City of Fort Worth Convention and Hospitality Market Feasibility Study

Submitted to:

Bob Jameson
President and CEO
Fort Worth Convention & Visitors Bureau
111 W. 4th Street Suite 200
Fort Worth, TX 76102

Kirk Slaughter
Facilities & Public Events Director
City of Fort Worth
1111 Houston Street
Fort Worth, TX 76102

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City of Fort Worth
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Fort Worth, TX 76102

Dear Mr. Jameson and Mr. Slaughter,

The City of Fort Worth and the Fort Worth Convention and Visitors Bureau engaged the Hunden Strategic Partners' team, including TVS Design and Benner Bennett Partners (referred to collectively as HSP, HSP Team or Team) to conduct a market and financial analysis related to the future potential expansion and renovation of the Fort Worth Convention Center (FWCC), as well as the possible development of a new arena and repurposing of the existing arena at the FWCC. The analysis includes an analysis of the downtown hotels, restaurants, nightlife and entertainment that were considered as part of the overall hospitality package, based on research conducted by the Team. The scope of work also included analyses of marketing and building resources as well as governance profiles of other similar facilities. Finally, an economic and fiscal impact analysis was conducted for the recommended development scenarios. The attached is our report.

This deliverable has been prepared under the following general assumptions and limiting conditions:

- The findings presented herein reflect analysis of primary and secondary sources of information that are assumed to be correct. HSP utilized sources deemed to be reliable, but cannot guarantee their accuracy.
- No responsibility is taken for changes in market conditions after the date of this report and no obligation is assumed to revise this report to reflect events or conditions occurring after the date of this report.
- HSP has no control over construction costs or timing of construction and opening.
- Macroeconomic events affecting travel and the economy cannot be predicted and may impact the development and performance of the project.

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

Sincerely yours,

Hunden Strategic Partners

EXECUTIVE SUMMARY

The City of Fort Worth (City) and the Fort Worth Convention and Visitors Bureau (FWCVB) retained the Hunden Strategic Partners Team (HSP or the HSP Team), consisting of TVS Design and Benner Bennett Partners (BBP) to analyze the current conditions of the Fort Worth Convention Center (FWCC), the local, downtown and walkable hotel package, as well as the arena market, to determine the likely next steps that the City and FWCC should take to optimize Fort Worth's place in the competitive convention and event market, given its size, location, growth and other key attributes. The HSP Team was also tasked with analyzing the resources that are collected and allocated to both the FWCC and the FWCVB for operating and marketing efforts, as well as profiling alternative governance structures for the management and marketing of the FWCC.

These tasks were undertaken within a context of known or assumed facts or likely occurrences that were additionally investigated.

Existing Conditions and Critical Factors

These assumptions and trends provide significant context to the study and its outcomes. They include:

- Fort Worth is the fastest growing city in Texas and one of the fastest growing cities in the country. This is generally true of the population within the city limits, the Tarrant County population, as well as the greater Dallas-Fort Worth Metroplex.
- The State of Texas is one of the fastest growing states in the nation and was one of the few states that were only minimally impacted by the latest recession. Relative to the balance of the country, Texas has grown in population and performed exceedingly well in terms of its economy.
- The convention and event market nationally has been in a recovery period following two consecutive declines in the past decade (after 9/11 and from 2008 – 2011). Overall convention activity, based on one key measure of exhibit hall usage, is essentially at the same level as in 2000. However, the convention industry has changed significantly, with less emphasis on exhibit space and more emphasis on ballroom and meeting space. Therefore, simplistic measures of the industry do not tell the whole story of a dynamic and continuously active market for events.
- The event and convention market in Texas has continued to expand based on the growth of its economy, population and major cities. Cities like Fort Worth and Austin that had only been state or regional players in the past are now competing for nationally rotating events. This is based on each of their improved reputations nationally for active downtowns, vibrant cultural scenes, and improved convention and hotel packages. In addition, Houston, Dallas and San Antonio have responded to the market's demands for more and better quality space and hotels – especially hotels – and have each made major strides in improving their competitive positions nationally.

- Smaller cities in Texas have grown as well, and have advanced their desires to host rotating state events and corporate conferences. Cities like Irving and Grapevine have joined a host of other other Texas cities (Arlington, Corpus Christi, Amarillo, etc.) in offering compelling packages for meetings and events. These have not simply been convention center investments, but hotel and entertainment district investments as well.
- Fort Worth itself has benefited extensively from its past investments in its convention and hotel package, its downtown and entertainment/dining options. The last expansion of the FWCC paired with the addition of the 614-room in 2009 has lifted the profile and performance of the FWCC and City in the industry. The downtown hotel package has improved not just in size, but in quality, as the higher quality Omni essentially forced the balance of the market to catch up in quality. Had the market not responded positively to these investments, this report may not be necessary. However, there has been a measureable flight to quality with a spike in the hotel rates that the Omni and other improved hotels have been able to achieve. The difference between the downtown hotel market's health between 2002 and 2014 is nearly night and day. Occupancies and hotel rates are strong enough that several new and compelling hotel projects are under consideration in the walkable area around the FWCC. These include high-end boutique and extended stay properties.
- A public-private partnership to build a new, state-of-the-art arena is underway, with a project that would be located at the Will Rogers Memorial Complex. It would serve as both a host and headquarters for the massive and legendary Fort Worth Stock Show in January of each year, but just as important, will provide this two million person market with its first major market arena to host concerts, family shows, sporting events and other entertainment. The opportunity this will provide to Fort Worth is significant in terms of recapturing lost business that currently goes to Dallas for events or is simply not accommodated in the Metroplex market now due to a lack of suitable venues and calendar availability.
- The addition of the arena will likely impact the FWCC and some of the events it holds. Some may want to move to a new arena, although most will likely want to stay at the FWCC as long as it meets their needs. There are several existing annual events that use the arena for their religious or direct selling assemblies.
- There are two distinct portions of the FWCC: a new and relatively optimized portion containing exhibit, ballroom and meeting space, as well as pre-function space; and a 40+ year old component containing the original arena, meeting rooms and some underutilized space. There are a number of logistical and other challenges at the FWCC that require attention if the facility hopes to be competitive.
- The FWCC is somewhat landlocked, both physically and politically. In order to expand in all but one direction, streets would either need to be bridged, moved or removed. The direction where street adjustment is not needed is toward the south, where the Water Gardens sit. While many civic and political leaders expressed opinions suggesting the Water Gardens could or should be removed or modified, there was also

a significant feeling that the Water Gardens have a somewhat sacred status in downtown. Any adjustments would potentially be more difficult than moving a street.

