, improve, expand, convert Holiday Inn | Purchase, improve, expand, convert Holiday Inn |
| Rooms Renovated | 170 | 170 | 170 | 170 | 170 |
| Rooms New | 0 | 0 | 30 | 55 | 80 |
| Total Rooms | 170 | 170 | 200 | 225 | 250 |
| Event Center | None | Casino-based 2,500 seats + VIP Areas Large enough for basketball/boxing | No (See Civic Arena) | Yes 4,500 seats (5k concerts) Retractable seats for 36,000-SF Exhibit Floor 8 Suites 400 Club Seats | Yes 4,500 seats (5k concerts) Retractable seats for 36,000-SF Exhibit Floor 8 Suites 400 Club Seats |
| Civic Arena | Remains As-Is | Improvements to Civic Arena | Improvements to Civic Arena | Replaced by Event Center | Replaced by Event Center |
| Ballroom/Meeting Rooms | None Added | None Added beyond Casino-based event center | Add Several Meeting Rooms to Hotel | Add Several Meeting Rooms to Hotel | Add 8,000-SF Ballroom; 4,000-SF of Meeting Rooms |
| Restaurants/Nightlife (SF) | 15,000 Up to 5 Concepts Open to Casino & Street | 20,000 Up to 7 Concepts Open to Casino & Street | 25,000 Up to 7 Concepts Open to Casino & Street | 30,000 Up to 8 Concepts Open to Casino & Street | 35,000 Up to 9 Concepts Open to Casino & Street |
| Parking | 500 Structured | 550 Structured Valet under I-229 | 550 Structured Valet under I-229 | 600 Structured Valet under I-229 | 650 Structured Valet under I-229 |
| Arena/Event Center Mgmt | n/a | Casino | Private Mgmt | Private Mgmt | Private Mgmt |
| Casino Owns | Casino + Hotel | Casino + Hotel + Event Center | Casino + Hotel | Casino + Hotel | Casino + Hotel |

Source: Hunden Strategic Partners

The following table outlines the development budget for each of the entertainment district development scenarios.

Table 9-2

| St. Joseph Downtown District Scenario Budgets (000s) | | | | | |
|--|-----------------|---------------------------|-------------------------------|---------------------------------|---|
| | Scenario A | Scenario B | Scenario C | Scenario D | Scenario E |
| | Casino Only | Casino-Based Event Center | Casino + Modified Civic Arena | Casino + New Civic Event Center | Casino + New Civic Event Center w/ Ballroom |
| Casino | \$19,800 | \$19,800 | \$19,800 | \$19,800 | \$19,800 |
| Hotel | \$7,480 | \$7,480 | \$10,161 | \$12,396 | \$14,630 |
| Event Center | \$0 | \$16,202 | \$0 | \$38,296 | \$43,246 |
| Restaurants/Nightlife | \$6,188 | \$8,250 | \$10,313 | \$12,375 | \$14,438 |
| Civic Arena | \$0 | \$5,000 | \$16,088 | \$0 | \$0 |
| Parking | \$6,875 | \$7,563 | \$7,563 | \$8,250 | \$8,938 |
| Total | \$40,343 | \$64,295 | \$63,924 | \$91,117 | \$101,051 |
| Casino Cost | \$33,468 | \$51,732 | \$40,274 | \$44,571 | \$48,868 |
| Public Cost | \$6,875 | \$12,563 | \$23,650 | \$46,546 | \$52,184 |

* Currently assumed to be funded by casino
Source: Hunden Strategic Partners

The downtown redevelopment concepts assume the following site factors for the entertainment district as baseline components.

- It is assumed that the current St. Jo Frontier Casino will relocate to downtown in this redevelopment project. By law, the gaming facility must be within 1,000 feet of the riverbank.
- The Holiday Inn will be purchased, improved and rebranded.
- The current parking structure at the corner of 4th and Felix Streets will be preserved.
- A new parking structure would be placed north of the casino and/or event center.
- A diverse mix of restaurants and retail programming will be incorporated into the development along Felix Street.
- The existing surface parking parallel to I-229 is utilized as overflow event parking by adding a pedestrian bridge over the railroad tracks.
- The existing street grid is maintained to the greatest extent possible.

After feedback from the city and stakeholders, Scenario B was selected.

Scenario A

This is a baseline scenario that simply follows the base assumptions for the downtown entertainment district. It mainly focuses on the relocation of the casino downtown only. Landside facilities for the new gaming facility would include new restaurants facing Felix Street. However,

this concept does not incorporate any additional function space or hotel rooms into the gaming facility. The current Holiday Inn hotel assumes the basic assumptions but with no additional rooms added. The scenario provides an opportunity for the hotel to increase its room capacity if necessary. The hotel will be connected to both the gaming facility and new parking structure by skywalks.

The concept also preserves the current Civic Arena as exhibition and event space and does not offer any enhancements or renovations to the Arena. The Civic Arena remains a stand-alone facility and is not linked to any other facility in the entertainment district. The programming for restaurants and nightlife will open to the casino and streets to promote and create a vibrant downtown environment. This baseline scenario is estimated to program approximately 15,000 square feet of retail, restaurants and nightlife.

Parking in all scenarios is accomplished north of the casino, with a 500-space garage, with slightly larger garages in the larger scenarios. Valet would be available during special events with parking under I-229.

The budget for this scenario is estimated at approximately \$46 million. The casino only focus to this scenario would have the St. Jo Frontier Casino funding the entire cost of the Project.

The following figure shows the designed layout for this scenario.

Figure 9-1



Scenario B

This scenario begins to introduce a more robust environment downtown by integrating and expanding components to the entertainment district. The primary focus is still surrounding the casino but adds additional event space to downtown. Landside facilities for the new gaming facility would include new restaurants facing Felix Street and a new adjoining casino-based event center. The new event center bridges Third Street (closing the street) and connects along the east side of the existing civic arena. It would be a flexible 2,500-seat multipurpose event center that can host concerts, sporting events, conventions, trade shows and private events. Besides the necessary modification to connect the new event center to the Civic Arena, no additional renovations or enhancements will be made to the Arena.

The current Holiday Inn hotel assumes the basic assumptions and would initially renovate and improve the Holiday Inn. Future expansion would potentially increase the hotel room count to approximately 200 rooms to support additional demand created by the casino and new event center. There will be no additional event or function space developed besides the casino based event center. Similar to other proposed scenarios, the visitors will have access to the gaming

facility and new parking structure by connecting skywalks from the hotel. As a more robust scenario than scenario A, additional restaurant and nightlife options will be programmed into the area to better support and service the visitors attending activities in the area. The programming for restaurants and nightlife is estimated to encompass approximately 20,000 square feet of a more diverse selection of establishments.

The following figure shows the designed layout for scenario B.

Figure 9-2



Scenario C

The development that separates this scenario from the two previous scenarios is the modification to the existing Civic Arena. Instead of constructing a new event center, renovations and improvements are made to the Civic Arena in order to modernize and enhance the functionality. These actions would be critical to increase the Arena's attractiveness to event planners and ultimately to support a greater mix of events and groups. It is also important to integrate new revenue generating sources and amenities into the Arena. The renovated Civic Arena will be the primary venue for concerts, sporting events, conventions and trade shows in the downtown

entertainment district. The Civic Arena will continue to be a community focused venue rather than the casino-based event center presented in Scenario B.

The current Holiday Inn hotel assumes the baseline improvements and would increase its hotel rooms to approximately 200 rooms to support additional demand created by the renovated Civic Arena. As presented in Scenario B, additional function space would be expanded to offer more meeting rooms at the hotel. Also, visitors will have access to the gaming facility and new parking structure by connecting skywalks from the hotel. This concept would integrate restaurant and nightlife options into the area in and around the Civic Arena to support and service the visitors before and after events as well as casually visitors to the entertainment district. The programming for restaurants and nightlife is estimated to encompass approximately 25,000 square feet of a diverse mix of restaurants and nightlife.

The following figure presents the designed layout for this scenario.

