Lancaster County Convention Center Authority

MARKET AND ECONOMIC ANALYSES FOR THE PROPOSED CONVENTION CENTER IN DOWNTOWN LANCASTER

November 2000

Presented by: *PricewaterhouseCoopers LLP*

Contact: *Robert V. Canton, Director*
Phone: *(813) 218-2917*
Fax: *(813) 222-7008*

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Suite 1500
101 E. Kennedy Blvd.
Tampa FL 33602
Telephone (813) 229 0221
Facsimile (813) 229 3646
Direct phone (813) 218 2929
Direct fax (813) 222 7008

Lancaster County Convention Center Authority
c/o Lancaster County Commissioner's Office
5th floor, Lancaster County Courthouse
50 North Duke Street
Lancaster, Pennsylvania 17602

November 7, 2000

Members of the Authority:

PricewaterhouseCoopers is pleased to present this report on the market analysis, building program, utilization, financial and economic impact estimates for the proposed convention/conference center in downtown Lancaster.

This analysis is based on the proposed work program, estimates and assumptions from previous studies, information developed from supplemental research, knowledge of the industry and other sources, including certain information provided by the Lancaster County Convention Center Authority (LCCCA). These sources of information and bases of significant estimates and assumptions are stated in our report. The findings presented herein are based on data gathered and analysis completed as of October 2000.

Some assumptions made herein inevitably will not materialize and unanticipated events and circumstances may occur; therefore, actual results will vary from the estimates, and the variations may be material. Further, we are not responsible for future marketing efforts, construction, and other management actions upon which actual results will depend.

The terms of this engagement are such that PricewaterhouseCoopers has no obligation to revise the report to reflect events or conditions that occur subsequent to October 2000. PricewaterhouseCoopers will be available to discuss the necessity for revisions in view of changes in the economic and market factors affecting the project.

This report is intended for the information of the LCCCA, solely for the purposes stated herein

PRICEWATERHOUSECOOPERS

and should not be relied on for any other purpose. Neither this report nor its contents, nor any reference to PricewaterhouseCoopers LLP may be included or quoted in any offering circular or registration statement, prospectus, sales brochure, appraisal, advertisement, loan, or other agreement or documentation without prior written consent.

Our services do not include ascertaining the legal and regulatory requirements applicable to the proposed project, including zoning, other state and local government regulations, permits and licenses. Further, no effort was made to determine the possible effect on this project of future energy shortages or present or future federal, state or local legislation, including any bond restrictions, environmental or ecological matters, interpretations thereof or subsurface conditions.

PricewaterhouseCoopers does not, as part of its economic and financial analyses, perform an audit, review, or examination (as defined by the AICPA) of any historical or future estimated financial information, and therefore does not express any opinion with regard to the same.

PricewaterhouseCoopers has appreciate the opportunity to work with you and your associates and wish you success in the future.

Very truly yours,

PricewaterhouseCoopers

MARKET AND ECONOMIC ANALYSIS FOR THE PROPOSED LANCASTER COUNTY CONVENTION CENTER

TABLE OF CONTENTS

I. INTRODUCTION 1

DEFINITIONS OF EVENT TYPES 2
DEFINITION OF FACILITY TYPES 5

II. CHARACTERISTICS OF THE MARKET AREA 7

MARKET OVERVIEW 7
HOTEL MARKET 8
ACCESS/TRANSPORTATION 9
POPULATION 10
INCOME 11
EMPLOYMENT 11
RETAIL SALES 15
AREA ATTRACTIONS 16

III. LOCAL FACILITY ANALYSIS 17

FRANKLIN & MARSHALL COLLEGE ALUMNI SPORTS AND FITNESS CENTER 17
LANCASTER HOST RESORT AND CONFERENCE CENTER 17
BEST WESTERN EDEN RESORT INN 18
WILLOW VALLEY RESORT AND CONFERENCE CENTER 19
HOTEL BRUNSWICK 19
SUMMARY 19

IV. COMPETITIVE/COMPARABLE FACILITY ANALYSIS 20

FACILITY CHARACTERISTICS 21
MARKET CHARACTERISTICS 26
SUMMARY OF RESOURCES 42

V. USER SURVEYS 43

STATE AND REGIONAL ASSOCIATION EVENTS 43
LOCAL BUSINESSES/ORGANIZATIONS 45
CONSUMER SHOWS 46
DESTINATION REQUIREMENTS OF SURVEY RESPONDENTS 46

VI. INDUSTRY TRENDS AND CHARACTERISTICS 47

MEETINGS MARKET 47
TRADE SHOW TRENDS 52
TECHNOLOGY TRENDS 54

VII. BUILDING PROGRAM 57

EXHIBITION SPACE 57
MEETING AND BALLROOM SPACE 58
LOBBY/REGISTRATION/PRE-FUNCTION AREAS 59
KITCHEN FACILITIES 59
PARKING 59
OTHER SUPPORT SPACE 60
SUMMARY 60

VIII. ESTIMATED UTILIZATION 62

UTILIZATION BY EVENT TYPE 62
SUMMARY 63

IX. FINANCIAL ANALYSIS 65

OPERATING REVENUES 65
OPERATING EXPENSES 66
CONSTRUCTION COST 68

X. ECONOMIC AND FISCAL IMPACT ANALYSIS 70

ECONOMIC IMPACT FROM THE OPERATIONS OF THE PROPOSED CONVENTION/ CONFERENCE CENTER 70
FISCAL IMPACT FROM THE OPERATIONS OF THE PROPOSED CONVENTION/CONFERENCE CENTER 75
ECONOMIC IMPACTS OF CONSTRUCTION 76
FISCAL IMPACTS OF CONSTRUCTION 767

APPENDIX A 78

ECONOMIC/FISCAL IMPACT CONCEPTS 78
DEFINITIONS OF ECONOMIC AND FISCAL IMPACTS 78
MULTIPLIER EFFECTS 79

I. INTRODUCTION

In 1998, an Economic Development Action Agenda was prepared for the City of Lancaster, the purpose of which was to develop a plan that would stimulate the revitalization of the City of Lancaster and provide a vision for the future. The project involved citizens from the community and focused on three areas in the City including downtown. Based on input from the community, one of the strategies or initiatives outlined in the agenda was the need for a downtown conference/convention center in Lancaster.

A market, financial, and economic impact analysis was conducted in 1999 for the development of a convention/conference center and a hotel in downtown Lancaster. The results of the study suggested the development of a convention facility with 61,000 square feet of meeting, ballroom, and exhibit space attached to a 281-room full-service hotel. Since this report, a parcel of land has been purchased as a potential site for the proposed convention/conference center and hotel.

The Lancaster County Convention Center Authority (LCCCA) is interested in assessing the potential for a larger venue capable of attracting larger conventions and tradeshows that could benefit countywide hotels, restaurants, retail merchants, and other segments of the local economy. The LCCCA has requested that PricewaterhouseCoopers LLP (PwC) conduct market, financial, and economic impact analyses of a proposed convention/conference center in downtown Lancaster. This report presents results of the market and economic analyses, which include a recommended building program and utilization estimates, financial and economic impact analyses. The analyses rely primarily on our evaluation of Lancaster's market characteristics and comparison of those to the characteristics of competitive and comparable destinations, facility characteristics and operations, and potential user surveys.

Primary steps in the analysis included the following.

- Interviews with representatives from Lancaster County Convention Center Authority, Chamber of Commerce, Pennsylvania Dutch Convention and Visitors Bureau (PDCVB), and other civic and business representatives to gain an understanding of the background, history, and key issues related to the market study;

- A comparison of facilities in comparable/competitive destinations in terms of building program, utilization, and other characteristics to understand the proposed Lancaster County Convention/Conference Center's advantages and disadvantages in the market;

- Surveys of past users of existing facilities in Lancaster County and potential user groups including local, state, and regional conventions and meetings, trade shows, consumer shows, and other organizations that utilize other venues around the country regarding facility requirements, site selection criteria, event characteristics, and the advantages and disadvantages of Lancaster County as an event destination;

- Evaluation of Lancaster County's destination resources (i.e., hotel rooms, air access, population, income, employment) relative to comparable/competitive destinations to understand its advantages and disadvantages in terms of attracting events; and

- Evaluation of trends in the meeting's industry.

The primary objectives of this analysis are to determine the demand for a convention/conference center in Lancaster County and to identify the appropriate building program that would allow Lancaster County to effectively compete.

Definitions of Event Types

Convention and conference centers host a variety of events including conventions, trade shows, conferences, consumer shows, and other events. Each of these events places different priorities on facility characteristics, site location characteristics, and destination amenities. The following section presents characteristics differentiating events and discusses how selection of a venue or destination is influenced by the requirements of each group.

Conventions

Conventions are large gatherings typically hosted by professional associations or social organizations and are held in hotels or convention centers. The description of professional association and social, military, educational, religious, fraternal (SMERF) group events are presented in the following paragraphs.

Professional Associations

Professional association events may take place annually or more often and are attended by association members and invited guests. The professional association event may consist of a single assembly or plenary session or a number of concurrent meetings or "breakout" sessions. Professional association events often include exhibits to display and demonstrate products and services unique to their business or profession. Admission to these exhibitions may be open to non-members who may be required to pay to view the exhibits.

Professional association events with or without exhibits are considered "high economic impact" events for four reasons: 1) attendees generally have a longer length of stay, 2) attendees often bring accompanying persons, 3) attendees have a greater propensity for pre- and post-event visitation in the host city, and 4) fewer attendees stay per hotel room, generating more room nights per attendee. In addition to hotel expenditures, attendees purchase other goods and services from restaurants, retail shops, local attractions, and other local businesses.

SMERF Groups

SMERF group events are attended by persons who are members of a social, military, educational, religious, or fraternal organization. These events are typically sponsored by the organization associated with a specific type of group contrasted to an occupation or industry as with professional association events and trade shows, respectively.

SMERF groups tend to travel to the event in larger delegate groups than attendees to professional association events or trade shows. They tend to generate less economic impact on a per attendee basis than professional association events and trade shows because attendees typically pay their own way (i.e., not on a company expense account) and typically have more attendees per hotel room. These groups tend to meet on weekends and during off-peak periods when lower rates and better values are obtainable.

Conferences

Conferences tend to be smaller and more intimate than conventions, typically consisting of groups of fewer than 75 people. Compared to conventions, conferences are less exhibit-oriented. They include intimate seminars and top-level strategic planning sessions. These groups expect high quality service and prefer to host their event in a conference center with adjoining hotel rooms, high-tech audio-visual equipment, skilled conference planning staff, and other amenities.

Trade Shows

Trade shows are typically hosted by trade associations or retail organizations and are held in convention centers or exposition halls. Trade shows include trade association events and wholesale shows.

Trade Associations

Trade association events are attended by persons engaged in commercial activities and are normally sponsored by a trade association comprised of members employed in a certain industry as contrasted to a professional association whose members typically share a specific occupation. Consequently, attendees are primarily interested in viewing the display and demonstration of products versus attending seminars or lectures for the exchange of ideas or information. Historically, trade association events required little or no meeting-room space. Recently the number of lectures and training sessions during trade exhibitions has begun to increase in order to explain the complexities of new technology, and thus space requirements of trade associations are often indistinguishable from conventions' requirements.