Key Findings

Based on HSP's extensive analysis of the existing and past clients in Fort Worth, the facility, the competitive market, demand and other issues, HSP determined the following:

- The market has responded extremely positively to the expansions and improvements in Fort Worth's convention package over the past 10 – 12 years. The two primary changes were the last expansion, completed in 2003, and the addition of the Omni, opened in 2009. Demand levels in both facilities have been strong, exceeding most all expectations. The Omni leads the market in hotel performance. A third primary improvement has been the quality change in the downtown hotel package. While the number of rooms has not expanded dramatically beyond the Omni addition, its quality set the bar for the market at a level that encouraged the remainder of the market to adjust upward. As a result, the downtown market has a good quality reputation for most properties and excellent performance levels. These levels are so strong that several new hotels are under consideration in the downtown area, near the FWCC.
- Fort Worth's downtown has enhanced its reputation as a fun, walkable city with a variety of restaurants and leisure time activities. While not quite at the level of San Antonio and Austin, most visitors who know the major Texas cities would rank Fort Worth's downtown higher than Dallas or Houston for the visitor experience. It has a walkable, easy to get around feeling to it along with plenty to do. The addition of Sundance Plaza has underscored this change.
- The FWCC has some significant challenges in quality and logistics that have locked it into a business plateau.
    - The new part of the building is excellent and users enjoy it, however servicing the new and old portions of the building is an extreme challenge due to back of house circulation issues.
    - The original part of the building, the arena, is nearly 50 years old and is outmoded and underutilized. Very few groups use the arena as an arena, and those who do have made do with a variety of challenges. The meeting rooms surrounding it are also much lower quality than the newer meeting rooms. The Annex, which is supposed to be an exhibit hall, is essentially a catch-all room for indoor unloading, food prep, storage, staging, etc. Unfortunately, it is not a good quality exhibit hall and has logistical challenges, and so therefore is almost never used by groups for exhibit space.
    - The kitchen facilities are exceedingly small and make food preparation and service execution difficult. The back-of-house hallways to the ballroom are virtually non-existent and the need to elevator food also presents a challenge.
    - Onsite food options are minimal, as are public seating areas. While downtown Fort Worth has a number of restaurants, users of the facility would like to have several

quick and casual food service options onsite, as well as the opportunity to bring in food trucks that would provide trendy fare.

- Building technology has been noted by most large FWCC users as a challenge. Nothing short of a capital investment in a higher capacity system will change this commonly stated service issue. This investment can be made now to retain existing business and is a priority.
- Existing users are outgrowing the facility and some have had to relocate to larger buildings. Many potential users will not consider coming to the Fort Worth without larger and better quality spaces, especially a large ballroom and more high-quality meetings rooms.
- The existing meeting rooms do not have built in audio-visual equipment, which ends up costing users much more money as well as requires more labor for the building. All of these issues make Fort Worth and the FWCC less competitive for events.

- The downtown hotel market suffers from the episodic nature of the convention business, which has plagued many convention markets. When a convention is in town, hotels are generally full and rates are 'compressed' upward. However, during the lag time between conventions, hotels are left to fill the gaps with other in-house meetings business and the normal transient business. Rates and occupancies decline. This roller coaster scheduling can be difficult and harmful to business. Many facilities have realized that there are many more small and mid-sized conventions to host than large conventions. Being able to consistently host two to three small or mid-sized events with calendar overlap enables hotels to be more consistently occupied. With the proper space configuration and program in the FWCC and at least two proximate headquarters hotels, Fort Worth will be able to advance its business significantly, almost a "1 + 1 = 3" situation.
- The walkable hotel package, despite its vast improvement over the past decade, is still too small to be competitive for either mid-sized conventions or simultaneous smaller conventions. When comparing Fort Worth to its peers and competitors, it has many fewer rooms within walking distance. In order to package a large room block, the CVB struggles, as it has to cobble together small blocks of rooms from a large number of hotels, many of which are not close. Meeting planners want to contract with as few hotels as possible in order to set up their hotel room block. And while the Omni is a bright spot, it also presents a challenge in that its level of size, location and quality is so much better than any other hotel that planners balk at using other hotels if they are not able to secure their hotel rooms at the Omni.
- Fort Worth's hotel package will grow, but if not managed strategically in tandem with convention industry professionals, the market could end up with many small new hotels instead of one or two large, compelling, event-inducing properties. The smaller hotels will not help the FWCC expand its market penetration or attract the market Fort Worth can serve.

- In terms of governance structures, there are a number of structures that can result in successful outcomes for convention center sales and management. A number of structures have been tried, from a convention facility owned and operated by a city department, to one operated and marketed by a CVB (Memphis), to one operated and marketed by a private management firm (Cleveland), to hybrid structures involving public ownership and either private or independent management (most cities). The key to success appears to be aligning outcomes, responsibilities and resources within one organization or a combination of organizations. Those who are tasked with producing results in the building should also be provided the resources and authority to attract business and negotiate fair deals that meet the goals for the building. The goals of the building are usually an optimized combination of limited operating losses and economic impact through hotel room night and attendance generation. Structures that separate the authority from the resources to make effective decisions suffer, while those who align resources, management and marketing to work cohesively tend to prosper.