Figure 9-3



Scenario D

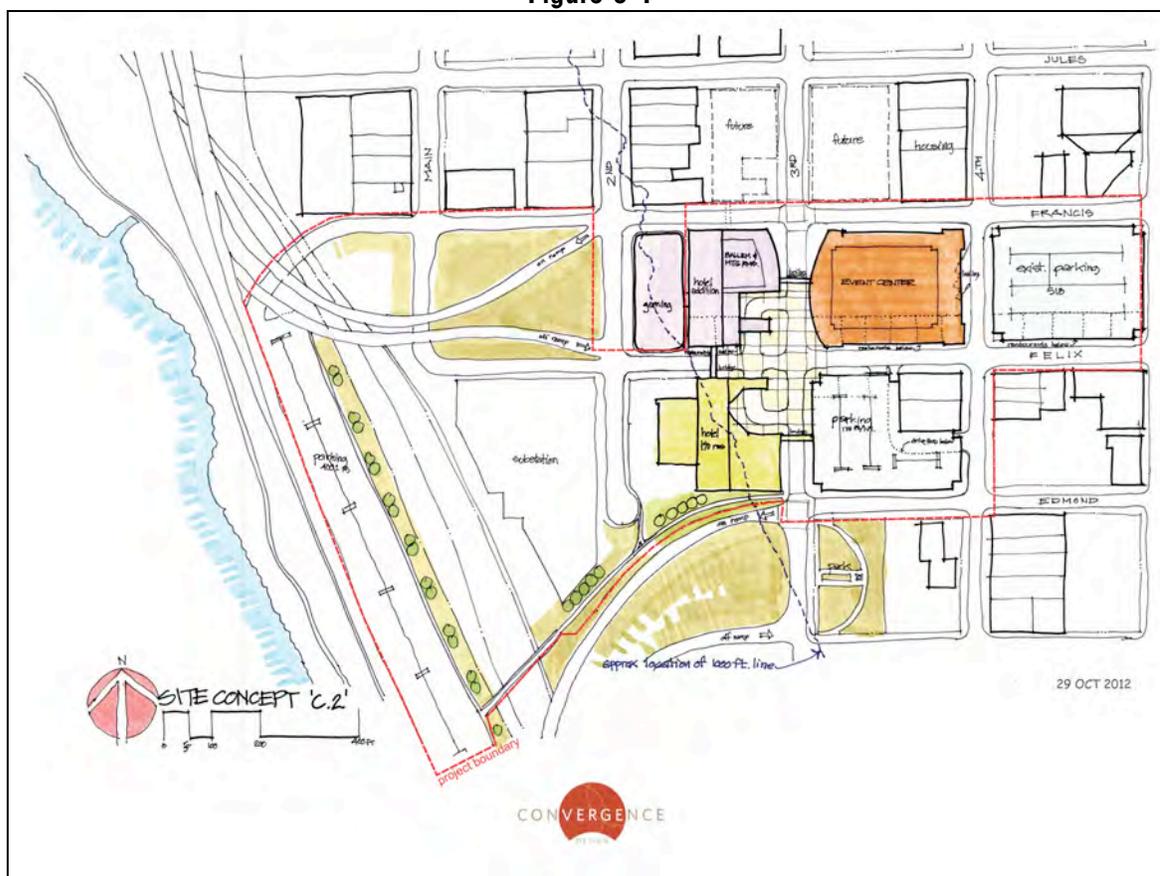
Scenario D presents a proactive and innovative approach to the downtown redevelopment. This concept envisions the downtown entertainment district as an epicenter for economic activity in St. Joseph. The driving forces for the revitalization of downtown will be the St. Jo Frontier Casino and a new Civic Event Center that will replace the existing Civic Arena. Comparable to all the other scenarios, the casino will be an anchor to the entertainment district attracting activity and events to downtown St. Joseph. A new state-of-the-art event center located on the existing site of the Civic Arena will allow the City to attract new groups and events, maximize new revenue generating sources and revitalize downtown. The 4,500 retractable seat event center would offer 36,000 square feet of exhibit floor space, upgraded amenities, premium seating and meet all regulatory standards.

The Holiday Inn hotel would expand its facilities by increasing its total room count to 225 rooms and adding several meeting rooms to bolster the city's available function space for conventions and events. Visitors will have access to the gaming facility and new parking structure by connecting skywalks from the hotel.

The downtown entertainment district will entail approximately 30,000 square feet of retail, restaurants and entertainment. This concept would integrate restaurant and nightlife options into the area in and around the new Event Center and casino to support and service the local and non-local residents visiting the entertainment district.

The following figure presents a proposed layout for this scenario.

Figure 9-4



Scenario E

This concept presents the most developed environment and biggest plan for the downtown entertainment district. Similar to the previous scenario, this concept envisions the downtown entertainment district as an epicenter for economic activity and steady convention business in St. Joseph. The driving force for the revitalization of downtown will be the St. Jo Frontier Casino, the new Civic Event Center to replace the existing Civic Arena. The 4,500 retractable-seat event center would offer 36,000 square feet of exhibit floor space, upgraded amenities, premium seating and meet all regulatory standards. A new state-of-the-art event center located on the existing site of the Civic Arena will allow the City to attract new groups and events, maximize new revenue generating sources and revitalize downtown. In addition, a large ballroom and meeting rooms would be included to allow the facility to act like a full convention center.

The Holiday Inn hotel would expand its facilities by increasing its total room count to 250 rooms and adding several meeting rooms to bolster the city’s available function space for conventions and events. Visitors will have access to the gaming facility and new parking structure by connecting skywalks from the hotel.

The 35,000 square feet of retail, restaurants and entertainment throughout the downtown entertainment district to support a growing convention and meeting demand, community activities and the leisure visitation downtown. This concept would integrate a diverse mix of establishments to help attract the desired critical mass of visitors.

The following figure presents a proposed layout for Scenario E.

Figure 9-5



Existing Riverfront Casino Site

The relocation of the St. Jo Frontier Casino will become an economic driver for the downtown area. However, the relocation will also provide an opportunity for further redevelopment of the St. Joseph riverfront. The team understands the importance of having various community assets that compliment each other to support the community and promote tourism. The site has several constraints that impact its redevelopment potential:

- Most significantly, the site is in the 100-year floodplain, which greatly limits options for development of permanent structures.

- Reuse of existing structures and parking is maximized to take advantage of existing construction that may not be replicable under current development restrictions.
- Uses are limited to developments whose impact on and by flooding would be minimal.

Although the downtown entertainment district is the area under review efforts to revitalize and redevelop the riverfront can impact the vitality of the Project. The development and enhancements to the riverfront environment can compliment the critical mass of visitors needed to spur the demand for entertainment, retail, restaurants, and events taking place in downtown St. Joseph. The ensuing chapter will provide additional insights into the impact of an asset like a riverfront and potential redevelopment opportunities.

Selected Scenario

After review and discussion of the five proposed scenarios city leadership, local Affinity Gaming leadership and key community stakeholders identified scenarios A and B as the most achievable options that can progress the downtown revitalization and ultimately improve existing downtown offerings. Although scenarios C through E would achieve the needs and demands of the community, the pledged public financial resources required by these options would position the city to assume higher than suitable financial risk. The debt service necessary to fund these options is substantially higher than scenarios A and B, and calls for the city to pledge existing sources.

Ultimately, scenario B with proposed modifications has been acknowledged as the most suitable concept to move forward with the downtown revitalization efforts. The following items outline the proposed modified scenario B for the downtown entertainment district.

- The casino purchases the downtown land owned by the Holiday Inn and develops a new, larger casino. The site is the current Holiday Inn parking lot north of the hotel.
- The casino purchases the Holiday Inn and renovates it. No initial expansion of the hotel rooms is planned.
- Casino develops event center for its purposes.
- The casino develops restaurants that face Felix Street that are also accessible for casino guests. The proposed gross leasable restaurant space is 20,000 square feet with three to five concepts.
- The casino sells its existing site to the City or other interested group.
- The City builds a parking garage of 550 spaces adjacent to casino/event center.
- The Civic Arena will remain as it currently exists but is recommended to fund basic improvements to update ADA requirements and amenities like concessions.

In this scenario the casino based costs to the Project will total approximately \$51.7 million and public costs \$12.5 million. The proposed concept initiates the revitalization of downtown and development of an entertainment district around key venues such as the casino and Civic Arena. The casino based event center will include \$19.8 million for a new downtown casino and \$16.2

million for the event center. The \$7.4 million in renovations of the hotel and \$8.2 million in development of diverse restaurant concepts will also help to induce more overnight stays downtown and ultimately increased visitation. The new modified scenario exposes the city to limited financial risk by contributing \$7.5 million for the parking garage and \$5 million for Civic Arena upgrades. The integration of the casino, restaurant programming and an improved hotel adjacent to the entertainment district will stimulate more activity downtown.

However, the new Ag Expo Center located off Highway 36 will pose a challenging competitive facility for the Civic Arena. The limited enhancements to the Civic Arena will more than likely not be enough to keep events from relocating to the 90,000 square foot exhibit hall that will be a destination for events like trade and livestock shows. The new facility will feature an arena, business complex, retail shops and lodging facilities that will contribute to the obsolescence of the Civic Arena.

Governance

One of the most important decisions for a public entity that is considering a multi-purpose events center project is the structure of ownership and management of the facilities after completion. The manner in which a municipality structures the ownership of the development and the type of management of the facilities are central to the success of the project. The entity that develops the property will need to establish the best ownership and management structure under which the proposed events center would operate to best suit the needs of the city and to foster the success of the project.

Ownership of arenas and multi-use facilities throughout the United States varies depending on the type of facility, the nature of development of the property, and the needs of each community. However, large publicly oriented facilities in general, whether arenas, multi-purpose buildings, exhibit halls, conference centers or major convention centers, usually have one of three ownership structures. Many facilities, including most convention centers and larger arenas, are publicly owned, either by a municipality or a county. Some exhibit halls, multi-use and sports arenas are quasi-public by establishing a not-for-profit corporation, run by a board that the locality appoints or for which it has some oversight. The last ownership structure is a totally private facility that a private corporation owns and often operates. The latter is a potential ownership structure if the St. Jo Frontier Casino were to develop a casino-based event center as part of the Project.