Trade association events are often held in the same area of the country where their activities/ members are concentrated, and often in the same venue each year. Compared with conventions, trade association events tend to draw a greater number of attendees whose average length of stay is shorter. Participants often travel to the exhibition to see a specific type of product of interest and then leave after accomplishing their objectives. Although a trade association event exhibition may run five days, the "average attendee" might only stay one or two nights.

Wholesale Shows

Wholesale shows function essentially as temporary merchandise marts. They differ in that a high percentage of attendees are typically buyers for retail stores. Attendee length of stay is typically limited to the time required to view new product lines and place orders. There may be few, if any, meetings or seminars. These events typically generate less revenue for the local economy than do trade association events.

Consumer Shows

Consumer shows are ticketed events open to the public. They are exhibitions of consumer retail products for display and sale to attendees. Consumer shows typically take place in convention centers or fairgrounds and, depending on the size, location of show and type of merchandise sold, usually attract mainly local residents. While consumer shows don't typically generate the higher impact on hotel rooms and restaurants that accompany conventions, their presence (similar to other local events) in a downtown location can have a positive impact by generating significant levels of pedestrian activity. This has the potential of providing support for downtown merchants during periods of low convention and conference demand.

Other Events

Other events commonly hosted in convention centers include festivals, reunions, graduations, receptions, banquets, seminars, and meetings. Types and sizes of these events are determined by the local and regional economy and the availability of other assembly, exhibition, and entertainment facilities in the community.

The following table illustrates characteristics of the main event types described in this section.

Illustrative Event Characteristics

	----------Conventions----------		*Trade Shows*	*Wholesale Shows*	*Consumer Shows*
	Professional Assoc.	*SMERF Groups*			
Membership	Related to occupation	Related to social organization	Related to product or merchandise line	Retail merchandise buyers	Open to public
Attendee Origin	Non-resident	Resident and non-resident	Resident and non-resident	Resident and non-resident	Resident
Destination Requirements	Proximate hotel rooms Retail/restaurants Air service	Affordable hotel rooms Highway access	Drive radius population MSA hotel rooms Air service	Remote from merchandise mart	Drive radius population Resident income
Facility Requirements	Meeting/ballroom space Moderate exhibit Event services	Meeting/ballroom space General assembly Minimal exhibit	Exhibit space Moderate meeting rooms Parking/access	Exhibit space	Exhibit space Parking/access
Example	Pennsylvania Association of Mortgage Brokers	Jaycees Pennsylvania	Market Place Computer Shows	Wholesale Food Shows	Annual Quilter's Heritage Celebration

Successful destinations for conventions of professional associations offer a high concentration of quality hotel rooms, retail shops, restaurants, and entertainment within walking distance of the convention center. Attendees expect entertainment and attractions to also be near the center, and their proximity is essential to attracting professional associations.

By contrast, centers successfully attracting trade shows are generally located in destinations offering large regional resident populations, large metropolitan area hotel room inventories, a facility with more contiguous exhibit space than can be accommodated in a center city location, and an airport served by major airlines. Typically, centers designed to accommodate primarily trade shows are located on the edge of the city's central business district. This is due to their need for greater exhibit space and parking for the relatively larger drive-in attendance. Thus, these centers are typically located farther from the central core (and its hotels, retail, and restaurant establishments).

Some destinations have two facilities, a convention center to host professional association and SMERF events and an exposition hall to host trade shows, consumer shows, and other exhibits. While a trade show facility's location near support amenities will generate the greatest economic impact from out-of-town attendees, such a location is not essential to its marketability. In contrast, for professional association facilities, surveys of meeting planners and association executives typically state lack of a concentration of proximate high quality hotel rooms, unique shopping outlets, or a wide variety of nearby restaurants as main reasons for not selecting a center or destination.

Definition of Facility Types

Facilities are developed offering various space sizes, configurations, and amenities to accommodate different types of user groups within the meetings and events industry. The following section presents characteristics of different types of venues.

Convention Centers

A convention center contains one or more exhibition halls and a large number of meeting or "breakout" rooms. Total meeting room and ballroom space is typically one-third to one-half the size of the center's exhibition space. Space is usually provided for a kitchen, separate ballroom and, occasionally, for a theater-style assembly center. Entry lobbies are usually sized to accommodate attendee registration. Interior lobbies, for entry into ballrooms, often serve as pre-function areas and are sized to host receptions for guests before an event.

Convention centers host conventions, trade shows, public or consumer shows, conferences, receptions, banquets, and other large assembly events.

Convention Hotels

Convention hotels are large hotels with one or more ballrooms and a number of break-out rooms. At times, convention hotels also provide dedicated exhibit space. Meeting space in convention hotels tends to be of high-quality with carpeting and attractive finishes as opposed to a box-like appearance of exhibit halls in convention centers or trade centers. Advantages of holding an event in a convention hotel include having meeting space and sleeping rooms under one roof, in-house catering, and obtaining meeting rooms at low or no charge if the event occupies the necessary number of sleeping rooms and meets the required spending on food and beverage.

Convention hotels typically host smaller conventions, corporate meetings, incentive and social events (wedding receptions, company parties, luncheons, etc.).

Conference Centers

According to the International Association of Conference Centers (IACC), conference centers typically consist of guest rooms located adjacent or proximate to the center, though some centers are in fact nonresidential. Conference centers differ from "convention" hotels and convention centers in that they are designed primarily for more intimate seminars and top-level strategic planning sessions, typically serving groups of fewer than 75 people and offering a limited number of guest rooms separate from the conference and leisure areas.

Conference centers and convention centers both provide high quality meeting space and high-tech audio-visual equipment. In contrast to convention centers, conference centers typically serve smaller groups. Conference centers provide all-inclusive services such as lodging, conference space, food and beverage, recreation, and transportation. Conference centers have a higher ratio of meeting space-to-guest rooms, provide upscale furniture (e.g., upholstered ergonomic chairs), skilled conference planning staff, and other amenities (e.g., golf course) which maximize the effectiveness of the seminars and other intensive, high-value meetings it hosts. Conference centers and their guest rooms are nearly always privately-owned, as compared with convention centers which are primarily owned, and otherwise supported, by public agencies or governmental entities. Also, convention center ownership is normally separate from and/or unrelated to hotel ownership, whereas, conference center ownership is typically in conjunction with guest rooms.

Exhibition Halls

An exhibition hall may contain 50,000 to over 1,000,000 square feet of contiguous flat-floor space. The space is typically larger than that of the destination's hotels' largest ballroom or exhibit facilities. Multilevel exhibition halls are successfully marketed in only a few of the most popular destinations in the world, such as Boston and Hong Kong. In the U.S., exhibition halls almost always form part of a convention center. In Mexico, Canada, and Europe, they are often freestanding.

Multipurpose Centers

In smaller cities, multipurpose centers have been developed to host a wide variety of exhibition, meeting, and spectator events. The multipurpose center may be referred to as a convention, civic, or community center and typically consists of a large, rectangular flat-floor space to accommodate exhibitions, public shows, and banquets, and several meeting rooms. In addition, these facilities host small to mid-size conventions, conferences, a variety of meetings, and social events. With portable or telescopic seating in place, they may also host spectator events.

II. CHARACTERISTICS OF THE MARKET AREA

The success of a convention/conference center and destination in attracting state, regional, and national events is dependent on several factors which are directly impacted by an area's economy and health of its visitor industry. A growing economy is critical for maintaining the integrity of existing destination amenities and for viability of future developments supporting the meetings industry including additional hotel rooms, increased air service, retail establishments, and overall attractiveness of the destination. In order to assess the viability of the proposed convention/conference center in Lancaster County the following community characteristics, which event planners consider key aspects in selecting a site, are analyzed.

- Hotel Market: The supply, location, and quality of hotel rooms are relevant to events attracting attendees that require overnight stay.
- Access/Transportation: Air access is important for national and regional events where the majority of attendees fly to the destination. Highway access to the center is relevant for statewide and local events since attendees tend to drive to the destination and the venue.
- Population: Population is most important in attracting consumer shows, trade shows, and local events since these events typically depend on all or a large percentage of attendees from the local and regional area.
- Income: Income is a key characteristic for consumer shows as these shows typically offer products and services for sale to local residents. Household income also provides a measure of purchasing power of residents which in turn affects availability of retail, entertainment facilities, and restaurants in the area.
- Employment: Employment distribution is considered a measure of economic stability in an area and can be used to identify specific industry associations which a destination may have a comparative advantage in attracting.
- Retail: Retail offerings are a factor in the attractiveness of a destination as a convention or trade show location.
- Area Attractions: A wide range of attractions and amenities help a destination draw a greater number of attendees and increase the possibility of attendees bringing accompanying persons. A facility located in an attractive destination may have a higher utilization and generate greater economic impact for the local area.

Market Overview

Lancaster County is centrally located in the southern portion of Pennsylvania in the heart of Amish country. Lancaster County is the fourth oldest county in the Commonwealth with a 1999 population of 462,200. It is a growing county with services, wholesale/retail trade, and manufacturing representing the largest employment sectors. The County's unemployment rate in 1999 was well below the unemployment rates of the Commonwealth and the U.S. Population and median household income for Lancaster County experienced growth over the last several years.

According to local representatives interviewed for this project, there is an interest to vitalize the downtown Lancaster area. According to the Chamber of Commerce, a $20-25 million Fulton Bank expansion is currently taking place in Penn Square, the heart of downtown. The new building will offer more leasable office space and perhaps draw higher end retail to the area. There are plans for a new signage program in the downtown area that will better direct vehicle and pedestrian traffic. According to the Chamber of Commerce, a new concert hall and a new movie house which will feature higher end dining and movies are under consideration for Lancaster Square. Based on information provided by the Chamber of Commerce, there are approximately 27 restaurants downtown, of which 10 to 12 are considered fine dining.

Hotel Market

A large supply of nearby convention quality hotel rooms is essential in attracting conventions and trade shows with overnight attendees. Convention and trade show delegates tend to stay in full-service or convention class hotels. Convention class hotel rooms are defined herein as hotels with a minimum of 50 rooms and at least a three-crown rating by the *OAG Business Travel Planner*. OAG defines three-crown hotels as full-service establishments with comfortable accommodations usually providing full-menu restaurants and other amenities.

According to the PDCVB, Lancaster County has approximately 6,000 hotel rooms (and additional 150 to 250 rooms in bed and breakfast facilities). According to OAG, the Lancaster market area has approximately 1,764 convention class hotel rooms. The Hotel Brunswick with 221 rooms is currently the only hotel located downtown. In addition, a 281-room convention class hotel in downtown is proposed and would be connected to the Center. This would increase the number of downtown hotel rooms to 502. The following chart illustrates the convention class hotels located in the Lancaster market area based on information provided in OAG. Although OAG may not include all of the properties in a given area, it is used to obtain a single source that can provide relevant measure in terms of hotel room supply for Lancaster and competitive and comparable destinations. Hotel room supply in other destinations and Lancaster's ranking will be addressed later in this report.