Recommendations

As a result of these findings, the HSP Team makes the following recommendations, as shown in the table below:

Table 1

Fort Worth Convention Package Recommendations

	Exhibit Space	Ballroom 1	Ballroom 2	Meeting Room Space	Meeting Room Divisions	Board Rooms	Convention Hotel 1 (Rooms)	Convention Hotel 2 (Rooms)
Current	227,613	28,160	0	58,520	55	1	614	0
Recommended	280,000	28,160	50,000	80,000	80	3	1,000	1,000
Net New Needed	52,387	0	50,000	21,480	25	2	386	1,000
Existing to be Replaced	45,000	0	0	25,000	25	0	0	0
Net New to be Constructed	**97,387**	**0**	**50,000**	**46,480**	**50**	**2**	**386**	**1,000**

Source: Hunden Strategic Partners

The description below provides discussion of each major recommendation.

- The FWCC should replace and/or upgrade the original portion of the building, including the arena. While arena-style seating is still favored by several function types, such as religious events and direct sales rallies, these can be accommodated by retractable seating that creates an arena-like setting in a new, modern and more flexible space. An example is the Mary Kay convention that moved from Dallas' old convention arena to an exhibit hall for their arena style events.

- The expansion and renovation of the FWCC should including the following components in order to optimize the FWCC's position in the market and respond to the market that wants to come to Fort Worth:
  - **Exhibit Space:** Expand prime exhibit space from 182,000 square feet currently to as close to 300,000 square feet as possible, likely 280,000 square feet, given site constraints. (Currently the 45,000-square foot Annex space is not prime space and is rarely used, so Fort Worth has total exhibit space of 227,000 square feet, but due to the 45,000 square feet of subprime space, there is only 182,000 square feet of prime exhibit space.) By creating this space, the FWCC can host either one mid-sized to large-sized convention or two simultaneous small-sized to mid-sized conventions. There is enough space on site to raze the arena or remodel it to expand prime exhibit space close to this level. Depending upon what is done with the Annex, this space can either be improved or eliminated, as it is not helpful currently to landing business. The benefits of removal are discussed further below.
  - **Ballrooms:** The addition of a 50,000 square foot ballroom will do the most within the building to make Fort Worth more competitive and able the meet the market's needs. This trend, more than any, has defined the convention business over the past ten years, while the emphasis on exhibit halls has plateaued. The reasons are many, but ballrooms can act as plenary session spaces, banquet and reception venues, exhibit halls and even large meeting rooms, given how they can be divided into multiple smaller spaces. They also have more lighting and built-in audio-visual capabilities as well as better finishes. This makes them flexible for all manner of events, even arena-style events, if proper seating is furnished. By having one large and one mid-sized existing ballroom, the FWCC can host one major convention effectively or two simultaneous conventions.
  - **Meeting Rooms:** The replacement and addition of meeting rooms for a new total of 80 meeting rooms and 80,000 square feet will help the FWCC attract higher rated business (professional associations, corporate events, technical meetings) that require numerous breakout meeting rooms for training, teaching and related small group settings. Even small and mid-sized events require a number of breakout meeting rooms. So in order to host two simultaneous events or one large event, these rooms are necessary, especially as Fort Worth begins to compete more with Dallas, Houston, Austin and San Antonio, not to mention about 25 other large U.S. cities and the Gaylord properties.
  - **Food and Beverage:** A full catering kitchen that allows for consistent, high-quality service and simultaneous plating for hundreds of people should be added to the FWCC. The onsite food and beverage operations should be enhanced with a mini-food court as well as other quick-serve options that provide consistent, basic food options (at a higher quality level than concession food). Allowing food trucks to come onsite for a fee to the FWCC to enhance the authenticity of the FWCC experience and minimize congestion and labor costs at in-house food outlets (or forcing groups to do a formal in-house food function) is also recommended.

- **Parking:** While parking downtown is not generally a problem, for large events, parking can easily overflow from the primary garage and lots. There is no existing or easy onsite parking option. Therefore, as part of the replacement of the north end of the building, an underground parking garage is recommended. This will allow daytrip or other non-walkable users to come and go from the facility in a completely weather-independent mode, while still allowing those in nearby hotels to easily walk to the building.
- **Hotels.** Due to the small hotel package that Fort Worth offers in a walkable and proximate radius from the FWCC, even with its current convention space sizing, it should add a second branded headquarters hotel of 1,000 rooms near the north or northeast end of the building. In addition, an option exists for the Omni to expand its room count by approximately 400 rooms on an adjacent site, as well as add the requisite meeting and ballroom space necessary to support it, so that it, too, is 1,000 rooms. If the Omni does not expand, then a third large hotel adjacent to the FWCC should be encouraged. Then Fort Worth will be well-positioned to host larger events and two simultaneous events. Any other hotels proposed for the proximate area around the FWCC should be prioritized behind these two developments in terms of city assistance, unless in unique circumstances. Only products that enhance Fort Worth's hotel package in terms of quality, such as a high-end boutique hotel or fill a service gap (extended stay) should be encouraged. Any hotels without full-service amenities and smaller than a size that would induce large events to Fort Worth should be placed on hold until the development of these headquarters properties is underway.
- **Straightening Commerce Street.** It has been established that the Annex is subprime space and its development caused Commerce Street to bow out around it. The space is not especially helpful to the FWCC and prime exhibit space can be added in a multi-story addition/replacement of the north end of the building. The benefit of removing the Annex and straightening Commerce is the creation of larger development parcels east of Commerce, which would make the development of one or more convention hotels easier. The costs of realigning Commerce to the original grid have been estimated to be reasonable within the overall cost structure of this project. It also completes a long-held planning goal of the downtown plan.
- **Creating a new Front Door.** The FWCC currently has no welcoming front door or obvious public space/living room, as the arena is somewhat foreboding and sends pedestrians around to the west side of the building to enter in many cases. A replaced north end should include a welcoming public access point and grand lobby and second level terraced restaurant or reception area that simultaneously functions as a counterpoint to the courthouse at the other end of Main Street. The views to and from this new front door should ultimately provide Fort Worth with some additional iconic imagery and create that connectivity to the rest of the entertainment district and Sundance Square area that is needed. Additional restaurant spaces along the east and west sides of the building (inside or across the street, but facing the street in all cases) should be a priority.