Facilities can be effectively run within any structure if the right, qualified management personnel are in place and the incentives and expectations are appropriate for such management. Also, it is critical that the owner (whether a City, Authority, etc.) understands the events, convention and hospitality industry. An uneducated owner coupled with any management team provides an opportunity for economic and mission failure. Within any structure, safeguards and expectations must be in place to ensure everyone is operating with the same goals. Although the St. Joseph Parks Department has done an admirable job operating the Civic Arena, HSP recommends engaging a private facility management firm whether the city proceeds with the existing Civic Arena or develops a new event center. The following are implications of choosing a private management company:

- Competition drives improvements. There are several management companies for arenas, events centers and similar facilities. By making them compete initially for a contract, the owner has a choice of vendors who will commit to excellence. Then, by reviewing and re-bidding the contract every 4 to 5 years, the threat of continued review and competition will keep the existing manager on point and allow the other bidders to offer something better.
- Such companies specialize in public assembly facility management, including convention centers and arenas, are generally members of the trade association IAVM and should be able to operate the facilities in a competent and creative manner.
- Management companies know how to maximize revenue and minimize expenses without hurting service. They also know how to staff the building with the minimum amount of manpower (which is the largest portion of expenses for a convention center). Because staff is generally non-union, they can be terminated if they are not performing and are not artificially protected from the consequences of their actions. And if labor is union, companies are in a better position to negotiate than city staff that may have political concerns. This leads to lower costs.
- Because private management companies manage other facilities, they typically train managers over time through junior roles and advance them to manage facilities only when adept at the job. They also have a network of resources to assist if the local building should need additional resources.
- Private managers should be well versed in negotiating food and beverage contracts, advertising and sponsorship deals, and related deals for the building. In many cases, the company offers their own catering company and this should be reviewed carefully to ensure each entity stands on its own merits.
- If an owner (city or authority) is unhappy with the job of management, they have several options to remedy the situation, including requesting the removal of the manager through the management company. The management company can then provide options to the owner for replacing the manager in question.
- Private management companies have relationships with national and regional event promoters, planners and other facility users and this provides several benefits:
 - Private management should be able to fill space within their booking window due to their relationships with such event promoters.
 - Such companies can develop custom shows and events with these promoters specifically for the market if a gap exists in the market.
 - Multi-venue deals can decrease costs for the facility.
- Because of performance-based compensation, operating results should be stronger.
- Generally speaking, private management companies have a more efficient and quick procurement process for goods and services.
- Private management companies do charge fees above and beyond the cost of their general manager. The management fee is typically a flat amount with a bonus that can

be achieved by meeting certain goals annually. These deal points are critical to the building's success and should be reviewed carefully. Ultimately, the efficiency, customer service, and financial results produced via the management company should more than make up for their fee. Deal negotiation is critical.

- There can be a concern of lack of control by the municipal owner over a private management company, but those checks and balances are recommended by HSP and can be properly calibrated with the right agreement.
- General managers could potentially turn over at a higher rate as new opportunities present themselves within the company's other facilities. However, this can also occur amongst public managers.

Implications

The concept of a downtown entertainment district is somewhat unique to smaller regional centers like St. Joseph. That is, in spread-out places as the Plains, regional centers serve much larger populations than their immediate metro area for shopping, dining, entertainment, sports, transportation and other activities. While the local population is relatively small, the area and population served by its assets is larger than what is considered in other areas of the country. So facilities have been developed to serve these demographic characteristics.

Larger markets typically support multiple venues with specific uses, such as performing arts centers, convention centers and fixed-seat arenas, accompanied by headquarter hotels. Smaller communities can also support such single-purpose facilities, but these are often areas in fairly close proximity to major metro areas that capitalize on the surrounding area market of one million or more residents. In both cases, the investment in single-purpose facilities can be large. All but the hotel component generally necessitate significant public funding because such facilities generate economic activity for the community, but do not run at an operating profit level that supports debt service.

So for a smaller sized regional market center like St. Joseph, the concept of a downtown entertainment district incorporating a multi-purpose event center with other components such as function space, retail and restaurant programming is logical as it combines the majority of elements into a more efficient public assembly site. It can host and service groups, downtown working clientele as well as leisure visitors.

The big picture analysis must consider two primary factors: supply and demand. On the supply side, are there facilities locally or nearby that are adequately hosting the events that would or could be hosted by a state-of-the-art event center? If not, what are the gaps in the market supply? What are the causes of this supply gap? In terms of demand, a population base and the character of that population base create event demand for all manner of events. For example, a large, lesser-educated, poor population will not support event demand that a smaller, more educated and wealthier population base will. St. Joseph is home to a quality workforce that is generally well educated due largely to the long-term impact of Northwestern Missouri State University, and residents already support and attend events within and outside of the St. Joseph market.

On the supply side, while the Civic Arena provides options for arena usage and other activities, the usage is limited by its lack of flexibility and amenities, which ultimately impacts the types of groups that will hold events in St. Joseph. It also limits the ability of the city to benefit from revenues most new venues are generating. Premium seating and a greater sponsorship inventory would offer increased earning potential and develop critical corporate and local partnerships within the community. So while the Civic Arena does an admirable job of serving the community, it cannot serve the range of events that could be attracted to St. Joseph and thus keep economic activity in the region. The best set of facilities in the state are in Kansas City and St. Louis. However, groups, more specifically state associations, attempt to rotate their events to support all areas of the state.

The community appears to be losing not only events to other facilities, but also economic activity from the local population that travels outside the area for events. Comparable communities have developed multi-purpose facilities and have found success. The comparable communities often become competitive with St. Joseph when companies are conducting site searches. As such, developing a downtown entertainment district in St. Joseph will help economic development officials attract and retain companies and talent in the region.

Given the supply, demand and lost opportunity factors at play in St. Joseph, a downtown center entertainment district is indicated.

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RIVERFRONT RE-USE OPTIONS

The potential move of the casino to downtown St. Joseph presents an opportunity to enhance the riverfront where the casino currently sits. Great progress and development activity, as well as events, have occurred along the river in recent year. With a major piece of land open for redevelopment, even if in a flood zone, the opportunities are numerous.

For St. Joseph to move forward with redevelopment of the community's riverfront, it must first determine what type of development it wishes to undertake. St. Joseph has shown through its developments a variety of services and programs for the local and regional community. The City has done an admirable job accomplishing several of its priorities to redevelop areas along the riverfront. These developments include:

- Softball complex
- Remington Nature Center
- Existing docks along the riverfront
- Existing boat launch that is ADA accessible
- Jogging trail connecting downtown to ballparks

The following images show the completed developments. Shown below is the Heritage Park Softball Complex.

Figure 10-1



The Remington Nature Center with a view of the Missouri River is shown in the following photo.

Figure 10-2



Other priorities that have been discussed with city stakeholders and leadership or that have been proposed include:

- Fairgrounds or open air arena for rodeos, FFA and 4-H livestock shows, and other agricultural events and outdoor concerts.
- Interpretive wetlands area, fishing area and identification of natural plants along a boardwalk or nature trail.
- Living history area.
- Youth and family areas with park-like settings, playground equipment, fishing pond, skate park, arcade, games and concessions.

Riverfront developments that integrate with existing city and regional parks and trails to create a cohesive, user-friendly network of commuter and recreational connections can offer unique experiences for the local and regional community. The relocation of the St. Jo Frontier Casino to downtown provides the city an opportunity to leverage the new space as the engine for sustainable recreational, cultural, and economic development along the riverfront.

Some towns and smaller cities have been able to develop or maintain a riverfront that is a regional tourist draw. These communities have created open space, parks, boat ramps, marinas and other amenities that serve a wide range of interests. The riverfront became an integral and focal point that cohesively compliments other parts of the town or city. The riverfronts draw daily visitors, and the towns and cities bring many local and regional visitors with festivals and events throughout the warm months of the year.

Cities and towns along the other waterways have created major riverfront developments that have become a significant part of the regional economy. In most cases these developments are a combination of public parks and other public development, private businesses, and/or public-private partnerships that have created destination facilities such as performing arts centers, riverwalks, retail centers, marinas, recreation and tourism opportunities and even port facilities.

This chapter will identify and profile riverfront developments that are capable of providing a variety of services and programs for the local and regional community. Although each location is unique, these developments generally built on the community's rich river heritage and passion for parks, nature and entertainment where neighborhoods and businesses can grow and people from near and far can experience recreational and cultural activities.

HSP identified communities that have demonstrated the ability to maximize riverfront redevelopment to enhance community activities and encourage tourism. These communities have developed attractions along their riverfront to supplement the existing amenities within a central downtown core. Communities identified by HSP have similar circumstances and opportunities to that of St. Joseph. They are also located in close proximity to population centers like Cincinnati, Louisville and Kansas City.

Regional and Small City Developments

Atchison, Kansas

Atchison, Kansas is a town on the Missouri River in northeast Kansas, 50 miles northeast of Kansas City, Kansas/Missouri. Atchison is the birthplace of Amelia Earhart and is on the Lewis and Clark Trail, with the location of a Lewis and Clark campsite outside the town now a tourist attraction.

The original town was focused on trade and traffic along the Missouri River, but after the Civil War the town became more focused on rail traffic and industries located away from the river. The riverfront became an abandoned area in disrepair, with abandoned rail tracks between the town and the riverfront. Minor attempts at revitalization of the riverfront, including a boat ramp and a veteran's memorial, did little to improve the area.

The following figure is a picture of the riverfront before the town renovated the area.

Figure 10-3



The town of Atchison approved a comprehensive strategic plan in 1996, with the major focus of the plan focusing on improvement of the downtown area and the riverfront. The city used a state grant to develop the Downtown/Riverfront Development District Master Plan, approved in 2002. The plan was further spurred by the selection of Atchison as a site of a major event for the Lewis and Clark Bicentennial, to be held in 2004.

A key for the Atchison riverfront redevelopment was real property acquisition. The unused railroad tracks bisected the riverfront and previous attempts to obtain that land had been unsuccessful. The town enlisted the assistance of Senator Sam Brownback (R-Kansas) to convince the Burlington Northern and Santa Fe Railway to donate the property.

One of the important aspects of the Master Plan was to link the downtown commercial and retail development to the riverfront. In the 1960s the town had created a pedestrian mall along Commercial Street in the downtown, and the Plan included a connection between the mall and the riverfront park and pavilion. The connection became a curved pedestrian walkway from the mall, around the Veteran's Memorial, and ending at the round pavilion.