Lancaster Convention Quality Hotels

Property	*Number of Rooms*
Willow Valley Resort & Conference Center	352
Lancaster Host Resort & Conference Center	330
Best Western Eden Resort	274
Brunswick Hotel	221
Holiday Inn	189
Ramada Inn (Lititz Pike)	160
Hilton Garden Inn Lancaster	156
Quality Inn & Suites	82
Total	1,764

Source: OAG Business Travel Planner Spring 2000, Facility Management

An 11 percent tax is levied on hotel rooms in Lancaster County. Of this, six percent is state sales tax, 3.9 percent is a Lancaster County Hotel Room Rental Tax, and 1.1 percent is the Lancaster County Hotel Excise Tax. Hotel Room Rental and Excise Taxes became effective as of January 2000. Eighty percent of the revenues collected from the 3.9 percent Hotel Room Rental Tax will be used to fund the new convention facility and the other 20 percent is allocated to the designated tourist promotion agency in the area, which is the PDCVB. It should be noted that the Hotel Room Rental Tax would strictly be used for the support of the convention facility and not for the support of the proposed 281-room hotel. All of the revenues from the Hotel Excise Tax are remitted to the PDCVB to promote tourism in the area.

Access/Transportation

Access is important to the success of a center in attracting local, regional, state, and national events. Air access is significant for national and regional events where the majority of attendees fly to the destination. Highway access to the center is relevant for statewide and local events since attendees tend to drive to the destination. Availability of public transportation could facilitate arrival of local attendees for consumer shows and other local events.

Air Access

Lancaster Airport is located approximately six miles north of the city. Currently, the airport is served by one airline, USAirways Express, which operates seven days a week and offers direct flights from Philadelphia, Pittsburgh, and Reading according to the *OAG Flight Guide*. According to airport authorities, they are actively seeking additional airlines to service the airport. They also have plans to extend the existing runway to 7,000 feet. Construction on this project is slated for 2002.

The Harrisburg International Airport, located approximately 31 miles from Lancaster, is the closest major airport. Harrisburg International Airport is served by 11 airlines offering 132 daily flights in and out of Harrisburg of which 41 are direct flights. The following table illustrates enplanements, deplanements, and total passenger traffic between 1996 and 1999 at Harrisburg International Airport. Approximately 1.4 million passengers traveled through the airport in 1999. Total passengers arriving and departing from the airport increased from 1996 to 1998 at approximately 27 percent. Passenger statistics declined approximately four percent in 1999 from the previous year. According to airport authorities, this decline was due largely in part to perceived lower fares at Baltimore/Washington International and Philadelphia International Airports. The airport is trying to change this trend by working with the local media and by placing billboard advertising in locations between Harrisburg and Baltimore showing price comparisons between Harrisburg International and other major airports.

Passenger Statistics--Harrisburg International Airport

	Enplaned	*Deplaned*	*Total*	*% Change of Total*
1996	584,365	580,898	1,165,263	
1997	736,296	735,031	1,471,327	26.3%
1998	742,322	736,347	1,478,669	0.5%
1999	714,658	710,056	1,424,714	-3.6%

Source: Harrisburg International Airport Services and Federal Aviation Administration

Harrisburg International Airport has just completed a Master Plan Study and is currently undergoing a Terminal Expansion Study. Both studies will evaluate projections of future air traffic, recommend facility improvements, and project costs. The airport is not undergoing any large expansion projects at this time.

In addition to the Lancaster Airport and Harrisburg International Airport, Philadelphia International, only 67 miles away, and Baltimore/Washington International, approximately 70 miles from Lancaster, could also be utilized for air service.

Highway

Lancaster County is connected to major cities from the north, south, east, and west. Pennsylvania Route 283 links Lancaster County to Harrisburg and western Pennsylvania from the northwest. U.S. Route 30 connects Lancaster County to York, Pennsylvania from the west and Philadelphia from the east. Baltimore, Maryland is accessible to Lancaster County by taking Interstate 83 to York and then U.S. Route 30. U.S. Route 222 links Lancaster County to Reading, Allentown, Bethlehem, and Easton to the northeast. In addition, the Pennsylvania Turnpike (Interstate 76) travels in an east-west direction through Lancaster County. Major cities such as Baltimore, New York, Newark, Philadelphia, Pittsburgh, and Washington D.C. are less than five hours driving time from Lancaster County. This ease of access and proximity to major cities may prove beneficial in attracting state and regional events.

Rail Service and Public Transportation

Lancaster County is on one of the main AMTRAK lines connecting New York City, Philadelphia, and Chicago. There are three stations in the county including Lancaster City Station. In addition, the Red Rose Transit Authority provides public bus transportation in Lancaster City and County.

Population

Population is a key determinant of a market's potential for events that attract attendees from the local area or region such as trade shows and consumer shows. The following table compares Lancaster County, Commonwealth of Pennsylvania, and U.S. population growth.

Population Growth

	Population 1990	1999	Compound Annual Growth
Lancaster County	429,600	462,200	0.8%
Commonwealth of Pennsylvania	11,912,400	11,995,500	0.1%
United States	250,812,000	275,724,400	1.1%

Source: Sales & Marketing Management, *Survey of Buying Power, 1991 & 2000*

As illustrated in the table, Lancaster County and Pennsylvania's population has increased from 1990 to 1999 but at a lower rate than the U.S.

Income

Income is an important characteristic for consumer shows as these shows typically offer products and services for sale to local residents. Effective buying income (EBI) is defined by *Sales & Marketing Management* as personal income less personal tax and non-tax payments, often referred to as disposable income.

The following table illustrates median EBI growth for Lancaster County, Commonwealth of Pennsylvania, and the U.S.

Median Household EBI

	Median EBI 1990	1999	Compound Annual Growth
Lancaster County	$30,466	$43,455	4.0%
Commonwealth of Pennsylvania	28,148	38,922	3.7%
United States	27,912	37,233	3.3%

Source: Sales & Marketing Management, *Survey of Buying Power, 1991 & 2000*

Median EBI for the County and Commonwealth has increased at a greater rate than the nation between 1990 and 1999. In addition, the EBI for Lancaster County was higher than that of Pennsylvania and the U.S.

Employment

Employment distribution can be considered a measure of an area's economic stability and can be used to suggest specific types of associations that a destination may have a comparative advantage in attracting.

The following table illustrates employment in the Lancaster County by sector in 2000. The table also illustrates Lancaster County's employment specialization (coefficient of specialization) compared to the U.S. A coefficient of specialization equal to one suggests that Lancaster County has the same employment composition for a particular industry as the U.S., whereas a coefficient greater (less) than one suggests Lancaster County exhibits relatively greater (less) specialization in that industry.

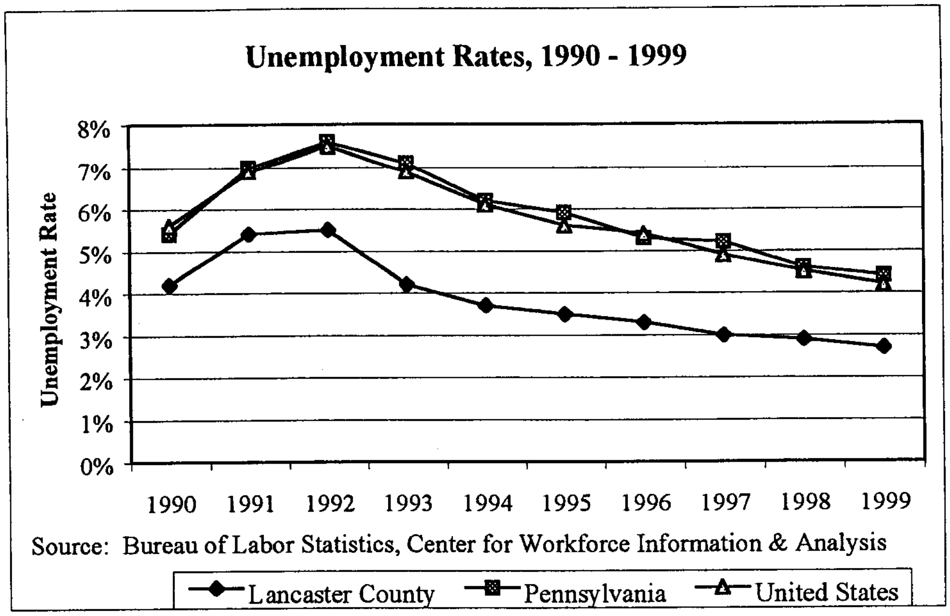
Lancaster County and National Employment Composition

	2000 Percent of Total Employment		*2000 Coefficient of Specialization*
	Lancaster County	*United States*	
Services	26.6%	31.8%	0.84
Wholesale/Retail Trade	23.1%	21.1%	1.09
Manufacturing	21.7%	11.8%	1.84
Government	7.1%	13.5%	0.53
Construction	6.9%	5.6%	1.23
Finance, Insur., & Real Estate	6.6%	7.8%	0.85
Transport., Public Util.	4.1%	4.9%	0.84
Farming, Agriculture, Mining	4.0%	3.6%	1.11
Total Employment	291,560	166,657,030	

Sources: Woods & Poole Economics

Services represented the largest number of employees in the economy in 2000 followed by wholesale/retail trade and manufacturing. Comparing Lancaster County's employment distribution to the U.S. reveals a greater specialization primarily in manufacturing and construction.

The following graph shows the unemployment rate from 1990 to 1999 for Lancaster County, Pennsylvania, and the United States.



Lancaster County has a healthy economy. As shown in the chart, Lancaster County unemployment has been declining since 1992 and has experienced rates lower than those of Pennsylvania and the United States.

Lancaster County benefits from a strong employment base. The following table provides a list of Lancaster County's major employers and their type of industry, ranked by the number of full time employees.

Lancaster County Major Employers

Employer	*Industry*	*Number of Employees*
Lancaster General Hospital	Healthcare	3,350
R.R. Donnelley & Sons Co.	Manufacturing	3,250
Armstrong World Industries, Inc.	Manufacturing	3,200
County of Lancaster	Government	1,998
High Industries, Inc.	Manufacturing	1,510
Tyson Foods, Inc.	Manufacturing	1,400
New Holland North America, Inc.	Manufacturing	1,300
School District of Lancaster	Education	1,260
Ephrata Community Hospital	Healthcare	1,175
Dart Container Corp. of Pennsylvania	Manufacturing	1,100
Manheim Auto Auction	Service	1,100
Grinnell Corp.	Manufacturing	1,018
Lancaster Regional Medical Center	Healthcare	1,000
ALCOA Mill Products, Inc.	Manufacturing	970
Warner-Lambert Co.	Manufacturing	950
Millersville University of Pennsylvania	Education	940
Yellow Freight Systems, Inc.	Service	863
The Leadership Institute	Education	850
Wal-Mart	Service	850
Fulton Bank	Service	793
QVC, Inc.	Service	753
Masonic Homes	Service	750
Pepperidge Farm, Inc.	Manufacturing	725
Lancaster-Lebanon I.U. 13	Education	724
Hempfield School District	Education	703
Wyeth-Ayerst Laboratories	Manufacturing	702
Community Hospital of Lancaster	Healthcare	700
Y & S Candies	Manufacturing	700

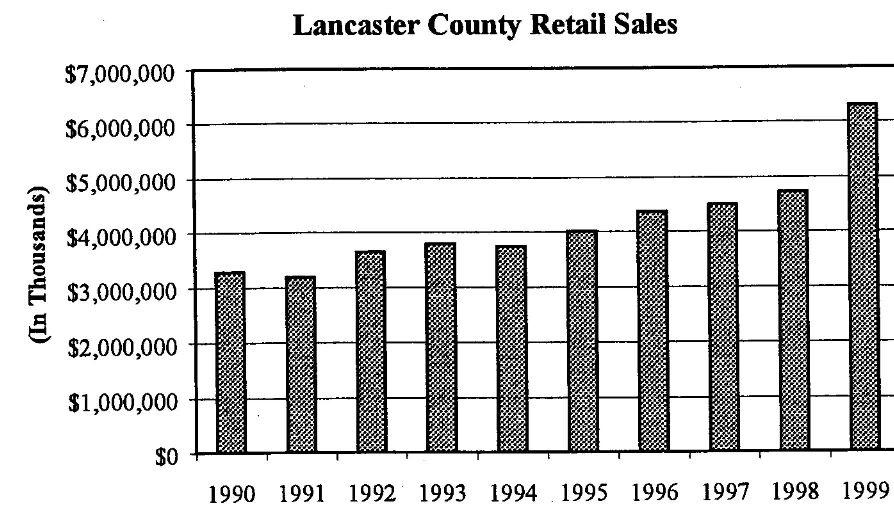
Source: The Lancaster Chamber of Commerce & Industry, *2000 Directory of Major Employers*

As illustrated, many of the major employers in Lancaster County are the manufacturing, healthcare, service, and education industries. The presence of these industries in Lancaster County may suggest potential for attracting related associations to the market.