- **Governance.** Based on HSP's analysis of the governance, management and marketing structures for convention centers, it is recommended that the City, FWCVB and other key stakeholders initiate a more in-depth discussion of how the structure in Fort Worth may be improved. Key elements to consider will be the alignment of responsibilities and resources, calendar/sales management/deal negotiation and merit pay structures. While Fort Worth's model is working remarkably well due to a can-do attitude and expertise from both the FWCC team and the FWCVB, there may be opportunities to set up structures that induce success even if the professionals running it are not as gifted as those in place today.

The following sections of this Executive Summary include highlights from the report that follows.

Physical & Business Profile of the Fort Worth Convention Center

The Fort Worth Convention Center (FWCC) opened on September 30th, 1968 in downtown Fort Worth, Texas. The facility has undergone several expansions since opening its doors:

- The first was the addition of the Exhibit Annex in 1984, which added 45,000 square feet of exhibition space and resulted in the realignment of Commerce Street to accommodate a building that "bowed out" into the traditional street grid.
- The second expansion was a two-phase renovation and expansion in 2002 and 2003, the first of which added 57,600 square feet of exhibit space, 18,700 square feet of meeting space and a ballroom measuring almost 29,000 square feet. Seats in the arena were also re-upholstered. The second phase added 21,600 square feet of exhibit space, 15,000 square feet of meeting space on the second floor and included the renovation of 100,000 square feet of existing exhibit space.
- The 615-room Omni Fort Worth opened adjacent to the FWCC in 2009 after a concerted effort to develop a convention hotel. It features a major ballroom and numerous breakout meeting rooms.

The most important category for the Fort Worth Convention Center is conventions. Conventions generate the most impact due to their combination of size and likelihood that guests are from out of town, so require hotels, restaurants and entertainment. The growth in this category is an important metric for the facility's overall health. This occurred against a backdrop of a tough convention industry struggling with the economic recession, which makes the results even more impressive.

The next table shows the number of conventions at the FWCC, broken down between smaller (less than 1,100 peak hotel room nights) and larger (more than 1,100 peak hotel room nights).

Table 2

Fort Worth Conventions

FY	Under 1,100 Peak Room Nights	Over 1,100 Peak Room Nights	Total
2001	28	2	30
2002	27	6	33
2003	32	5	37
2004	29	6	35
2005	28	5	33
2006	41	2	43
2007	42	4	46
2008	28	6	34
2009	38	6	44
2010	46	7	53
2011	43	8	51
2012	43	4	47
2013	38	11	49
2014	44	10	54
Change	**57%**	**400%**	**80%**

Source: FWCC

As shown, the number of smaller conventions has increased from 28 to 44 over the period, with consistent increases after the last expansion and then the Omni opening. The larger conventions increased from two to ten over the period, with a general increase over the period. This implies that the building was being held back in the type, quality and size of conventions it could hold, first by a size restriction, then by a hotel restriction. While Fort Worth was able to host smaller conventions before the Omni opened, the small-market events still required quality accommodations and a proximate location, which the Omni provided. The increase in large conventions shows that with the added hotel (and other quality improvements to hotels downtown), the FWCC was able to host more and larger conventions.

There are a number of challenges with the building, as has been described in the findings at the beginning of this summary. These issues with the building need to be solved in order to accommodate any additional demand, higher rated groups and retain existing business.

Meeting Planner and User Interviews and Surveys

Hunden Strategic Partners conducted a number of in-person and over the phone interviews with meeting planners and existing or past FWCC users. Interviews were also held with the FWCVB sales professionals. HSP also conducted a meeting planner survey of those who would geographically qualify to hold their event in Fort Worth and received 491 responses from meeting planners nationwide.

The findings of the interviews and surveys are reflected in the physical and service recommendations found at the beginning of this executive summary and were the primary factors generating and supporting the recommendations.

Competitive Event Destination Analysis

The following is a map of the peer cities profiled by HSP for the study in order to understand Fort Worth's competitive position.

Figure 1

Perhaps the most telling analysis in this report beyond the specific demands of meeting planners is the analysis of the competitive environment.

In summary, the competitive cities have average convention facility sizes that are larger and of higher quality than all portions of the FWCC's function space package, including the size of prime exhibit space, the size and number of ballrooms and the size, number and quality of meeting rooms. In terms of the hotel package, Fort Worth is already 600+ hotel rooms short of the average of the competitive proximate room count by several metrics and would be 2,000 rooms short if the recommended expansion is put in place today.

Local Hotel Market Analysis

There are ten hotels in the downtown Fort Worth competitive / selected set, totaling 2,623 rooms. The largest and newest hotel is the Omni Fort Worth Hotel (614 rooms) followed by the Renaissance Worthington (504 rooms). The average age of the competitive set hotels is 18 years. However, five of the properties have been opened in the last ten years. The 614-room Omni Fort Worth and 140-room TownePlace Suites Fort Worth Downtown are the newest hotels in the downtown market, opening in 2009 and 2010, respectively. The average size of the listed properties is 262 rooms. The function space available in the competitive/selected set ranges from approximately 340 square feet at TownePlace Suites to 40,000 square feet at the Omni Fort Worth.

This 614-room Omni has greatly improved the city's ability to attract a greater number and larger events than previously chose to host their events in competing cities. The Omni functions as a headquarter hotel that is within walking distance of dining and entertainment options. This has added a vital component necessary for the City to create the attractive, walkable downtown package that is an enticing destination for meeting planners, potential organizations and leisure guests.

The hotel was developed as a specific strategic effort of the city, a process that started in 2000 and led to the hotel's eventual opening in 2009. The public-private project was privately financed and owned, but included a variety of incentives to make the project possible. The results of the hotel and market's performance suggest the investment was well worth making. The hotel is the highest performer in the market and the whole competitive set's performance has increased from recession lows. Demand in the set has nearly doubled.