Figure 10-6



Figure 10-7



The table below sets out the original estimate of costs before construction began.

Table 10-1

| Atchison Kansas Riverfront Development Costs | |
|--|--------------------|
| Project | Cost |
| South Park Plaza | \$74,081 |
| Pedestrian Walking Trail | \$66,001 |
| Biking Trail | \$708,487 |
| Veterans Memorial Improvements | \$155,394 |
| Lewis & Clark Info Kiosk | \$671,996 |
| Road Relocation | \$355,742 |
| Public Parking | \$116,224 |
| Large Amphitheater | \$108,058 |
| Children's Park | \$63,458 |
| Restrooms/Shower | \$200,830 |
| Existing Boat Ramp Renovation | \$313,950 |
| New Boat Ramp | \$88,046 |
| Launching Facilities | \$140,608 |
| Overlook | \$94,570 |
| Site Landscaping | \$140,608 |
| Total | \$3,298,053 |

Source: Town of Atchison

The estimated final cost of the entire project was approximately \$4 million. The majority of the funds were derived from federal and state grants. The table below is a breakdown of the sources of the total funds raised for the project.

Table 10-2

| Atchison Kansas Riverfront Project Sources of Funding | | |
|---|------------------|--------------------|
| Source | Amount | Percent of Funding |
| Federal and State Agencies | 2,845,578 | 68% |
| Private Foundations | 532,500 | 13% |
| Private Citizens | 447,130 | 11% |
| City of Atchison | 192,322 | 5% |
| Private Businesses | 143,328 | 3% |
| Total | 4,160,858 | 100% |

Source: Town of Atchison

The largest grant was a specific federal congressional earmark through the United States Department of Transportation, in the amount of \$1 million, an additional federal congressional earmark through the Department of Housing and Urban Development of \$280,000 and a federal

EPA Brownfields Assessment of \$200,000. The state funds came from several sources and totaled approximately \$1.4 million.

Atchison, Kansas, is a good example of a small town that used a master plan to redevelop its riverfront, enhancing the town and providing several recreation options to visitors. It used available federal, state and local funds and spent a relatively small amount of funds, approximately \$4 million, to create an attractive riverfront that attracts local and regional visitors.

Marietta, Ohio

The City of Marietta, Ohio, is located in the southeastern part of Ohio, at the point where the Muskingum River flows into the Ohio River. Marietta is an historic town that was the first settlement in the Northwest Territory, established in 1788. It is the location of the Ohio River Sternwheel Festival, an annual event that draws several steam-powered and other riverboats to the town.

The following figure is a picture of the riverfront of Marietta during the Sternwheel Festival.

Figure 10-8



The downtown center of Marietta has been a popular destination for many years. With its historic district, listed on the National Register of Historic Places, farmers' market and parks along both the Ohio River and the Muskingum River, Marietta has tied its river heritage and history together

with tourism and economic development of the city. Although the city itself has a small population of 14,085, a better understanding of the region's marketplace can be measured by the county's population of 61,778. Marietta is the second largest principal city in the Parkersburg-Marietta-Vienna Metropolitan Area that is home to over 160,000 people.

The city and its citizens have worked diligently over the years to revitalize and maintain the central historic district of Marietta. Front Street is the main street fronting the Muskingum River, the location of the central historic District. In 1998 the City of Marietta won a Preservation Merit Award from the State of Ohio for its Front Street Revitalization Project. Several groups, such as the Friends of Front Street and ReStore Marietta, have worked for many years to keep the historic area a vital and beautiful center of the city.

One key to the success of Marietta is the focus on the rivers that border the city. The Ohio Riverfront Park runs along the Ohio River from the Williamstown Bridge to the confluence with the Muskingum River. The figure below is a picture of the Ohio Riverfront Park.

Figure 10-9



The East Muskingum Park sits between Front Street and the Muskingum River and fronts most of the historic downtown district. The figure below is a picture of the park and Front Street, with a Sternwheel Boat docked at the city's mooring.

Figure 10-10



Figure 10-11



Marietta, Ohio, is an example of a city that did not have one specific initiative or project to increase the tourism draw to the area. It has worked over the past decades to maintain and increase its historic, architectural and retail tourism, using the rivers as part of the draw. It is an example of how a city or town has to continue its efforts on a consistent basis to encourage and grow its assets and facilities to market to a changing tourism base.

Owensboro, Kentucky

Owensboro, Kentucky, is located on the Ohio River approximately 100 miles west of Louisville, Kentucky. Owensboro and Evansville, Indiana, located 45 miles west, are the largest cities on the Ohio River located between Louisville and the Mississippi River. The 2010 Census listed Owensboro's population as 57,265, and the Owensboro Metropolitan Statistical Area, consisting of Daviess, Hancock and McLean counties as well as the city itself, had a 2010 population of 114,762.

Owensboro was settled due to the Ohio River, but as the town grew throughout the late 1800s the focus of the city turned away from the river and river traffic. By the late twentieth century the city's riverfront had become neglected and in some areas blighted. The city's center of retail and residential gravity grew away from the river, and the downtown area near the river was suffering as a result.

The city made a significant step toward revitalizing the riverfront through the development of the River Park Center, a performing arts center that opened in 1992. The 100,000 square foot multi-use facility, with a 1,400-seat auditorium and a cost \$15 million to construct, funds that were a combination of a state challenge grant, public and business contributions, and other local sources. The location of the River Park Center on the bank of the Ohio River was a major enhancement of the Owensboro riverfront. The following figure is a picture of the River Park Center.

Figure 10-12



One of the most successful programs that the River Park Center hosts is the “Fridays After 5” series, a weekly summer-long series of free concerts that are held on the center patio. The program began with four concerts and has expanded to every Friday between Memorial Day weekend and Labor Day weekend, with an estimated 50,000 people attending each year.

In 2000 Owensboro joined with several local organizations, including Downtown Owensboro, Inc., and a local grassroots organization to refocus development and the city’s energy on the riverfront. The partners gathered public opinion and concerns about the riverfront through surveys, town hall meetings and meetings with city leaders and other important community groups. Through these efforts the team determined that the major concerns and goals for the riverfront were:

- Providing a pedestrian link from the existing English Park to the RiverPark Center along the riverbank.
- Rehabilitating the downtown.
- Establishing marine facilities for the city.
- Improving the existing English Park.

Based on the above goals, the 2001 Riverfront Master Plan for Owensboro. The Master Plan focused on several specific areas that the city should look to develop:

- Restaurant or restaurants along the river or possibly a floating restaurant.
- Entertainment programs on riverfront locations, including festivals.
- A Marina facility that would draw those recreational users of the Ohio River to Owensboro. The marina would be developed within an existing park, by creating a lagoon in which the boats could be moored.

The riverfront restoration began with the construction of Mitch McConnell Plaza, an area along the river on the western edge of the downtown area. The new plaza, which opened in 2004, includes an outdoor amphitheater and parking area. The figure below is a picture of the plaza.

Figure 10-13



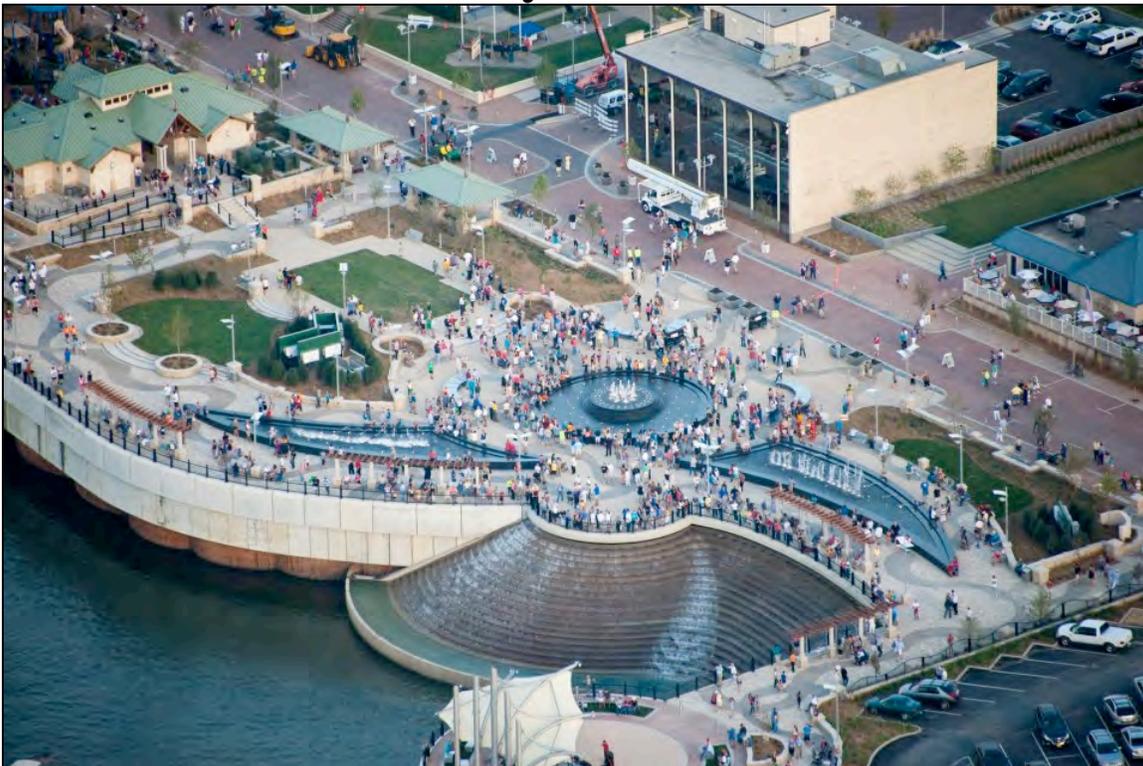
The other specific action that Owensboro took was the redevelopment of Smothers Park into a destination park. Smothers Park is the area to the west of the River Park Center, once the location of the old Executive Inn, which was demolished in 2009. The development includes a signature water fountain, a children's park and museum, an outdoor theater and a riverwalk in the area.