Retail Sales

Retail offerings are an important factor in enhancing the attractiveness of a destination as a convention or trade show location.

Lancaster County has experienced intermittent growth in total retail sales from 1990 to 1999 at a compound annual rate of approximately eight percent. Lancaster County experienced the largest growth in total retail sales from 1998 to 1999 at approximately 33 percent. The following chart illustrates total annual retail sales in thousands.



Source: Sales & Marketing Management, *Survey of Buying Power, 1991-2000*

Per capita retail sales can illustrate the propensity to spend by residents of the local area and region and visitors to an area. The following table illustrates per capita retail sales in Lancaster County, Commonwealth of Pennsylvania, and the U.S.

Per Capita Retail Sales

	Per Capita Retail Sales 1990	*1999*	*Compound Annual Growth*
Lancaster County	$7,626	$13,628	6.7%
Commonwealth of Pennsylvania	6,967	11,833	6.1%
United States	7,205	12,366	6.2%

Source: Sales & Marketing Management, *Survey of Buying Power, 1991 & 2000*

Lancaster County had the highest per capita retail sales in 1999 among the sectors shown. Lancaster County also outpaced the Commonwealth and the nation in per capita retail sales growth. Pennsylvania grew at a slightly lesser rate than the nation.

Area Attractions

Attractions within the city and region help a destination draw a greater number of attendees and increases the possibility of attendees bringing accompanying persons. Over four million people visit Lancaster County each year according to the PDCVB. Located in the heart of Amish country, Lancaster has a variety of things to do and see. The following is a brief description of attractions in Lancaster County.

Attractions include the following.

- **Central Market** is the oldest publicly owned farmer's market in the U.S. It is housed in a 109-year old Victorian building in historic Penn Square in downtown Lancaster. It features regional food specialties from Amish, German, Greek, Caribbean, Middle Eastern, and Slavic backgrounds.

- **Fulton Opera House**, also located in downtown Lancaster, is the largest historic performance arts theater in Lancaster County. Established in 1852, the Fulton Opera House is also a national historic landmark. It underwent a $9.5 million renovation and today features theatrical, opera, dance, and orchestra performances.

- **Lancaster Museum of Art** is located on Lime Street in the downtown area. The museum features exhibits from local, regional, national, and international artists.

- **Heritage Center Museum** highlights local history and arts from Lancaster County and the region. It features 18th and 19th century furniture, quilts, silver, and other media. The museum is also located in historic Penn Square.

- **Sight & Sound® Living Waters Theatre and Millennium Theatre™** are both located along Route 896 in Lancaster County. The theatres feature live performances based on the Bible through inspirational productions. Shows include Abraham & Sarah, Behold the Lamb, Noah, and The Miracle of Christmas.

- **American Music Theatre** is located off Route 30 East in Lancaster County. This facility features musical performances year-round.

- **Amish Attractions** in the area include the Amish Farm and House, The Amish Experience F/X Theater, The Amish Country Homestead, and other attractions. These attractions and others provide educational experiences describing the history and lifestyle of the Amish community and tours of homes and working farms.

- **Shopping:** The Lancaster County area has a variety of retail and outlet attractions. Some of the outlet attractions include Rockvale Square Outlets that features over 120 stores and the Tanger Factory Outlet Center in Millstream that offers 50 stores.

The Lancaster County area offers a variety of other attractions including Dutch Wonderland Family Amusement Park, Demuth Museum, Dutch Apple Dinner Theatre, The Pennsylvania Renaissance Faire, golf courses, and others.

III. LOCAL FACILITY ANALYSIS

The proposed convention/conference center will be bordered by East King, South Queen, and East Vine Streets in downtown Lancaster. The convention facility is anticipated to be attached to a 281-room full-service hotel and the existing King Street Parking Garage. The proposed full-service hotel will be located in the old Watt & Shand Building located in Penn Square on the corner of King and Queen Streets.

This section evaluates existing meeting facilities in Lancaster County to understand the supply of venues available for events. This section presents some of the larger local meeting facilities.

Franklin & Marshall College Alumni Sports and Fitness Center

The Franklin & Marshall College Alumni Sports and Fitness Center is located on the northwest tip of downtown Lancaster. The facility opened in 1995 and features approximately 52,000 square feet of exhibit space and one meeting room with 3,600 square feet. The facility typically hosts five consumer/public shows per year including the Builder Show, Antique Show, Craft Fair, and Business Expo. The facility is limited in the dates they can offer to outside events because it hosts many of the College's own events and activities. In a statement prepared by the Office of the President at the College it was stated that their facility is not a conference center and was really intended to be an alumni and fitness center. In addition, the letter also stated that they are strong supporters of the proposed downtown facility.

Lancaster Host Resort and Conference Center

The Lancaster Host Resort and Conference Center is located east of downtown Lancaster just off Route 30 on Lincoln Highway. The facility opened in 1966 and features approximately 41,000 square feet of total exhibit/multipurpose space, 9,300 square feet of ballroom space, and 14,200 square feet of meeting space. The largest contiguous space available at the Resort amounts to 23,500 square feet in the expo center while the exhibit hall features 17,500 square feet. It should be noted that the expo center was originally built as indoor tennis facilities and is not connected to the other Conference Center facilities. The facility also provides a 13,000-square foot showroom capable of hosting banquets and other ballroom functions and provides seating for up to 1,600 people in theater style. In addition, the hotel offers 330 rooms, a golf course, driving range, two restaurants, indoor and outdoor pools, and other recreational facilities.

Prime convention quality ceiling heights should be no less than 25 to 30 feet for exhibit space, 20 to 25 feet for ballroom space, and 12 to 15 feet for meeting room space. The following table illustrates the current exhibit/multipurpose, ballroom, and meeting space with ceiling heights at the Lancaster Host. As illustrated, the majority of the space at the Lancaster Host would not be considered as prime convention quality space because it does not meet the ceiling height standards. Ceiling heights range from nine to 11 feet in the exhibit hall and 15 to 35 feet in the expo center, nine to 10 feet in the grand ballroom, and from seven feet to nine feet for meeting rooms.

Lancaster Host Resort & Conference Center Space	*Total Space (sf)*	*Ceiling Heights*
Exhibit/Multipurpose Space		
Exhibit Hall	17,500	9' to 11'
Expo Center[1]	~~23,540~~	15' to 35'
Total	41,040	
Ballroom Space		
Grand Ballroom	9,288	9' to 10'
Meeting Space		
Marietta	2,100	7' 11"
Strasburg	480	7' 1"
Limerock	648	7' 1"
New Holland	728	7' 1"
Kinderhook	690	7' 11"
Cornwall	756	9'
Paradise	1,744	9' 4"
Hopewell	1,376	7' 11"
Heritage I	589	8'
Heritage II	533	8'
Heritage III	446	8'
Heritage IV	439	8'
Heritage Boardroom	255	8'
Conestoga 1	1,505	8' 10"
Conestoga 2	980	8' 10"
Conestoga 3	~~980~~	8' 10"
Total	14,249	

[1] Originally built as indoor tennis facilities and not connected to other on-site meeting facilities

Source: Facility Floor Plans

Best Western Eden Resort Inn

The Best Western Eden Resort is located proximate to the intersection of Route 30 and 272, north of downtown Lancaster. The hotel opened in 1973 and provides approximately 11,000 square feet of exhibit/multipurpose space, 3,600 square feet of meeting space, and 7,000 square feet of ballroom space. The resort also features 274 rooms, two restaurants, a fitness center, and other recreational activities.

Willow Valley Resort and Conference Center

The Willow Valley Resort and Conference Center is located south of downtown Lancaster just off Route 222 on Willow Street. This facility opened in 1966 and offers 10,100 square feet of exhibit/multipurpose and 4,800 square feet of meeting space. The hotel also has 352 rooms, two restaurants, a golf course, fitness center, indoor and outdoor pools, and other recreational facilities. According to management at the hotel, their event mix currently consists of 40 percent day meetings, which include weddings, receptions, and banquets, and 60 percent group business which require overnight stay. Although the facility's largest market for group business is religious meetings, it also targets government, state association, and corporate business.

Hotel Brunswick

The Hotel Brunswick is located in downtown Lancaster at the intersection of Chestnut and Queen Streets. The 221-room hotel features approximately 8,200 square feet of ballroom space and 17,900 square feet of meeting room space. In addition, the hotel also provides a restaurant, indoor pool, and fitness center. Currently, the Hotel Brunswick is the only hotel located in downtown Lancaster and is within walking distance of the proposed site for the convention facility. According to the General Manager, approximately 25 percent of room nights are generated by group business (smaller meetings and conferences) and 75 percent from local social events, such as banquets, weddings, receptions, etc. In addition, the General Manager does not anticipate competing with the proposed convention/conference center. He expects that the Hotel Brunswick will be a complement to the proposed facility by providing additional rooms to overnight attendees of the larger state association and other events to the new facility.

The following table illustrates the facility characteristics of the local facilities.

Lancaster County Local Facility Characteristics

Facility	*Total Exhibit/ Multipurpose (sf)*	*Largest Contiguous Exhibit/Multipurpose (sf)*	*Ballroom Space (sf)*	*Meeting Space (sf)*	*Hotel Rooms*
Franklin & Marshall Alumni Sports & Fitness Center	52,000	52,000	N/O	3,600	N/O
Lancaster Host Resort & Conference Center*	41,040	23,540	9,288	14,249	330
Best Western Eden Resort Inn	11,026	11,026	7,038	3,588	274
Willow Valley Resort & Conference Center	10,080	10,080	N/O	4,799	352
Hotel Brunswick	N/O	N/O	8,160	17,913	221

N/O -- Not offered by the facility
*The facility also has a 13,000-square foot showroom which hosts banquet and other ballroom type of events.
Source: Facility Management, OAG Business Travel Planner Spring 2000

Summary

Although Lancaster has several venues that host meeting and conference activities, these existing facilities do not provide the state-of-the-art characteristics required by most meeting planners and provided by competitive venues. Examples include ceiling heights of 25 to 30 feet for exhibit halls, 20 to 25 feet for ballroom space, and 12 to 15 feet for meeting rooms; flexible lighting in meeting rooms and ballrooms; high quality wall, floor and ceiling finishes, etc.