Recommendations - Recap

As a result of these findings, the HSP Team makes the following recommendations, as shown in the table below:

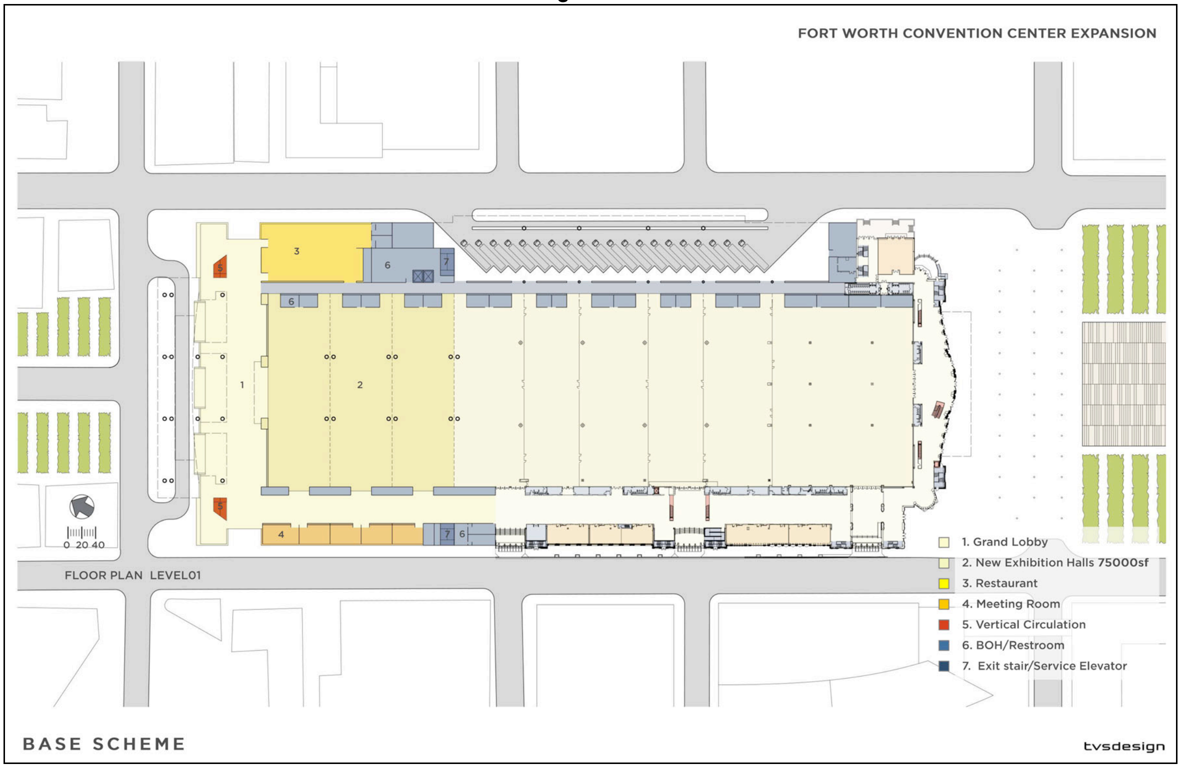
Table 3

Fort Worth Convention Package Recommendations

	Exhibit Space	Ballroom 1	Ballroom 2	Meeting Room Space	Meeting Room Divisions	Board Rooms	Convention Hotel 1 (Rooms)	Convention Hotel 2 (Rooms)
Current	227,613	28,160	0	58,520	55	1	614	0
Recommended	280,000	28,160	50,000	80,000	80	3	1,000	1,000
Net New Needed	52,387	0	50,000	21,480	25	2	386	1,000
Existing to be Replaced	45,000	0	0	25,000	25	0	0	0
Net New to be Constructed	**97,387**	**0**	**50,000**	**46,480**	**50**	**2**	**386**	**1,000**

Source: Hunden Strategic Partners

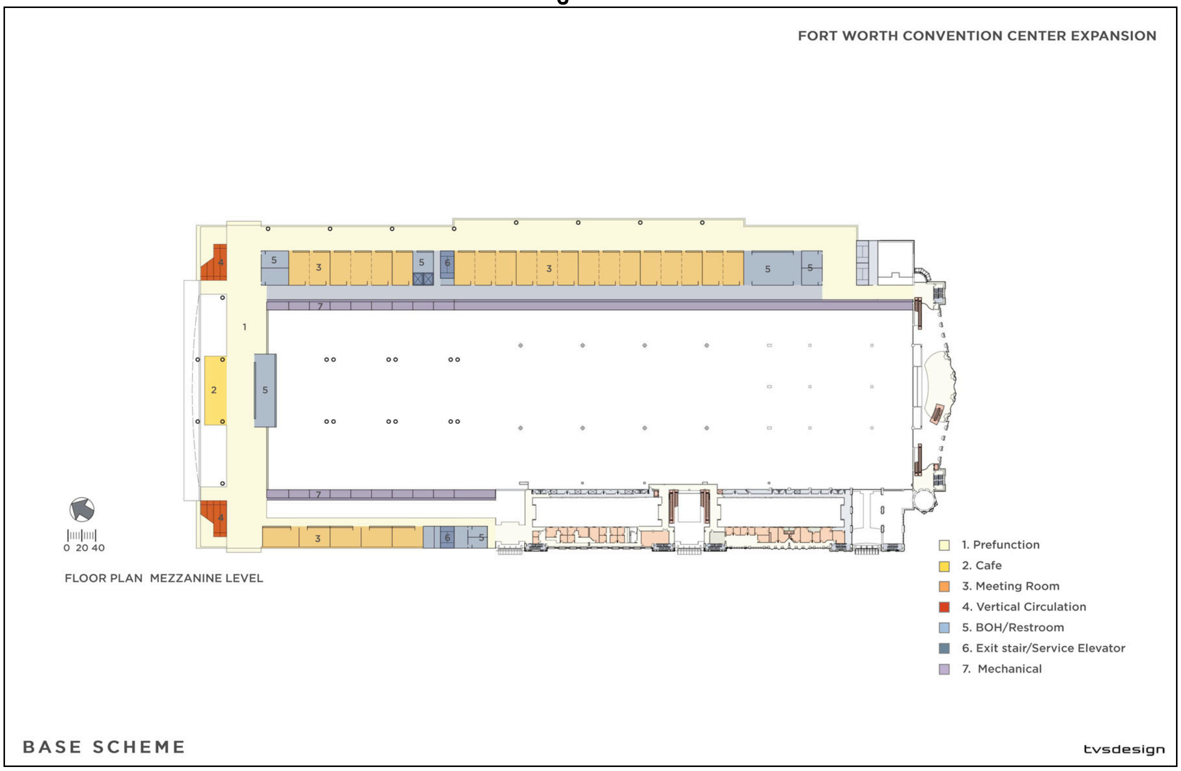
Figure 2



This design also includes a large new kitchen and new back-of-house circulation to enable food to get to all rooms and ballrooms without the current challenges. New loading docks are also designed. Finally, a new restaurant facing street level will help to activate what is now a dormant street experience.