The following figures show Smothers Park along the riverfront in Owensboro.

Figure 10-14



Figure 10-15



Smothers Park recently opened in 2012. The following rendering shows the entire riverfront redevelopment plan.

Figure 10-16



Owensboro created a master plan for the redevelopment of its riverfront in coordination with redevelopment of its downtown and the city as a whole. The master plan set out to achieve specific goals through revitalizing the riverfront that is a historic focal point of the city. Owensboro has made major improvements to its riverfront and has developed a state-of-the-art park and other downtown improvements, including an events center, convention center and hotel. This initiative has been based on a Riverfront Master Plan that was incorporated into the planning structure of the entire city. The plan is extensive and very costly, but after it is implemented it will greatly improve the quality of life in Owensboro.

In addition to the developments discussed above, the city has invested \$60+ million in a new riverfront convention center and 150-room Hampton Inn. A second hotel of 120 rooms is in pre-development.

Building a downtown and a park with multiple interactive elements within eyesight of each other creates the impression of a larger center of activity than the raw square acreage might suggest. A sense of place and community cohesiveness is accomplished, and reverses the trend of building “away from the river” that the most historic river cities have endured over the past century. The eyes and focus of the community are once again downtown in a historic setting, something that new development in the suburban car-oriented culture cannot create, and therefore, lends significance to the location and its ability to attract crowds of people.

Owensboro is fortunate in that it sits high off of the river compared to many cities and is protected from flooding by a lock and dam system. While these protections are not necessarily in place in St. Joseph, Owensboro offers lessons in community planning, critical mass along the river and the ability to come together and make large projects a reality.

Holderby's Landing and Harris Riverfront Park, Huntington, West Virginia

Holderby's Landing is an entertainment facility complex located at the Huntington Riverfront Marina on the Ohio River, in Huntington, West Virginia. The entire complex rests on a river barge in the Ohio River, approximately 200 feet from the shoreline. The Huntington Riverfront Marina, also known as the Huntington Yacht Club, is in the center of Huntington and is part of the Harris Riverfront Park.

Huntington, West Virginia, is the second largest city in the state and home to Marshall University, a state institution begun in 1837. The city itself was incorporated in 1871, renamed from the original Holderby's Landing. The Ohio River has always held a major influence over the city, and presently the city has the largest inland port in the United States, due largely to coal and other heavy industry that arrives by rail and is shipped down the Ohio River to the Gulf of Mexico. Huntington's economy was narrowly focused, almost entirely based on the coal and chemical industry, as well as steel and locomotive plants. Because of the downturn in those industries, the population of Huntington has fallen from a high of nearly 100,000 in the 1950 to a 2010 U.S. Census population of 49,198. The Metropolitan Statistical Area of Huntington, Ashland, Kentucky and Ironton, Ohio, including five counties in the three states, had a total U.S. Census population of 287,802. A nearly continuous string of development eastward to Charleston, West Virginia, only a 45 minute-drive away, contributes to a regional population of nearly 600,000.

Harris Riverfront Park began development through the United States Corps of Engineers in the 1970s. The Corps was maintaining a floodwall along the Ohio River that was built in the late 1930s, along the old part of downtown that had become less used as the city turned away from the river. The Corps built the Riverfront Park with agreement of the City of Huntington, and the city agreed to maintain the area. The Corps also built the marina, parking and an amphitheater and pathway through the park.

The Harris Riverfront Park is home to several events throughout the year, using the amphitheater and the other areas of the park. The events include the annual Rib Fest, the X-Fest (a rock music festival that occurs in several venues throughout the country) and Huntington Symphony Orchestra concerts, as well as free open-air movie nights during the summer.

The following figure is a picture of Harris Riverfront Park.

Figure 10-17



The following figure shows the amphitheater at Harris Riverfront Park.

Figure 10-18

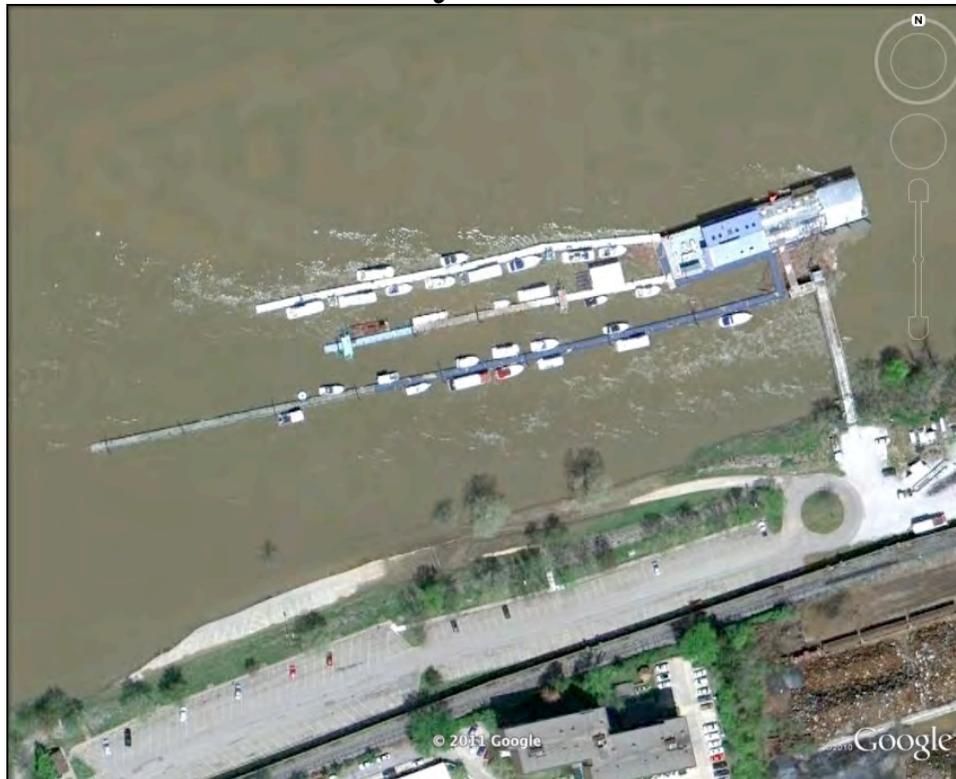


The Huntington Riverfront Marina and Holderby's Landing are located at the eastern end of the Harris Riverfront Park. In 1989 the City of Huntington built a ramp to a barge on which the

complex is located. The city used existing piers to build the ramp. The Huntington Riverfront Marina has docking with 57 dock slips and a 3,000-gallon diesel and gasoline station for boats.

The figure below is a picture of location of the Huntington Riverfront Marina and Holderby's Landing in the Ohio River.

Figure 10-19



Holderby's Landing opened in 2005 on the barge and houses a restaurant and a greenhouse with tropical plants. The eastern end of the facility houses a 45-foot stage for bands, with a 100-foot area in front of the stage for concertgoers and dancing. Holderby's Landing is opened seasonally beginning in April each year. During the summer Holderby's Landing has live music on Friday and Saturday nights.

The figure below is a picture of Holderby's Landing and the Huntington Riverfront Marina.

Figure 10-20



The figure below is a picture of the stage at Holderby's Landing.

Figure 10-21



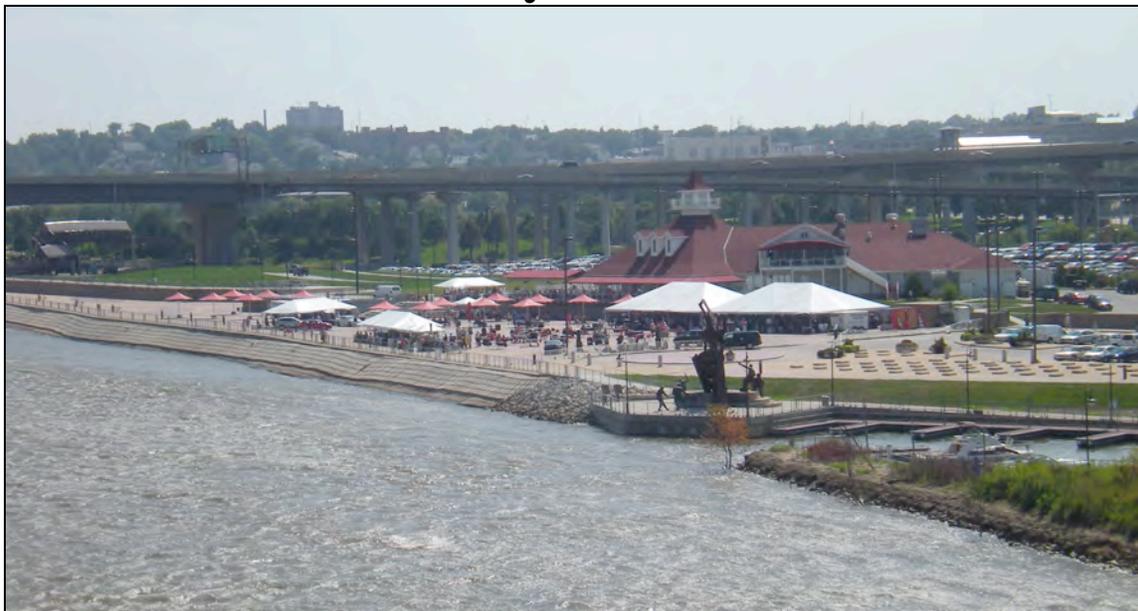
Omaha Riverfront & Lewis and Clark Landing

The Missouri River flows along the eastern edge of Omaha, Nebraska creating a natural border between Nebraska and Iowa. The river is destination for boaters, hikers, bikers, and anyone else seeking outdoor activities. Omaha is located approximately 100 miles north of St. Joseph. The 2010 Census listed Omaha's population as 408,598, with a metropolitan area population of 877,000.