IV. COMPETITIVE/COMPARABLE FACILITY ANALYSIS

Existing facilities, which are located in markets comparable to or competitive with Lancaster County, were evaluated to better understand destination and facility advantages, disadvantages, and competitive position within the marketplace. As illustrated previously, community resources such as population, access, hotel rooms, and destination cost are essential to event organizers in selecting a venue. Facilities/markets were evaluated in relation to Lancaster County in terms of the following.

- Facility building program
- Hotel room supply
- Air service
- Population
- Income
- Destination cost
- Hotel tax rate
- CVB Budgets

Selection of Lancaster County's competitive and comparable facilities was based on information obtained from LCCCA, PDCVB, user surveys, and other sources. State competitive facilities are other facilities located in the Commonwealth of Pennsylvania that host national, regional, or state conventions and trade shows. Regional competitive cities are located in the surrounding states and host national and regional conventions and trade shows. Comparable facilities are those facilities that are located in tourist destinations and/or are connected to hotel facilities. A total of 18 state and 16 regional competitive facilities were selected for this analysis as well as seven comparable destinations/facilities.

The state competitive facilities and destinations include:

- Adam's Mark Philadelphia
- Blair County Convention Center (Altoona)
- David L. Lawrence Center (Pittsburgh)
- Fort Washington Expo Center
- Hershey Lodge and Convention Center
- Hilton Pittsburgh & Towers
- Holiday Inn Valley Forge (King of Prussia)
- Lancaster Host Resort and Conference Center
- Loews Philadelphia Hotel
- Mount Airy Lodge (Mount Pocono)
- Pennsylvania Convention Center (Philadelphia)
- Philadelphia Marriott
- Pittsburgh Expo Mart
- Tamiment Resort & Conference Center
- The Resort at Split Rock (Lake Harmony)
- The Westin William Penn (Pittsburgh)
- Valley Forge Convention & Exhibition Center (King of Prussia)
- Wyndham Franklin Plaza Hotel (Philadelphia)

The regional competitive facilities and destinations include:

- Buffalo Convention Center – Buffalo, New York
- Dayton Convention Center – Dayton, Ohio

- Empire State Plaza – Albany, New York
- Garden State Convention and Exhibition Center – Somerset, New Jersey
- Huntington Civic Arena – Huntington, West Virginia
- Meadowlands Exposition Center – Secaucus, New Jersey
- New Jersey Convention and Expo Hall – Edison, New Jersey
- New Wildwood Convention Center – Wildwood, New Jersey
- Niagara Falls Convention and Civic Center – Niagara Falls, New York
- Onondaga County Convention Center at Oncenter – Syracuse, New York
- Rochester Riverside Convention Center – Rochester, New York
- Roland E. Powell Convention Center – Ocean City, Maryland
- Saratoga Springs City Center – Saratoga Springs, New York
- SeaGate Convention Center – Toledo, Ohio
- South Jersey Expo Center – Pennsauken, New Jersey
- Westchester County Center – White Plains, New York

The comparable facilities and destinations include:

- Gatlinburg Convention Center – Gatlinburg, Tennessee
- Hot Springs Civic and Convention Center – Hot Springs, Arkansas
- Northern Kentucky Regional Convention Center – Covington, Kentucky
- Renaissance Portsmouth Hotel – Portsmouth, Virginia
- The Hotel Roanoke & Conference Center – Roanoke, Virginia
- Visalia Convention Center – Visalia, California
- Waterside Marriott – Norfolk, Virginia

Facility Characteristics

Existing convention facilities in comparable or competitive destinations are evaluated to provide insights on the types of facilities offered in similar or competitive markets.

The following tables illustrate physical characteristics of competitive and comparable facilities.

State Competitive Facility Characteristics

Facility	Location	Year Built	Existing: Total Exhibit/ Multipurpose Space	Existing: Ballroom Space	Existing: Total Exh/MP & BR Space	Existing: Meeting Space	Existing: Number of Mtg Rooms	Meeting to Exh/MP & BR Space Ratio	Expanded Exh/MP & BR Space	On-Site Parking
Pennsylvania Convention Center	Philadelphia, PA	1993	470,250	30,000	500,250	84,370	51	0.17	788,250	0
David L. Lawrence Center	Pittsburgh, PA	1981	131,000	N/O	131,000	38,000	24	0.29	390,000	500
Fort Washington Expo Center	Fort Washington, PA	1993	248,416	6,128	254,544	14,384	16	0.06	254,544	3,400
Valley Forge Convention & Exhibition Center[1]	King of Prussia, PA	1975	130,433	4,422	134,855	17,369	21	0.13	134,855	2,000
Pittsburgh Expo Mart	Pittsburgh, PA	1981	96,154	N/O	96,154	18,946	8	0.20	96,154	1,600
Philadelphia Marriott	Philadelphia, PA	1995	33,000	41,700	74,700	13,666	27	0.18	74,700	250
Mount Airy Lodge	Mount Pocono, PA	1936	42,120	28,089	70,209	60,266	21	0.86	70,209	900
Hershey Lodge and Convention Center	Hershey, PA	1968	32,004	33,472	65,476	3,600	5	0.05	65,476	2,300
Tamiment Resort & Conference Center	Tamiment, PA	1921	56,840	N/O	56,840	10,586	7	0.19	56,840	350
Lancaster Host Resort & Conference Center	Lancaster, PA	1966	41,040	9,288	50,328	14,249	16	0.28	50,328	N/A
Wyndham Franklin Plaza Hotel	Philadelphia, PA	1980	7,100	34,904	42,004	9,363	19	0.22	42,004	550
Blair County Convention Center	Altoona, PA	2001	24,000	15,100	39,100	6,970	9	0.18	39,100	N/A
Adam's Mark Philadelphia	Philadelphia, PA	1981	15,615	18,570	34,185	11,037	12	0.32	34,185	1,156
The Westin William Penn	Pittsburgh, PA	1929	18,135	12,080	30,215	16,847	28	0.56	30,215	0
Loews Philadelphia Hotel	Philadelphia, PA	2000	N/O	25,103	25,103	11,765	12	0.47	25,103	210
The Resort at Split Rock	Lake Harmony, PA	1985	N/O	21,980	21,980	11,986	16	0.55	21,980	800
Holiday Inn Valley Forge	King of Prussia, PA	1969	12,000	9,666	21,666	2,485	9	0.11	21,666	750
Hilton Pittsburgh & Towers	Pittsburgh, PA	1959	N/O	21,130	21,130	7,307	12	0.35	21,130	0

[1] Includes hotel meeting space

N/O -- Not offered by the facility, N/A -- Not Available

Source: Facility Floor Plans, Facility Management, 2000 AudArena Guide

Regional Competitive Facility Characteristics

Facility	Location	Year Built	Existing: Total Exhibit/ Multipurpose Space	Existing: Ballroom Space	Existing: Total Exh/MP & BR Space	Existing: Meeting Space	Existing: Number of Mtg Rooms	Meeting to Exh/MP & BR Space Ratio	Expanded Exh/MP & BR Space	On-Site Parking
New Jersey Convention and Expo Hall	Edison, NJ	1989	125,000	N/O	125,000	4,500	5	0.04	125,000	2,000
Niagara Falls Convention and Civic Center[1]	Niagara Falls, NY	1974	83,520	13,020	96,540	9,421	6	0.10	96,540	400
South Jersey Expo Center	Pennsauken, NJ	1993	89,000	N/O	89,000	9,000	4	0.10	89,000	900
New Wildwood Convention Center	Wildwood, NJ	2001	75,000	12,000	87,000	5,000	6	0.06	87,000	700
Roland E. Powell Convention Center	Ocean City, MD	1969	63,410	21,924	85,334	21,070	18	0.25	85,334	1,100
Dayton Convention Center	Dayton, OH	1973	82,572	N/O	82,572	16,946	15	0.21	82,572	1,500
Onondaga County Convention Center at Oncenter	Syracuse, NY	1953	65,250	14,880	80,130	6,860	10	0.09	80,130	1,100
Buffalo Convention Center	Buffalo, NY	1977	64,410	12,367	76,777	26,092	20	0.34	76,777	N/O
SeaGate Convention Center	Toledo, OH	1986	75,000	N/O	75,000	13,310	17	0.18	75,000	375
Huntington Civic Arena[1]	Huntington, WV	1976	55,476	8,500	63,976	4,784	4	0.07	63,976	1,500
Garden State Convention and Exhibition Center	Somerset, NJ	1990	62,000	N/O	62,000	1,500	2	0.02	62,000	500
Meadowlands Exposition Center	Secaucus, NJ	1990	61,000	N/O	61,000	3,518	5	0.06	61,000	6,000
Rochester Riverside Convention Center	Rochester, NY	1985	49,275	10,028	59,303	12,002	20	0.20	59,303	1,800
Westchester County Center	White Plains, NY	1929	39,520	N/O	39,520	10,760	8	0.27	39,520	1,000
Empire State Plaza	Albany, NY	1978	26,000	N/O	26,000	12,750	6	0.49	26,000	2,500
Saratoga Springs City Center	Saratoga Springs, NY	1984	20,000	N/O	20,000	1,365	1	0.07	20,000	800

N/O -- Not offered by the facility, N/A -- Not Available

[1] Exhibit space is arena space

Source: Facility Floor Plans, Facility Management, 2000 AudArena Guide

Comparable Facility Characteristics

Facility	Location	Year Built	Existing: Total Exhibit/ Multipurpose Space	Existing: Ballroom Space	Existing: Total Exh/MP & BR Space	Existing: Meeting Space	Existing: Number of Mtg Rooms	Meeting to Exh/MP & BR Space Ratio	Expanded Exh/MP & BR Space	On-Site Parking
Hot Springs Civic and Convention Center	Hot Springs, AR	1998	75,780	16,500	92,280	14,148	14	0.15	92,280	1,500
Northern Kentucky Regional Convention Center	Covington, KY	1998	46,200	22,800	69,000	13,288	10	0.19	69,000	N/O
Gatlinburg Convention Center	Gatlinburg, TN	1989	66,910	N/O	66,910	15,766	21	0.24	66,910	N/O
Visalia Convention Center	Visalia, CA	1971	31,675	8,316	39,991	8,649	12	0.22	39,991	580
Waterside Marriott	Norfolk, VA	1992	N/O	35,095	35,095	10,090	40	0.29	35,095	700
The Hotel Roanoke & Conference Center	Roanoke, VA	1995	N/O	19,580	19,580	15,867	37	0.81	19,580	422
Renaissance Portsmouth Hotel	Portsmouth, VA	2001	N/O	16,830	16,830	3,956	5	0.24	16,830	458

N/O -- Not offered by the facility, N/A -- Not Available

Source: Facility Floor Plans, Facility Management

Several competitive facilities are currently undergoing or planning expansions.

Pennsylvania Convention Center plans to expand the Center are in the architectural feasibility phase. The site of the proposed expansion would include a four-square block area west of the existing facility. The proposed expansion would add 228,000 square feet of exhibit space, 60,000 square feet of ballroom space, and approximately 69,300 square feet of meeting space. The expansion would include a high-tech conference center with a lecture hall theater. The conference center would be part of the Center but operated as a separate business. Total estimated cost of the expansion is $365 million. Dates for start and completion of the project are unavailable at this time.