The next figure shows the mezzanine level.

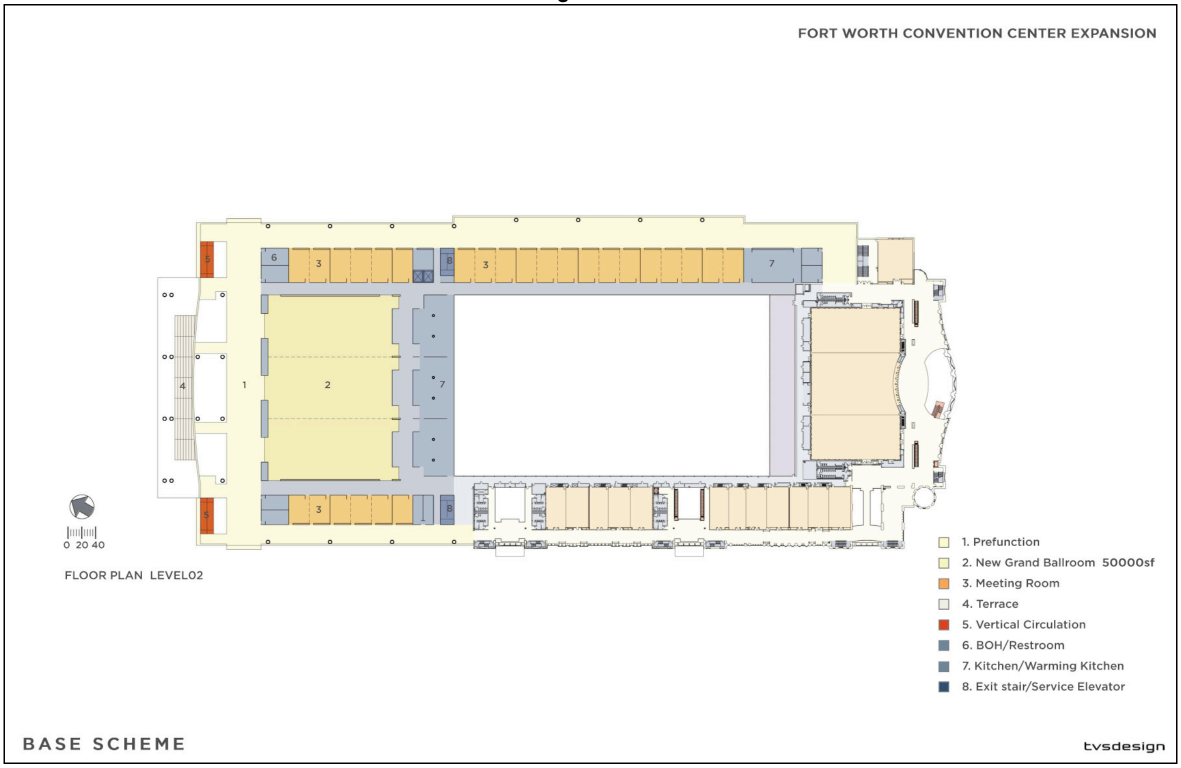
Figure 3



The mezzanine level has an expanded array of high quality meeting rooms and circulation all around this level.

The next figure shows the second level of the proposed plan.