Omaha is home to the 23-acre Lewis and Clark Landing. The public park is the original landing site of the 1804 Lewis and Clark Expedition. The park has a number of distinct features including a walking trail that follow the riverfront and a bike trail which takes riders west to Miller's Landing Shelter and picnic area and another trail which leads to the Heartland of America Park. The park also includes the Omaha Firefighter's Memorial Monument and the second largest labor monument in the United States.

The figure below shows a picture of the Lewis and Clark Landing.

Figure 10-22



The Lewis & Clark Landing is located just north of Omaha's downtown, and features open space, benches, and historic exhibits. Its convenient access and numerous events make it a frequent destination for Omaha residents. The 23 acres of the Lewis & Clark Landing is a mixed-use space that hosts numerous outdoor gatherings. The expansive area for festivals and events also offers the opportunity to relax and take in the riverfront experience. A riverfront boardwalk connects to Rick's Cafe Boatyard that offers indoor and outdoor dining. A circular stairway leads to the colorful river-level plaza that features seating and the Riverfront marina.

Additional attractions include sculptures, interpretive exhibits, jumping fountains where children can play and a historical marker on site. The Playing with Fire concert series has been held there since 2004 while other festivals like the Maha Festival and Riverfront Wine Festival continue to make the landing a popular destination.

The following figure shows the Maha Music Festival.

Figure 10-23



The Maha Festival is an annual music festival held at the Lewis and Clark Landing, building on the rich history of independent music in the city.

The following figures show monuments at the landing.

Figure 10-24



Shown above is the Omaha Firefighter Memorial Monument.

Figure 10-25



This monument is a salute to the dedication and hard work of all those who built the city of Omaha. It is the second largest labor monument in the United States.

The park contains a walking trail that follows the riverfront and sections of a bike trail that connect to Omaha's bike trail system. The walking trail also connects to one of the longest pedestrian bridges in the United States, the Bob Kerrey Pedestrian Bridge, spanning the river and joining Omaha with Council Bluffs, Iowa. The 3,000 foot long walkway curves and stretches its way across the Missouri River giving visitors a spectacular view of the skyline and an almost airborne experience.

The following figure shows a picture of the pedestrian bridge.

Figure 10-26



The pedestrian bridge connects more than 150 miles of nature trails on both the Nebraska and Iowa sides of the river.

Upstream, a piece of naval history is preserved at Freedom Park, which serves as a United States Naval Museum on the Missouri River and is home of the USS Marlin SST-2 Submarine and the USS Hazard Minesweeper. Freedom Park is an outdoor park and museum at the Greater Omaha Marina that displays numerous military aircraft and artillery pieces.

The following image shows the USS Hazard exhibit at Freedom Park.

Figure 10-27



The Omaha Riverfront and Lewis and Clark Landing demonstrate a city's ability to integrate various community activities and tourism attractions into the riverfront. Most important to the success of the city in transforming its waterfront areas into a tourist destination is the seamless connection of all the attractions and greenspaces. The numerous robust and diverse elements along the riverfront are cohesively woven to present a synergistic riverfront.

Existing Casino Site Development Options

In addition, the team collaborated to develop a series of options for the potential redevelopment of the current St Jo Frontier Casino site along the Missouri River. The site has several constraints that impact its redevelopment potential:

- Most significantly, the site is in the 100-year floodplain, which greatly limits options for development of permanent structures.
- Reuse of existing structures and parking is maximized to take advantage of existing construction that may not be replicable under current development restrictions.
- Uses are limited to those whose impact on and by flooding would be minimal.
- All options show a small RV park as part of the development.

- Each option shows a new marina with Missouri River access and docking for small watercraft replacing the current floating riverboat casino. This feature will require substantial review and approval by the U.S. Corps of Engineers.
- The current casino support building remains for potential repurposing. The building could be repurposed into various uses such as a waterfront restaurant facing both the river and the marina or a support facility for the marina or park.

The consulting team considered discussions and feedback provided by community stakeholders about potential reuse options of the riverfront. The Parks and Recreation Department management also provided feedback about the current use of park facilities and the potential demand for expanded facilities in the community. The following casino site redevelopment options present full buildouts and development costs that can be completed through phases over time. The options include elements that have not been fully marketed or financially analyzed and they include the following components:

- Multi-use baseball and softball fields
- Multipurpose athletic fields
- Playground
- RV Park
- Restaurant/clubhouse
- Pier and boat dock
- Public space

The following table shows the magnitude of estimated costs for the riverfront redevelopment options.

Table 10-3

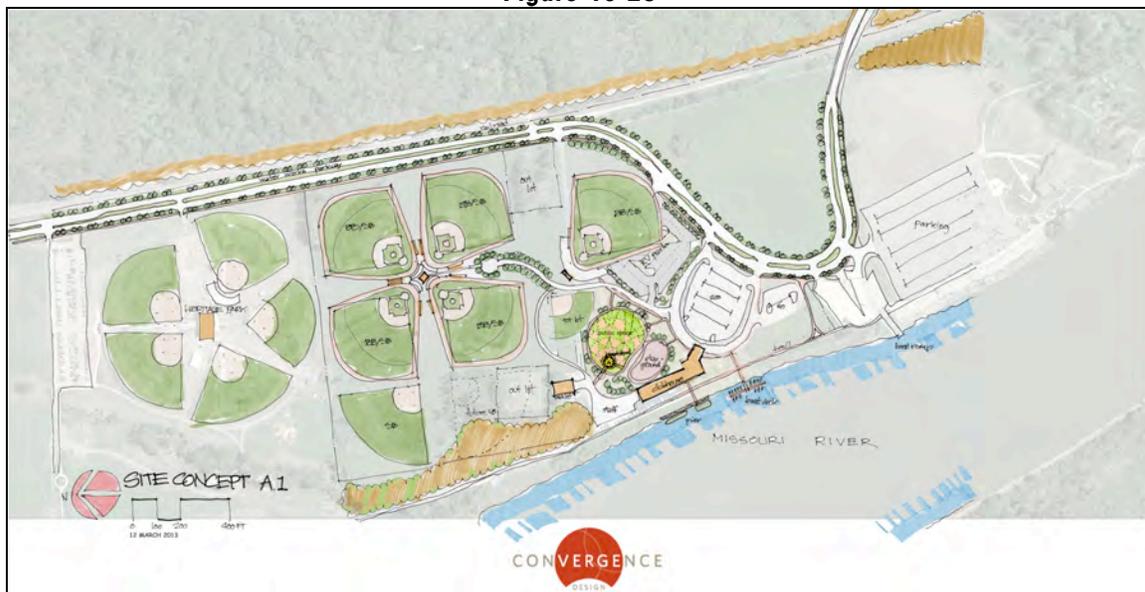
| St. Joseph Riverfront Redevelopment Order of Magnitude Cost Estimate | | | |
|---|---------------------|---------------------|---------------------|
| Concept | A1 | B1 | C1 |
| Includes Waterworks Road | | | |
| Total Construction | \$20,500,000 | \$21,200,000 | \$22,500,000 |
| Fees & Testing (9%) | \$1,800,000 | \$1,900,000 | \$2,000,000 |
| Contingency (10%) | \$2,100,000 | \$2,100,000 | \$2,200,000 |
| Total Soft Costs | \$3,900,000 | \$4,000,000 | \$4,200,000 |
| Total Project Cost | \$24,400,000 | \$25,200,000 | \$26,700,000 |
| Excludes Waterworks Road | | | |
| Total Construction | \$12,100,000 | \$12,800,000 | \$14,100,000 |
| Fees & Testing (9%) | \$1,100,000 | \$1,200,000 | \$1,300,000 |
| Contingency (10%) | \$1,200,000 | \$1,300,000 | \$1,400,000 |
| Total Soft Costs | \$2,300,000 | \$2,500,000 | \$2,700,000 |
| Total Project Cost | \$14,400,000 | \$15,300,000 | \$16,800,000 |

Source: Convergence Design

As shown above, there are two scenarios presented based on the inclusion of Waterworks Road enhancements. The estimated costs for the three options that include improvements to Waterworks Road range from \$24.4 million to \$26.7. The redevelopment without road improvements ranges from \$14.4 million to \$16.8 million. The roadwork would add approximately \$10 million to the redevelopment.

The following figure shows the casino site redeveloped with an emphasis on multi-use ball fields.

Figure 10-28



Concept A includes expansion of Heritage Park with up to six additional multi-use ball fields. These fields are shown as full size ball fields that can accommodate both softball and baseball, supplementing the softball specific fields currently at Heritage Park. This expansion would give the city the ability to attract more and larger tournaments and host them in one consolidated location. Parks like Hyde Park could be utilized as practice and overflow for games and tournaments when Heritage Park hosts larger events. The current field situation cannot compete with larger and newer facilities in the region.