David L. Lawrence Convention Center in Pittsburgh currently offers 131,000 square feet of exhibit space and 38,000 square feet of meeting space. The Center has plans for an expansion that would add approximately 219,000 square feet of exhibit space, a 40,000-square foot ballroom, and meeting room space. The expanded facility will offer a total of 390,000 square feet of exhibit space and ballroom space and is estimated to open in 2003.

The **Blair County Convention Center** is currently under construction in Altoona, Pennsylvania. The facility will offer approximately 24,000 square feet of exhibit/multipurpose space, 15,100 square feet of ballroom space, and 6,970 square feet of meeting room space. The facility will be connected to a 104-room Courtyard by Marriott. The project is expected to be complete in 2001.

A new convention center is under construction in **Wildwood, New Jersey**. Upon completion, this facility will feature 75,000 square feet of exhibit space, 12,000 square feet of ballroom space, and 5,000 square feet of meeting room space. The facility is expected to open in 2001.

The **Renaissance Portsmouth Hotel** is expected to open in 2001. The hotel and conference center will offer 16,830 square feet of ballroom space, 3,956 square feet of meeting space, and a 1,755-square foot case study amphitheater. The hotel will also feature 249 guest rooms.

A number of additional expansions or new projects, which are still in the planning phases, may materialize in the future. A brief description of those plans is as follows.

The Roland E. Powell Convention Center was built in 1969. The facility completed an expansion/renovation in late 1997. The $29.4 million expansion added approximately 50,000 square feet of exhibit space on the first level, a 22,000-square foot renovated ballroom, and 18,000 square feet of new and renovated meeting room space. The facility now offers 85,334 square feet of exhibit and ballroom space and 21,070 square feet of meeting room space. The Center is considering an expansion of 30,000 square feet of exhibit, 22,000 square feet of ballroom, 12,000 square feet of meeting space, and a 1,000-space parking garage. At this time there are no definite plans for an expansion.

Erie County (Buffalo, New York) has currently issued requests for proposals for an environmental impact statement. An earlier market study indicated the need to build a new convention facility with approximately 125,000 square feet of exhibit space, 30,000 square feet of ballroom space, and some breakout space. The environmental study will help the County determine to either build a new convention facility or expand the existing Center. Funding has not yet been secured for the project. The County hopes to have a site selected by 2002 and begin working on funding for the facility after then.

Saratoga Springs City Center was built in 1984 and currently features 20,000 square feet of exhibit/multipurpose space and 1,365 square feet of meeting space. The facility will be undergoing a feasibility study to determine the need for an expansion.

Erie, Pennsylvania is currently considering plans to construct a new convention center connected to a hotel. There have been no decisions made on the size and configuration of the convention center and hotel and the project has not yet been funded. The Governor of Pennsylvania has earmarked $26 million in state funds for the construction of the facility; however, those funds have not been released. In addition, a new five percent hotel/motel tax is expected to go into effect in October with 80 percent of the tax revenues going to the new convention center and 20 percent going to the local convention and visitors bureau for marketing the area. Erie is in the very early stages of planning the convention center and hotel project and the funding sources and dates for the project are not definite at this time.

Other facilities in Harrisburg and Hershey that are not convention center facilities but may compete for some events include the new Giant Center and the Farm Show Complex. The following provides a brief description of these facilities.

Giant Center in Hershey, Pennsylvania will be the new home for the Hershey Bears ice hockey team. The new ice hockey arena will feature 10,500 seats, 40 luxury suites, and 650 club seats for a maximum capacity of 12,500 seats. The facility will open in 2002 and will host sporting events, concerts, and other local events.

Farm Show Complex, located in Harrisburg, Pennsylvania, is operated by the Commonwealth of Pennsylvania's Department of Agriculture. The facility currently features approximately 360,000 square feet of exhibit space, 32,000 square feet of arena space, and 20,000 square feet of meeting space. The facility mainly hosts agriculture shows and demonstrations such as cattle shows, horse shows, and food shows. It also hosts some consumer shows such as computer and antique shows. The facility has plans to expand and renovate the existing facility. Plans include a new multipurpose exhibition hall with special attention to livestock and other agriculture functions and upgrading parking and interior areas. Details on how much space and the expected completion date have not been determined at this time.

Market Characteristics

This section compares Lancaster's local community resources to other competitive and comparable destinations presented previously.

Hotel Room Supply

Hotel room supply is essential in attracting conventions, trade shows, and other events with overnight attendees. The following table illustrates the number of convention class hotel rooms located in the Lancaster area compared to other destinations. Again, convention class hotel rooms are defined as hotels with a minimum of 50 rooms and at least a three-crown rating by the *OAG Business Travel Planner*. OAG defines three-crown hotels as full-service establishments with comfortable accommodations usually providing full-menu restaurants and other amenities.

Convention Class Hotel Room Supply

Location	*Convention Class Rooms*
Philadelphia, PA	7,993
Pittsburgh, PA	5,093
Lancaster, PA*	**2,045**
Rochester, NY	1,724
Toledo, OH	1,514
King of Prussia, PA	1,480
Ocean City, MD	1,332
Dayton, OH	1,136
Niagara Falls, NY	1,094
Covington, KY	1,092
Somerset, NJ	1,081
Gatlinburg, TN	1,076
Secaucus, NJ	1,043
Roanoke, VA	997
Norfolk, VA	974
Syracuse, NY	945
Hershey, PA	916
Buffalo, NY	863
White Plains, NY	759
Albany, NY	703
Portsmouth, VA	522
Edison, NJ	443
Mount Pocono, PA	443
Lake Harmony, PA	395
Saratoga Springs, NY	360
Huntington, WV	339
Altoona, PA	327
Hot Springs, AR	321
Tamiment, PA	225
Visalia, CA	201
Fort Washington, PA	104
Wildwood, NJ	0
Pennsauken, NJ	0

*Includes the proposed 281-room hotel

Source: OAG Business Travel Planner Spring 2000, Facility Management

As illustrated, Lancaster ranks third out of 33 destinations in its number of convention class hotel rooms including the proposed 281-room full-service hotel. This ranking remains the same even if the 281-room hotel is not included. This could prove advantageous in attracting state and regional conventions and trade shows; however there is a limited amount of hotel rooms proximate to the proposed site of the convention/conference center.

The following tables present total proximate rooms and the number of rooms connected to the competitive and comparable facilities. Proximate hotel rooms are defined as rooms within walking distance of the Center. The proposed 281-room hotel and the Hotel Brunswick with 221 rooms will be the only two properties within walking distance of the proposed convention/conference center.

State Competitive Hotel Room Supply

Facility	*Location*	*Proximate Hotel Rooms*	*Connected Hotel Rooms*
Philadelphia Marriott	Philadelphia, PA	6,990	1,408
Pennsylvania Convention Center	Philadelphia, PA	6,990	1,408
Loews Philadelphia Hotel	Philadelphia, PA	6,990	585
Wyndham Franklin Plaza Hotel	Philadelphia, PA	3,203	758
David L. Lawrence Center	Pittsburgh, PA	2,617	616
The Westin William Penn	Pittsburgh, PA	2,617	595
Hilton Pittsburgh & Towers	Pittsburgh, PA	1,308	713
Adam's Mark Philadelphia	Philadelphia, PA	1,110	515
Mount Airy Lodge	Mount Pocono, PA	1,000	1,000
Valley Forge Convention & Exhibition Center	King of Prussia, PA	873	448
Hershey Lodge and Convention Center	Hershey, PA	665	665
Lancaster Host Resort & Conference Center	Lancaster, PA	661	330
Proposed Lancaster County Convention Center	**Lancaster, PA**	**502**	**281**
The Resort at Split Rock	Lake Harmony, PA	395	395
Pittsburgh Expo Mart	Pittsburgh, PA	366	366
Blair County Convention Center	Altoona, PA	327	104
Fort Washington Expo Center	Fort Washington, PA	325	0
Holiday Inn Valley Forge	King of Prussia, PA	305	225
Tamiment Resort & Conference Center	Tamiment, PA	225	225

Source: OAG Business Travel Planner Spring 2000, Facility Management, and Convention and Visitors Bureaus

As illustrated, Lancaster will rank 13^{th} in terms of proximate rooms (within walking distance) to the proposed site of the convention/conference center and 15^{th} in terms of hotel rooms connected out of 19 total state competitive facilities.

Regional Competitive Hotel Room Supply

Facility	*Location*	*Proximate Hotel Rooms*	*Connected Hotel Rooms*
Garden State Convention and Exhibition Center	Somerset, NJ	1,760	360
Roland E. Powell Convention Center	Ocean City, MD	1,600	0
Niagara Falls Convention and Civic Center	Niagara Falls, NY	1,191	0
Rochester Riverside Convention Center	Rochester, NY	1,169	801
Buffalo Convention Center	Buffalo, NY	1,009	396
Wildwood Convention Center	Wildwood, NJ	1,000	0
Meadowlands Exposition Center	Secaucus, NJ	895	0
Saratoga Springs City Center	Saratoga Springs, NY	850	240
SeaGate Convention Center	Toledo, OH	637	400
Onondaga County Convention Center at Oncenter	Syracuse, NY	555	0
Empire State Plaza	Albany, NY	521	0
Dayton Convention Center	Dayton, OH	505	292
Proposed Lancaster County Convention Center	**Lancaster, PA**	**502**	**281**
Huntington Civic Arena	Huntington, WV	474	0
New Jersey Convention and Expo Hall	Edison, NJ	0	0
South Jersey Expo Center	Pennsauken, NJ	0	0
Westchester County Center	White Plains, NY	0	0

Source: OAG Business Travel Planner Spring 2000, Facility Management, and Convention and Visitors Bureaus

The proposed Lancaster County convention center will rank 13th in terms of total proximate hotel rooms and sixth in terms of connected rooms out of 17 total regional competitive facilities.

Comparable Hotel Room Supply

Facility	*Location*	*Proximate Hotel Rooms*	*Connected Hotel Rooms*
Gatlinburg Convention Center	Gatlinburg, TN	8,000	0
Northern Kentucky Regional Convention Center	Covington, KY	1,092	321
Hot Springs Civic and Convention Center	Hot Springs, AR	820	200
Renaissance Portsmouth Hotel	Portsmouth, VA	651	249
Waterside Marriott	Norfolk, VA	528	404
Proposed Lancaster County Convention Center	**Lancaster, PA**	**502**	**281**
The Hotel Roanoke & Conference Center	Roanoke, VA	332	332
Visalia Convention Center	Visalia, CA	273	201

Source: OAG Business Travel Planner Spring 2000, Facility Management, and Convention and Visitors Bureaus

When comparing the proposed facility to other comparable facilities, Lancaster County ranks sixth in terms of proximate rooms and fourth in terms of connected rooms out of eight total facilities.

Air Access

Direct flight service to a prospective meeting destination is important to event planners. Air access is important for national and regional events where the majority of attendees fly to the destination. The level of air access was measured by the number of cities that offer direct flights to the closest airports to the destination. The number of cities with direct flights was obtained from the OAG.