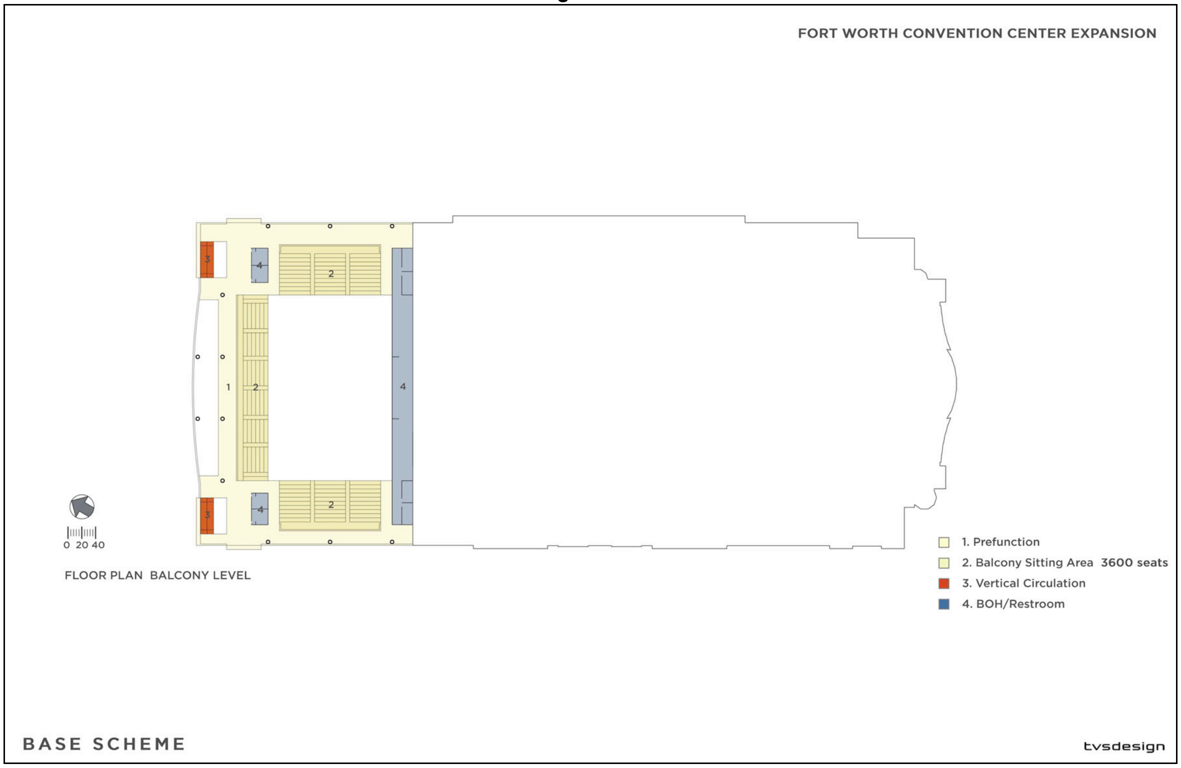
Figure 4



On the second level, a new grand ballroom of 50,000 square feet is designed above the expanded exhibit hall space. Additional meeting rooms are located around the ballroom and along the hallways. There is also a second level overlook and terrace looking out over Main Street and the grand lobby.

The next figure shows the top level for the FWCC, which includes retractable seating. The key part of this design is that between retractable seating in the ballroom and above it, an arena setting can be created with the same number of seats as the current arena.

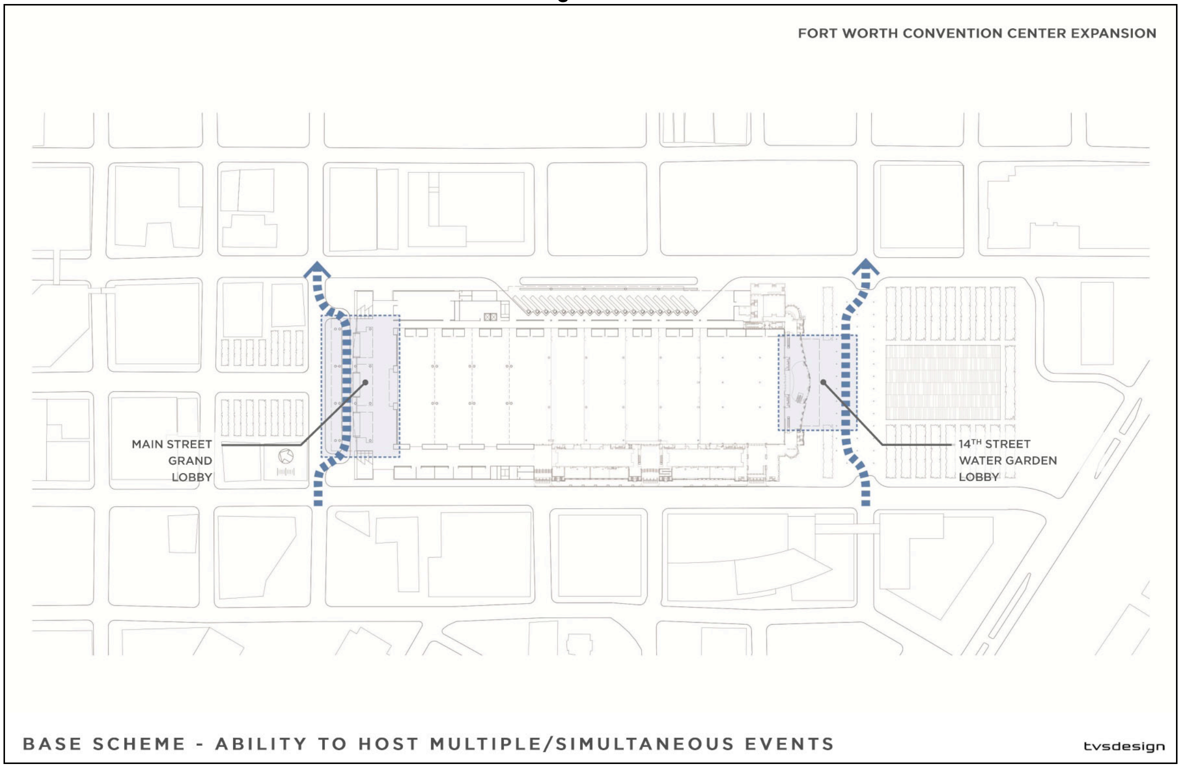
Figure 5



As shown, 3,600 additional retractable seats can be installed in addition to the retractable seats that would be at the ballroom level.

The final drawing shows the subterranean level, which includes substantial new parking for the building.

Figure 6



This drawing shows how the building could host two major events at one time, with entrances at the north and south ends of the building. The exhibit halls, meeting rooms and ballrooms can also be divided north and south for separate events.

Other schemes that keep the arena intact and Commerce Street in its current form were drawn by TVS. However, in HSP's professional opinion, the current arena should be removed. The decision to straighten Commerce street is not an absolute given, but is recommended. The loss of the Annex is not harmful to the building and that space, along with new space can be added where the arena sits currently. In total, nearly all the recommended spaces can be developed within the site.

Projections

The first set of tables shows the conservative expectations for the expanded FWCC. With the ability to host two simultaneous conventions of the same size as it can currently hold, or one large convention that is double the size, HSP expects more conventions and trade shows, as well as a larger average event size.

Based on the future number of events and average attendance estimates, total future attendance was projected, as shown below.