Currently, organizations like Pony Express do not host tournaments because there is no adequate facility to do so. The lack of a quality facility and the required fields to host larger tournaments, which is typically at least eight, hinders organizations or tournament organizers from utilizing St. Joseph as a tournament location. Expansion would allow groups to host tournaments and expand offerings, potentially attracting more area teams (Maryville, Savannah, Chillicothe) to utilize St. Joseph facilities.

In addition to the expanding ball fields, a tot lot for T-Ball, picnic area and playground are included in the expansion as well as an RV park.

All of the components in the following figure remain the same as the previous concept except for the development of multipurpose fields in place of the ball fields.

Figure 10-29



This concept proposes a redevelopment of the casino property as a soccer park to complement the softball fields in Heritage Park to the north. The multipurpose fields provide space for various sports such as soccer, football, lacrosse and others rather than just baseball or softball. The existing casino structures and parking are to be reused to the extent feasible in order to minimize construction cost and preserve existing structures that might be repurposed for other uses.

Similar to the previous two concepts, the following figure includes all the same components except for integrating both ball fields and multipurpose fields into the development.

Figure 10-30



The third concept proposes a full redevelopment of the casino site with a combination of multi-use ball fields and multipurpose fields. This optimizes the available space by having the multipurpose fields overlay portions of the softball/baseball outfields. The combination layout would offer more programming opportunities as well as draw more visitors to Heritage Park.

Conclusion

The relevant facilities, city projects, regional plans and relevant communities are varied in scope, cost and type. All of the developments try to encourage more local and regional visitors to the locations or areas, and most of the developments focus on recreation and/or entertainment. St. Joseph has a wonderful and historically significant riverfront along the Missouri River, an asset that can be utilized by taking examples from the developments described above to create a riverfront project that will encourage growth and visits to the county.

A very important aspect is that almost all of the relevant projects try to draw from two distinct sets of visitors. The first group is those who are traveling on the river and come to the development by boat, while the second group is those who are land-based and visiting the riverfront. Development of both groups appears to be a key to the success of a riverfront development.

The meeting of land and water is a natural drawing card for human activity, and in St. Joseph, the downtown waterfront is ripe for development as the city reclaims its own community center of gravity back into its historically significant downtown. The city has an excellent opportunity for creating a new area of critical mass in downtown and along the riverfront. Congregating together

various elements for entertainment and carefully developed spaces with deliberate intentions for recreation, festivals, sightseeing and dining, along with the already-present built environment of brick building in historic neighborhoods and the ecology of the riverway, will produce a center for civic spirit to re-emerge that St. Joseph and the region will be proud of, and lead an economic resurgence in the area.

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PERFORMANCE PROJECTIONS

This chapter presents a projection of the key elements of the proposed development, assuming the recommended Scenario B.

Recommended: Scenario B

Scenario B includes moving the casino downtown with the addition of a casino-run event center. The event center would be owned and developed by Affinity and it would be similar to event centers at major casinos, with 2,000 seats for concerts, boxing events, sports events, etc. Much less expensive than the 4,500-seat event center in Scenarios D and E, this is a less costly option for bringing entertainment downtown and perhaps would not require the demolition of the Civic Arena, although it would become more obsolete as a result. The parking required would be 550 spaces in the new garage.

Hotel. The hotel is assumed to be renovated but not expanded. An expansion to 200+ rooms would be envisioned for a future phase as needed by the casino. With the renovation, the hotel is expected to perform better than the current hotel in terms of both occupancy and rate, although many of the room nights would be “comp’ed” or reduced rates for players.

Restaurants/Nightlife. The restaurant district is recommended to include 20,000 total square feet of restaurant/nightlife space. Restaurant sales are projected to be \$345 per square foot in this scenario, as the critical mass of the Project should lure more people downtown, especially those who may not even gamble, but are there simply for the variety of dining and entertainment options.

The table shows the projected gross revenue from the elements.

Table 11-1

| Gross Revenue Projection - Scenario B (000s) | | | | | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 10 | Year 15 | Year 20 | Year 25 | Total |
| Casino (for internal use) | n/a |
| Hotel | \$6,191 | \$7,267 | \$8,337 | \$8,792 | \$9,189 | \$10,955 | \$13,615 | \$15,783 | \$18,297 | \$315,824 |
| Event Center | \$2,239 | \$2,537 | \$2,862 | \$2,948 | \$3,037 | \$3,520 | \$4,081 | \$4,731 | \$5,485 | \$97,671 |
| Restaurants/Nightlife | \$6,900 | \$7,107 | \$7,320 | \$7,540 | \$7,766 | \$9,003 | \$10,437 | \$12,099 | \$14,026 | \$251,569 |
| Civic Arena* | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Parking | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Public Gross Revenue | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Private Gross Revenue | \$13,091 | \$14,374 | \$15,658 | \$16,331 | \$16,955 | \$19,958 | \$24,052 | \$27,883 | \$32,323 | \$567,393 |
| Total | \$13,091 | \$14,374 | \$15,658 | \$16,331 | \$16,955 | \$19,958 | \$24,052 | \$27,883 | \$32,323 | \$567,393 |

* Assumed net \$0 revenue impact due to loss of events to County Ag center, made up for by new events to improved Civic Arena
Source: HSP



As shown, the hotel is projected to generate \$6.2 million the first year and increase to \$18.3 million by the 25th year. The event center is projected to generate \$2.2 million in gross ticket and other sales in the first year, increasing to \$5.5 million by the end of the period.

The restaurant development is projected to generate \$6.9 million in gross sales, increasing to \$14 million by the 25th year. In total, more \$550 million in sales are projected over the period.

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FINANCING AND IMPACT

This chapter presents a projection of the potential financing of the public portions of the project scenarios using a variety of local tax streams as well as redirection of some state tax revenue streams.

Missouri Downtown Revitalization Preservation Program

Missouri Revised Statute 99.1080 to 99.1092 authorizes the Downtown Revitalization Preservation Program known as “Downtown Preservation”. This law became effective on August 28, 2005. This program is a tax increment financing program similar to state tax increment financing (TIF) and the Missouri Downtown Economic Stimulus Act (MoDESA). It allows the recapture of certain incremental taxes for locally qualifying projects. This project may qualify for the program for the arena portion of it. However, based on this analysis, it is believed that the city may be able to fund the program out of locally available increment and save the usage of this program for a larger public project, such as the replacement of the Civic Arena.

The incremental impacts of the Project are shown here but in order for these to qualify, the restaurants and event center would need to be owned by the public sector and not the casino. This is another reason the city may want to forego this program until a larger arena project is considered.

Estimated Development Cost and Debt Service

The estimated project cost is shown below. This may change as plans are refined and deal points negotiated between the parties.

Table 12-1

| St. Joseph Downtown District Scenario Budget (000s) | |
|---|-----------------|
| Scenario B | |
| Casino-Based Event Center | |
| Casino | \$19,800 |
| Hotel | \$7,480 |
| Event Center | \$16,202 |
| Restaurants/Nightlife | \$8,250 |
| Civic Arena | \$5,000 |
| Parking | \$7,563 |
| Total | \$64,295 |
| Casino Cost | \$51,732 |
| Public Cost | \$12,563 |

* Currently assumed to be funded by casino
 Source: Hunden Strategic Partners

The total cost of the Project is \$64.3 million, with \$51.7 million assumed to be spent by the casino and \$12.6 million to be spent by the city. The city portion includes the new garage and civic arena improvements. However, the deal structure will likely include an annual lease payment by the casino to pay for use rights for the garage, Civic Arena, or both. This would offset the city’s debt service pledge.

The estimated level debt service for the recommended project is shown below. Debt service can be shaped to be “uniform” for revenue streams that begin small and increase in size, so the ability to cover potential total debt service is important, not just based on level debt service. In this model, level debt service is shown. A taxable, A-rated annual appropriation bond issue through the Missouri Development Finance Board would average about 4.75 percent for a 20-year amortization and 5.10 percent for a 25-year amortization. HSP added 50 basis points to the 5.1 percent rate for market volatility, which resulted in a 5.6 percent rate.

Table 12-2

| Estimated Level Debt Service for Public Costs (000s) | |
|--|-----------------|
| Scenario B | |
| Casino-Based Event Center | |
| Public Costs | \$12,563 |
| Bond Issue Amount* | <u>\$13,300</u> |
| Level Debt Service at 5.6% for 25 years | <u>\$1,001</u> |
| Total Principal & Interest over 25 years | \$25,030 |

* Issue amount 6% higher due to issuance costs and reserves
Source: Hunden Strategic Partners

As shown, the public bond for Scenario B is \$13.3 million and debt service is \$1.001 million per year. This assumes the city guarantees the debt with pledged existing sources, which would bring the borrowing costs to 5.6 percent over the 25-year period. Without such a pledge, the interest rate will likely be much higher, making payments much higher. As contemplated, if the casino agrees to a lease payment in order to run the garage and Civic Arena (also becoming responsible for any operating deficits), this would lower the city’s risk and likely use of a guarantee.

The next table shows the expected gross revenue from the hotel (renovated), casino event center and restaurants. No additional revenue is shown for the Civic Arena to be conservative. While there are expected to be many more events in a renovated arena and with casino management/promotion, the facility will also lose certain annual large events to the new county Ag Center. As such, this is shown as a zero gross revenue increment.