The Lancaster Airport and Harrisburg International Airport, located approximately 31 miles from Lancaster, are the two closest airports. Lancaster Airport is served by USAirways Express and Harrisburg International Airport is served by 11 airlines including USAirways Express. The following table illustrates air access available to Lancaster compared to other destinations in terms of number of cities with direct flights, number of airlines served by the airport, and distance of farthest airport to the city. Lancaster illustrates direct flights offered at both Lancaster Airport and Harrisburg International. It should also be noted that Edison, Secaucus, and Somerset are all served by Kennedy International, Newark International, and La Guardia Airport. These three airports in addition to Westchester County Airport also serve White Plains. Fort Washington, King of Prussia, Pennsauken, and Philadelphia are all served by Philadelphia International. Buffalo and Niagara Falls are both served by Buffalo International. Albany's airport serves both Saratoga Springs and Albany. Norfolk serves both Portsmouth and Norfolk. LeHigh Valley International (Allentown) and Wilkes-Barre serve Mount Pocono, Tamiment, and Lake Harmony.

Air Access

Location	*Direct Flight Cities*	*Number of Airlines*	*Miles* From Farthest Airport*
White Plains, NY	137	93	41
Edison, NJ	132	93	46
Secaucus, NJ	132	93	23
Somerset, NJ	132	93	60
Pittsburgh, PA	123	14	12
Covington, KY	119	16	10
Fort Washington, PA	117	26	30
King of Prussia, PA	117	26	27
Pennsauken, NJ	117	26	12
Philadelphia, PA	117	26	7
Buffalo, NY	43	10	9
Niagara Falls, NY	43	10	23
Rochester, NY	40	9	4
Albany, NY	40	9	8
Saratoga Springs, NY	40	9	28
Syracuse, NY	39	8	7
Dayton, OH	38	13	13
Norfolk, VA	38	10	6
Portsmouth, VA	38	10	12
Hot Springs, AR	33	11	55
Gatlinburg, TN	28	11	35
Mount Pocono, PA	28	7	44
Tamiment, PA	28	7	46
Lake Harmony, PA	28	7	46
Lancaster, PA	**24**	**11**	**31**
Hershey, PA	23	11	11
Visalia, CA	17	6	45
Roanoke, VA	16	4	4
Huntington, WV	14	4	50
Wildwood, NJ	11	3	42
Toledo, OH	9	6	10
Ocean City, MD	3	1	27
Altoona, PA	1	1	12

Source: OAG Desktop Guide April 2000, OAG Business Travel Planner Spring 2000

*Distance in miles from airport to city

As illustrated in the previous table, Lancaster ranks 25th out of 33 destinations in terms of direct flight cities offered to these destinations. The distance from the farthest airport to the city servicing these destinations averages approximately 25 miles excluding Lancaster.

Population

Population is the primary determinant of a market's potential for events that attract attendees from the local area or region such as trade shows or consumer shows. The number of potential attendees within driving distance of a show site typically affects event attendance. Although driving radius to a show site will vary in each market, the following table provides an "order-of-magnitude" illustration in terms of County populations.

Population Characteristics

Location	*County*
Philadelphia, PA	1,413,100
Pittsburgh, PA	1,252,600
Buffalo, NY	924,600
White Plains, NY	908,200
Fort Washington, PA	726,000
King of Prussia, PA	726,000
Edison, NJ	720,400
Rochester, NY	711,400
Dayton, OH	565,600
Secaucus, NJ	552,400
Pennsauken, NJ	502,900
Lancaster, PA	**462,200**
Syracuse, NY	454,700
Toledo, OH	445,200
Visalia, CA	368,700
Albany, NY	292,000
Somerset, NJ	291,700
Hershey, PA	246,100
Niagara Falls, NY	215,600
Norfolk, VA	214,900
Saratoga Springs, NY	201,300
Covington, KY	147,500
Mount Pocono, PA	130,100
Altoona, PA	129,600
Wildwood, NJ	98,200
Portsmouth, VA	97,300
Roanoke, VA	94,800
Huntington, WV	93,300
Hot Springs, AR	85,000
Gatlinburg, TN	66,500
Lake Harmony, PA	58,800
Ocean City, MD	44,200
Tamiment, PA	42,000

Source: Sales & Marketing Management, *Survey of Buying Power 2000*

As illustrated, Lancaster County ranks 12th out of 33 destinations in terms of population. This may suggest a strength in attracting trade shows and consumer shows which seek venues that can draw regional attendees.

Income

Income is considered a key characteristic for consumer show events. Consumer shows exhibit consumer retail products for display and sale to local residents. The following table presents the median household income for Lancaster County and other destinations.

Median Household EBI

Location	*County*
Somerset, NJ	$72,427
White Plains, NY	58,040
Fort Washington, PA	56,963
King of Prussia, PA	56,963
Edison, NJ	54,889
Lancaster, PA	**43,455**
Saratoga Springs, NY	43,374
Pennsauken, NJ	43,229
Hershey, PA	42,369
Covington, KY	41,377
Rochester, NY	39,922
Mount Pocono, PA	39,033
Albany, NY	38,811
Pittsburgh, PA	38,788
Secaucus, NJ	38,323
Dayton, OH	38,187
Wildwood, NJ	35,527
Toledo, OH	35,387
Syracuse, NY	34,848
Buffalo, NY	34,078
Tamiment, PA	33,690
Lake Harmony, PA	33,202
Niagara Falls, NY	33,052
Altoona, PA	32,307
Philadelphia, PA	31,621
Gatlinburg, TN	31,270
Ocean City, MD	29,631
Visalia, CA	28,037
Roanoke, VA	27,391
Norfolk, VA	27,331
Huntington, WV	26,763
Hot Springs, AR	26,559
Portsmouth, VA	24,978

Source: Sales & Marketing Management, *Survey of Buying Power 2000*

As illustrated, Lancaster County ranks sixth out of 33 destinations in terms of median income. Relatively high income levels may prove advantageous in attracting consumer shows.

Destination Costs

Cost is also a factor in the attractiveness of an event destination. While cost of a facility (e.g., rental rates, event service charges, etc.) is one of the primary considerations for an event organizer in selecting a venue, attendance to some events could be affected by destination cost in terms of hotel rooms, transportation, restaurants, etc.

The Internal Revenue Service publishes the maximum per diem rate allowed for travel within the continental United States which includes the daily cost of lodging, meals, and incidental expenses. The following chart presents the maximum per diem rates for Lancaster and other competitive and comparable destinations.

2000 Per Diem Comparison

Location	*Rate*
Mount Pocono, PA	$90
Roanoke, VA	93
Hot Springs, AR	95
Visalia, CA	96
Tamiment, PA	97
Lake Harmony, PA	97
Dayton, OH	100
Rochester, NY	100
Lancaster, PA	**103**
Syracuse, NY	104
Toledo, OH	105
Niagara Falls, NY	106
Saratoga Springs, NY	109
Gatlinburg, TN	111
Pennsauken, NJ	116
Albany, NY	116
Hershey, PA	117
Covington, KY	118
Buffalo, NY	120
Huntington, WV	120
Ocean City, MD	123
Norfolk, VA	125
Portsmouth, VA	125
Altoona, PA	125
Pittsburgh, PA	125
Fort Washington, PA	126
King of Prussia, PA	126
Secaucus, NJ	141
Wildwood, NJ	148
Philadelphia, PA	164
Edison, NJ	167
Somerset, NJ	167
White Plains, NY	207

Source: Dept. of Treasury, Internal Revenue Services, Publication 1542, Revised January 2000

As illustrated, Lancaster has the ninth lowest per diem costs compared to other competitive and comparable destinations. This may add to the attractiveness of the Lancaster market as an event destination and be an advantage in attracting cost sensitive groups.

Hotel Tax Rates

Many convention destinations fund their convention facilities through local transient occupancy taxes or hotel/motel taxes. Since the cost of hotel rooms for delegates is impacted by these taxes, this influences the affordability of the destination. The following table illustrates the local occupancy tax or hotel/motel tax, other applicable tax including sales, excise, and tourism tax, and the total hotel tax rates levied by local and state governments in each competitive and comparable destination.

Destination Hotel Tax Rates

Location	Occupancy	Taxes Other*	Total
Mount Pocono, PA	0.00%	6.00%	6.00%
Pennsauken, NJ	0.00%	6.00%	6.00%
Somerset, NJ	0.00%	6.00%	6.00%
Tamiment, PA	0.00%	6.00%	6.00%
Lake Harmony, PA	0.00%	6.00%	6.00%
Edison, NJ	0.00%	6.00%	6.00%
Secaucus, NJ	0.00%	6.00%	6.00%
Altoona, PA	1.50%	6.00%	7.50%
Hershey, PA	2.00%	6.00%	8.00%
King of Prussia, PA	2.00%	6.00%	8.00%
Ocean City, MD	3.00%	5.00%	8.00%
Wildwood, NJ	0.00%	8.00%	8.00%
Fort Washington, PA	2.00%	6.00%	8.00%
Huntington, WV	3.00%	6.00%	9.00%
White Plains, NY	3.00%	6.25%	9.25%
Visalia, CA	10.0%	n/a	10.00%
Hot Springs, AR	3.00%	7.125%	10.125%
Covington, KY	4.00%	6.24%	10.24%
Roanoke, VA	6.00%	4.50%	10.50%
Lancaster, PA	**3.90%**	**7.10%**	**11.00%**
Portsmouth, VA	6.50%	4.50%	11.00%
Albany, NY	3.00%	8.00%	11.00%
Niagara Falls, NY	4.00%	7.00%	11.00%
Saratoga Springs, NY	4.00%	7.00%	11.00%
Gatlinburg, TN	3.00%	8.50%	11.50%
Norfolk, VA	7.00%	4.50%	11.50%
Rochester, NY	4.00%	8.00%	12.00%
Syracuse, NY	5.00%	7.00%	12.00%
Dayton, OH	3.00%	9.50%	12.50%
Buffalo, NY	5.00%	8.00%	13.00%
Philadelphia, PA	7.00%	7.00%	14.00%
Pittsburgh, PA	7.00%	7.00%	14.00%
Toledo, OH	8.00%	6.25%	14.25%

*Other include sales, excise, tourism, and other applicable taxes

n/a--not applicable

Source: Convention and Visitors Bureaus, Local Governments, Area Hotels

As illustrated, Lancaster County ranks 20th out of 33 destinations in terms of the total hotel tax levied along with four other destinations. In terms of the local occupancy or hotel/motel tax levied, Lancaster County also ranks 20th.

Convention and Visitors Bureau Budget

The ability of a city to market itself as a convention destination may be affected by the amount it has to spend on marketing efforts for travel, promotion, and advertising. The following chart depicts convention and visitors bureau budgets for Lancaster County and other competitive and comparable destinations. Currently, the PDCVB's budget without the additional taxes is $2.6 million, which would rank Lancaster 12th out of 33 destinations. With the new Hotel Room Rental Tax and Excise Tax, the CVB budget is estimated to increase to $3.8 million, allowing Lancaster County to rank seventh out of 33 destinations. This funding increase will allow the PDCVB to better market the proposed convention/conference center and the County as a whole including local hotels, restaurants, retail establishments, attractions, and other amenities.