Table 4

Fort Worth Convention Center - Projection of Attendance

	Prior 5-Yr. Avg.	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	% Change
Public Shows	176,759	190,400	168,000	145,200	146,400	147,600	148,800	150,000	151,800	153,600	155,400	-12%
Conventions	502,175	577,500	663,400	741,200	821,400	858,800	874,000	889,200	904,400	919,600	934,800	86%
Banquets	14,367	21,000	27,300	33,600	33,600	33,600	33,600	33,600	33,600	33,600	33,600	134%
Meetings	18,157	27,600	33,840	40,320	41,160	42,000	42,840	43,680	44,520	45,360	46,200	154%
Other	3,962	4,620	4,851	5,094	5,094	5,094	5,094	5,094	5,094	5,094	5,094	29%
Religious	14,915	12,800	9,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600	-36%
Special Events	866	944	1,070	1,211	1,370	1,408	1,447	1,485	1,523	1,561	1,599	85%
Sporting Events	17,406	19,958	22,187	22,419	22,651	22,884	23,116	23,348	23,580	23,813	24,045	38%
Trade Show	2,318	3,850	5,530	7,290	7,470	7,650	7,920	8,190	8,460	8,730	9,000	288%
Total	**931,724**	**858,672**	**935,777**	**1,005,934**	**1,088,745**	**1,128,636**	**1,146,416**	**1,164,196**	**1,182,577**	**1,200,957**	**1,219,337**	**31%**

Source: Fort Worth Convention Center

The five-year historical average attendance is 932,000. With the number of additional events and larger sized events, total attendance is expected to increase to 1.2 million, or by 31 percent. However, it is expected that many of the attendees lost due to the loss of the arena will be local, while those that it will gain will be staying in hotels. This is an example of higher-rated business replacing lower-rated or local business. The net impact will be much greater than 31 percent as the room nights generated are expected to increase by a much greater margin.

Hotel Projections

The below projections focus primarily on the 1,000-room convention hotel recommended to be opened in 2020 along with the FWCC expansion, but also assumes there are three other hotels developed between 2016 and 2018 totaling 450 rooms. A 400-room hotel addition is also assumed in 2023.

The next table shows the expected increase in room night demand over the period.

Table 5

Estimated Competitive Set Demand Growth by Segment												
Year	Corporate Transient	% Change	Group	% Change	Leisure	% Change	Total Demand	% Change	Total Supply	% Change	Total Rooms	Occupancy
2013	372,391	--	173,797	--	97,924	--	644,112	---	957,061	---	2,622	67.3%
2014	377,977	1.5%	175,535	1.0%	99,393	1.5%	652,905	1.4%	957,061	0.0%	2,622	68.2%
2015	383,647	1.5%	175,535	0.0%	100,884	1.5%	660,065	1.1%	957,061	0.0%	2,622	69.0%
2016	393,238	2.5%	179,045	2.0%	103,911	3.0%	676,194	2.4%	993,561	3.8%	2,722	68.1%
2017	405,035	3.0%	183,521	2.5%	107,547	3.5%	696,104	2.9%	1,048,311	5.5%	2,872	66.4%
2018	415,161	2.5%	178,933	-2.5%	110,774	3.0%	704,868	1.3%	1,121,311	7.0%	3,072	62.9%
2019	419,312	1.0%	177,144	-1.0%	111,882	1.0%	708,338	0.5%	1,121,311	0.0%	3,072	63.2%
2020	452,857	8.0%	210,801	19.0%	124,189	11.0%	787,847	11.2%	1,486,311	32.6%	4,072	53.0%
2021	484,558	7.0%	240,314	14.0%	134,124	8.0%	858,995	9.0%	1,486,311	0.0%	4,072	57.8%
2022	508,785	5.0%	259,539	8.0%	142,171	6.0%	910,495	6.0%	1,486,311	0.0%	4,072	61.3%
2023	539,313	6.0%	285,493	10.0%	152,834	7.5%	977,639	7.4%	1,632,311	9.8%	4,472	59.9%
2024	555,492	3.0%	305,477	7.0%	160,476	5.0%	1,021,444	4.5%	1,632,311	0.0%	4,472	62.6%
2025	566,602	2.0%	317,696	4.0%	165,290	3.0%	1,049,588	2.8%	1,632,311	0.0%	4,472	64.3%
2026	575,101	1.5%	325,638	2.5%	168,596	2.0%	1,069,335	1.9%	1,632,311	0.0%	4,472	65.5%
2027	580,852	1.0%	328,895	1.0%	170,282	1.0%	1,080,028	1.0%	1,632,311	0.0%	4,472	66.2%
2028	580,852	0.0%	328,895	0.0%	170,282	0.0%	1,080,028	0.0%	1,632,311	0.0%	4,472	66.2%
2029	580,852	0.0%	328,895	0.0%	170,282	0.0%	1,080,028	0.0%	1,632,311	0.0%	4,472	66.2%

Source: Hunden Strategic Partners

As shown, the expected downtown hotel room supply is expected to increase from 2,622 rooms to 4,472 rooms based on currently proposed hotels and those recommended by this report. When accompanied by the FWCC expansion and renovation recommended, the demand for hotel rooms is expected to increase from 644,000 in 2013 to nearly 1.1 million by 2027. Given that hotel room night demand increased by a faster rate in the past seven years and with fewer dynamic changes to the hospitality package, HSP believes these projections are reasonable.

Next Steps

The next steps in the process involve refining projections, designing the recommended program, determining development budgets for all components, and determining a plan of finance for all components. The impact of the projects on the community will also be determined.

Report Layout

Below is the layout of this report, by chapter.

- Chapter 1 Economic, Demographic & Tourism Profile of Fort Worth
- Chapter 2 Physical & Business Profile of the Fort Worth Convention Center
- Chapter 3 Meeting Planner and User Interviews and Surveys
- Chapter 4 Meeting & Convention Industry Analysis & Trends
- Chapter 5 Competitive Event Destination Analysis
- Chapter 6 Local Hotel Market Analysis
- Chapter 7 Convention Headquarters Hotel Trends
- Chapter 8 Arena Analysis
- Chapter 9 Downtowns as Visitor Destinations
- Chapter 10 Marketing & Convention Center Resources Analysis
- Chapter 11 Governance Profiles & Implications
- Chapter 12 Key Findings & Recommendations
- Chapter 13 Demand and Financial Projections

About Hunden Strategic Partners

Hunden Strategic Partners is a full service real estate development advisory practice specializing in destination assets. Based in Chicago, 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 80 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 Convention Center and proposed hotels are assumed to be owned, operated and marketed in a first-class manner by all relevant parties.

No responsibility is taken for unforeseen events occurring after the date of the analysis, including war and terror attacks, natural disasters and economic recessions.

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.