Table 12-3

| Gross Revenue Projection - Scenario B (000s) | | | | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 10 | Year 15 | Year 20 | Year 25 | Total |
| Casino (for internal use) | n/a |
| Hotel | \$6,191 | \$7,267 | \$8,337 | \$8,792 | \$9,189 | \$10,955 | \$13,615 | \$15,783 | \$18,297 | \$315,824 |
| Event Center | \$2,239 | \$2,537 | \$2,862 | \$2,948 | \$3,037 | \$3,520 | \$4,081 | \$4,731 | \$5,485 | \$97,671 |
| Restaurants/Nightlife | \$6,900 | \$7,107 | \$7,320 | \$7,540 | \$7,766 | \$9,003 | \$10,437 | \$12,099 | \$14,026 | \$251,569 |
| Civic Arena* | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Parking | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Public Gross Revenue | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Private Gross Revenue | \$13,091 | \$14,374 | \$15,658 | \$16,331 | \$16,955 | \$19,958 | \$24,052 | \$27,883 | \$32,323 | \$567,393 |
| Total | \$13,091 | \$14,374 | \$15,658 | \$16,331 | \$16,955 | \$19,958 | \$24,052 | \$27,883 | \$32,323 | \$567,393 |

* Assumed net \$0 revenue impact due to loss of events to County Ag center, made up for by new events to improved Civic Arena
Source: HSP

Approximately \$567 million in new revenue (not counting casino gaming revenues) are projected over the 25-year period. However, approximately \$500 million in new revenue (not counting casino gaming revenues) are projected in the 23-year time horizon that matches the Downtown Preservation time horizon for tax rebates, in case it is utilized.

The estimated tax revenue streams are shown in the table.

Table 12-4

| Incremental Tax Revenue Projection - Scenario B (000s) | | | | | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|------------------|
| Tax Revenue | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 10 | Year 20 | Year 23 | Year 25 | Total |
| Sales Tax | | | | | | | | | | |
| State (General Fund) | \$ 230 | \$ 254 | \$ 278 | \$ 289 | \$ 300 | \$ 352 | \$ 489 | \$ 535 | - | \$ 8,858 |
| County General Fund (Buchanan) | \$ 38 | \$ 42 | \$ 46 | \$ 48 | \$ 50 | \$ 59 | \$ 82 | \$ 89 | - | \$ 1,476 |
| County Tourism Fund (Buchanan) | \$ 8 | \$ 8 | \$ 9 | \$ 10 | \$ 10 | \$ 12 | \$ 16 | \$ 18 | - | \$ 295 |
| City Sales Tax (General Fund) | \$ 230 | \$ 254 | \$ 278 | \$ 289 | \$ 300 | \$ 352 | \$ 489 | \$ 535 | - | \$ 8,858 |
| City Sales Tax (Mass Transit) | \$ 57 | \$ 63 | \$ 69 | \$ 72 | \$ 75 | \$ 88 | \$ 122 | \$ 134 | - | \$ 2,215 |
| Subtotal | \$ 563 | \$ 621 | \$ 681 | \$ 709 | \$ 735 | \$ 863 | \$ 1,199 | \$ 1,310 | - | \$ 21,703 |
| Transportation District Tax** | \$ 131 | \$ 144 | \$ 157 | \$ 163 | \$ 170 | \$ 200 | \$ 279 | \$ 305 | - | \$ 5,037 |
| Utility Tax (State Sales) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | - | \$ - |
| Total State Program Taxes | \$ 694 | \$ 765 | \$ 837 | \$ 872 | \$ 904 | \$ 1,062 | \$ 1,477 | \$ 1,614 | \$ - | \$ 26,740 |
| Additional City Funding Sources | | | | | | | | | | |
| CID | \$ 77 | \$ 85 | \$ 93 | \$ 96 | \$ 100 | \$ 117 | \$ 163 | \$ 178 | \$ 189 | \$ 3,325 |
| Hotel/ Motel Tax 3%*** | \$ 135 | \$ 158 | \$ 181 | \$ 190 | \$ 198 | \$ 236 | \$ 317 | \$ 346 | \$ 367 | \$ 6,474 |
| Hotel/ Motel Tax 6%*** | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Property Tax Increment - Hotel | \$ 12 | \$ 12 | \$ 12 | \$ 12 | \$ 12 | \$ 14 | \$ 17 | \$ 18 | \$ 18 | \$ 368 |
| Property Tax Increment - Restaurants | \$ 85 | \$ 87 | \$ 88 | \$ 90 | \$ 92 | \$ 101 | \$ 124 | \$ 131 | \$ 137 | \$ 2,718 |
| Incremental Casino Property Tax | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Local Funding Sources | \$ 308 | \$ 341 | \$ 373 | \$ 389 | \$ 403 | \$ 468 | \$ 620 | \$ 673 | \$ 711 | \$ 12,886 |
| Total Potential State & Local Sources | \$ 1,002 | \$ 1,106 | \$ 1,211 | \$ 1,260 | \$ 1,307 | \$ 1,531 | \$ 2,097 | \$ 2,288 | \$ 711 | \$ 39,625 |

* 2.54% generally, but figured lower due to lower paying jobs onsite
 ** Only applicable to Holiday Inn & Parking Parcel (which includes casino & restaurants)
 *** 3% applies to existing Holiday Inn; 6% applies to new rooms
 Source: Hunden Strategic Partners

The first set of figures represents potentially eligible state Downtown Preservation rebate funds if allowed. HSP does not believe these would necessarily be allowed, given the ownership and operations of the facilities. State allowable taxes are expected to total \$26.7 million over the 23-year period, which is the maximum that could be redirected. In any case, the state is not likely to allow a full 100 percent of tax redirection, even if the project qualified for assistance.

The more important revenues are those from the local CID, hotel/motel tax and property taxes. The total local incremental taxes from the proposed Project total \$12.9 million, with approximately half from the hotel/motel tax over a 25-year period.

The next table shows the state and local revenue streams and how those cover the level debt service.

Table 12-5

| Plan of Finance - St. Joseph Development Scenario B (Level Debt Service, (000s)) | | | | | | | | | | |
|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 10 | Year 15 | Year 20 | Year 25 | Total |
| Scenario B | | | | | | | | | | |
| 100% of Possible MO-DP Funds | \$ 694 | \$ 765 | \$ 837 | \$ 872 | \$ 904 | \$ 1,062 | \$ 1,274 | \$ 1,477 | \$ - | \$26,740 |
| 100% of Possible Local Funds | \$ 308 | \$ 341 | \$ 373 | \$ 389 | \$ 403 | \$ 468 | \$ 541 | \$ 620 | \$ 711 | \$12,886 |
| Total Funding Sources | \$ 1,002 | \$ 1,106 | \$ 1,211 | \$ 1,260 | \$ 1,307 | \$ 1,531 | \$ 1,815 | \$ 2,097 | \$ 711 | \$39,625 |
| Debt Service on Public Improvements | \$ 1,001 | \$ 1,001 | \$ 1,001 | \$ 1,001 | \$ 1,001 | \$ 1,001 | \$ 1,001 | \$ 1,001 | \$ 1,001 | \$25,030 |
| Net | \$ 1 | \$ 105 | \$ 209 | \$ 259 | \$ 306 | \$ 529 | \$ 814 | \$ 1,096 | \$ (290) | \$14,595 |
| Amount of possible MO-DP Funds Needed | 45.4% | | | | | | | | | |
| Source: Hunden Strategic Partners | | | | | | | | | | |

In this scenario, the local revenue streams could likely cover 51 percent of the debt service over the period. If Missouri Downtown Preservation funds are required, about 45 percent of those incremental funds would be required. The program only allows for 23 years of rebates, so only 23 years were shown.

The next table shows how replacing the state program rebates with a casino lease would benefit the funding plan for the Project.

Table 12-6

| Plan of Finance - St. Joseph Development Scenario B - No State Rebates - With Casino Lease Pmt (Level Debt Service, (000s)) | | | | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 10 | Year 15 | Year 20 | Year 25 | Total |
| Scenario B | | | | | | | | | | |
| Casino Lease Payment | \$ 800 | \$ 775 | \$ 750 | \$ 725 | \$ 700 | \$ 700 | \$ 700 | \$ 700 | \$ 700 | \$15,350 |
| 100% of Possible Local Funds | \$ 308 | \$ 341 | \$ 373 | \$ 389 | \$ 403 | \$ 468 | \$ 541 | \$ 620 | \$ 711 | \$11,482 |
| Total Funding Sources | \$ 1,108 | \$ 1,116 | \$ 1,123 | \$ 1,114 | \$ 1,103 | \$ 1,168 | \$ 1,241 | \$ 1,320 | \$ 1,411 | \$26,832 |
| Debt Service on Public Improvements | \$ 1,001 | \$ 1,001 | \$ 1,001 | \$ 1,001 | \$ 1,001 | \$ 1,001 | \$ 1,001 | \$ 1,001 | \$ 1,001 | \$23,028 |
| Net | \$ 107 | \$ 114 | \$ 122 | \$ 112 | \$ 102 | \$ 167 | \$ 240 | \$ 319 | \$ 410 | \$ 3,805 |
| Debt Service Coverage Ratio | 1.11 | 1.11 | 1.12 | 1.11 | 1.10 | 1.17 | 1.24 | 1.32 | 1.41 | |
| Source: Hunden Strategic Partners | | | | | | | | | | |

In this scenario, the casino lease necessary would begin at \$800,000 and decrease to \$700,000 by the fifth year. This would provide 1.1x debt service coverage in all years, increasing to 1.4x by the 25th year. If the public project costs were greater than expected, the annual lease payment structure would need to be increased, although it could decrease over time as the city's funding streams improved.

In summary, there are ways to fund this transformative Project for St. Joseph. While deal points cannot be negotiated here, the conceptual structure of a plan has been reviewed and can serve as a basis for the beginning of public and private conversations about the Project.