Destination and Convention Resources

Location	*CVB Budget*
Philadelphia, PA	$9,900,000
Pittsburgh, PA	8,400,000
Gatlinburg, TN	5,500,000
Mount Pocono, PA	4,004,314
Tamiment, PA	4,004,314
Lake Harmony, PA	4,004,314
Lancaster, PA*	**3,800,000**
Fort Washington, PA	3,100,000
King of Prussia, PA	3,100,000
Buffalo, NY	3,000,000
Norfolk, VA	3,000,000
Ocean City, MD	2,700,684
Hot Springs, AR	2,500,000
Rochester, NY	2,400,000
Covington, KY	1,400,000
Dayton, OH	1,300,000
Hershey, PA	1,262,300
Niagara Falls, NY	1,200,000
Altoona, PA	1,200,000
Albany, NY	1,140,000
Syracuse, NY	1,051,000
Toledo, OH	1,000,000
Wildwood, NJ	800,000
Roanoke, VA	702,380
Saratoga Springs, NY	600,000
Portsmouth, VA	569,000
White Plains, NY	400,000
Huntington, WV	255,000
Visalia, CA	200,000
Somerset, NJ	N/A
Edison, NJ	N/A
Pennsauken, NJ	N/A
Secaucus, NJ	N/A

*Includes funds from the tax

N/A--do not have own local CVB

Source: Convention and Visitors Bureaus

Summary of Resources

The following table provides a summary of Lancaster's market characteristics relating to its attractiveness for conventions and trades shows compared to 32 other competitive and comparable destinations. In the following table, a ranking of "1" is most favorable for attracting events and a ranking of "33" is least favorable.

Summary of Resources

Ranked By Destinations	*Ranking (out of 33)*
Convention Class Hotels	3
Air Access	25
County Population	12
County EBI*	6
Destination Costs	9
Hotel Tax Rates	20
CVB Budgets	7

*EBI-Effective Buying Income

V. USER SURVEYS

Primary data obtained from past and potential users of Lancaster is an important component in the analysis of potential demand for a new convention facility in Lancaster. Event management and representatives were contacted to provide information regarding their facility needs and destination requirements. This primary market research helps to identify qualitative issues relevant to the advantages and disadvantages of Lancaster as an event destination. Moreover, this process outlines the quantitative parameters of particular issues in the market and helps to illustrate specific user needs.

Potential users included state and regional associations, major businesses in Lancaster, local groups and organizations, and users of competitive facilities. Contact names were obtained from *State and Regional Associations of the United States, Directory of Conventions, The Lancaster Chamber of Commerce & Industry Directory of Major Employers*, and other sources. Representatives from approximately 283 state and regional associations, local businesses, and local events were contacted and 137 surveys were completed.

State and Regional Association Events

Surveys were completed by state and regional conventions, trade shows, conferences, and meetings. Approximately 46 percent of state and regional association respondents indicated that they would definitely, highly likely, or possibly use a new convention facility in downtown Lancaster. Of these likely users, approximately 51 percent had held an event in Lancaster in the past.

Events that stated they would not host their event at a new convention facility in downtown Lancaster stated the use of specific cities, use of larger cities and venues located outside of Pennsylvania, use of on-site facilities, preference for meeting facilities not located downtown, and the lack of membership in the Lancaster area as primary reasons. Of those that would not use a downtown convention facility in Lancaster, approximately seven percent cited the lack of hotel rooms in the area.

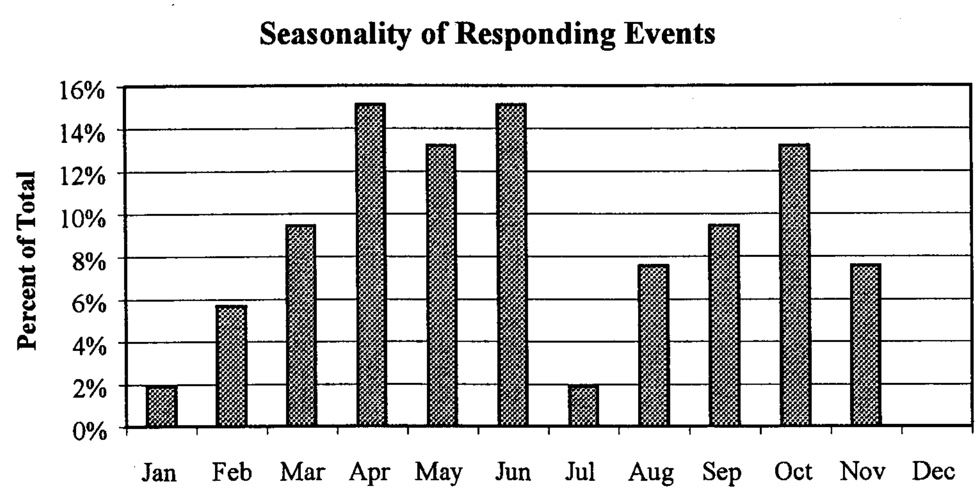
The responses of the likely potential convention, trade show, conference, and meeting users are summarized below.

- Approximately 77 percent of responding organizers host their event on an annual basis and 10 percent on a semiannual basis, while the remainder host their events on a biannual, quarterly, or other basis. Respondents indicated an average event length of 3.2 days with a range of one to five days. These events require 1.2 additional move-in/move-out days with a range of one-half to two days.

- Approximately 70 percent of responding organizers prefer to rotate their event within the Commonwealth of Pennsylvania, while approximately 13 percent rotate around the region, two percent rotate around the United States, and 15 percent prefer hosting their events in the same location. Hershey, Harrisburg, Philadelphia, and Pittsburgh were most frequently mentioned as other destinations in Pennsylvania where event organizers host their events. Regionally, locations in New Jersey and New York were mentioned as destinations used by responding groups.

- The average attendance to the responding events approximates 500 with a range of 15 to 2,400. Approximately 68 percent of the attendees originate from Pennsylvania followed by 30 percent from surrounding states and two percent from around the nation.

- Seasonality of all likely users indicated that the largest number of events were held in April, June, May, and October. The following chart displays event seasonality by month of all likely user events.



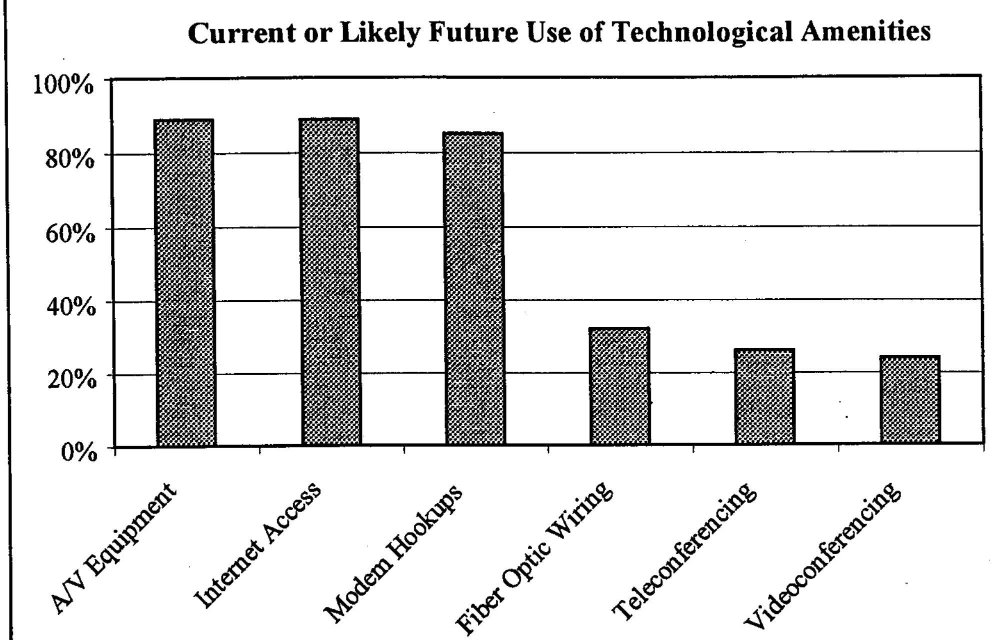
Source: Likely User Surveys

- Approximately 40 percent of respondents stated that attendance to their events and exhibit space needs increased over the past several years. Additionally, more than half of the respondents expect both attendance to their events and exhibit space needs to increase over the next several years.

- On average, respondents required approximately seven concurrent meeting rooms, with a range of two to 14 rooms. The required seating capacity for these rooms ranged from 10 to 400. The required seating capacity for the largest meeting room averaged approximately 270 people.

- The majority of respondents indicated that their events make use of a ballroom. Respondents indicated that the average maximum capacity for these functions was approximately 360 attendees.

- Audio/visual equipment, Internet access, and computer modem access were the technological amenities required most frequently by the likely user respondents. The following table displays current or likely future use of technological amenities as reported by the likely users.



Source: Likely User Surveys

- Approximately 85 percent of attendees to responding events are expected to drive-in to Lancaster and require on average approximately 270 parking spaces per event.

- As stated previously, approximately 51 percent of likely users had held their events in Lancaster in the past. Primary advantages of existing facilities in Lancaster as cited by these users included convenient location, affordable costs, and the presence of a golf course on-site. Some disadvantages as cited by users included dynamics of the meeting space and the need for renovation/modernization and maintenance of space.

- Responding event organizers stated that the highway accessibility, central location within the southern portion of the Commonwealth and location in relation to their members, and tourist attractions (including Amish attractions, outlets, and other family-oriented events) would be the primary advantages in holding their events in Lancaster. Disadvantages or concerns listed by some event organizers included road construction in the area and traffic problems getting into downtown, lack of entertainment and evening activity in downtown, and parking issues including availability and the possible lack of free parking. It is important to note that the major road construction on Route 30 is slated for completion during the Summer 2002.

Local Businesses/Organizations

Approximately 40 major employers in Lancaster County were contacted to understand the level of interest for a downtown convention/conference center. Approximately half of the responding businesses stated they would consider utilizing the proposed facility for educational seminars, meetings, banquets, employee functions, holiday parties, and other events for approximately 20 to 800 people. The other half of the respondents who would not consider using the proposed center cited the use of their own on-site facilities as the primary reason.

In addition, the Chamber of Commerce would also use the new facility for some of its annual events including the Chamber's Annual Dinner, Ag Industry Banquet, Business Expo, and Job Fair for approximately 600 to 4,000 people.

Consumer Shows

PricewaterhouseCoopers contacted consumer show organizers that utilize other facilities in Lancaster County and surrounding areas. These groups were asked whether they would be interested in holding events in the proposed downtown convention/conference center. Approximately half of the responding organizers would possibly use the facility. Exhibit space requirements for these groups range from 10,000 to 47,000 square feet.

Destination Requirements of Survey Respondents

Survey respondents provided information about the advantages and disadvantages of past locations utilized, as well as general characteristics of preferred destinations. Convention centers, hotels, and resorts have been used in the past by responding events. The following points highlight destination requirements and reasons for selecting centers and locations for events as reported by survey respondents:

- Accessibility from major highways;
- Cities with a central location to membership;
- Size and cost of the facility;
- Size and quality of hotel accommodations;
- Availability and cost of parking;
- Overall costs associated with the area; and
- Attractions and activities available to attendees.

VI. INDUSTRY TRENDS AND CHARACTERISTICS

In order to effectively plan for the proposed convention/conference center's future needs, it is useful to analyze industry trends in demand for convention space to gain an understanding of the changing market.

Trends were analyzed utilizing several sources, including the following.

- PricewaterhouseCoopers Convention Center Annual Reports;
- *Tradeshow Week Data Book;*
- *Meetings & Conventions;* and
- Other industry sources.

Meetings Market

Meetings & Conventions magazine sponsors the *Meetings Market Study* which is conducted biennially. This section presents results of the *Meetings Market Study* for the past 17 years focusing on the size of the meetings market in terms of the number of meetings, attendance, and expenditures. The Meetings Market Study surveyed corporate and association event organizers. The data presented in this section are defined as follows:

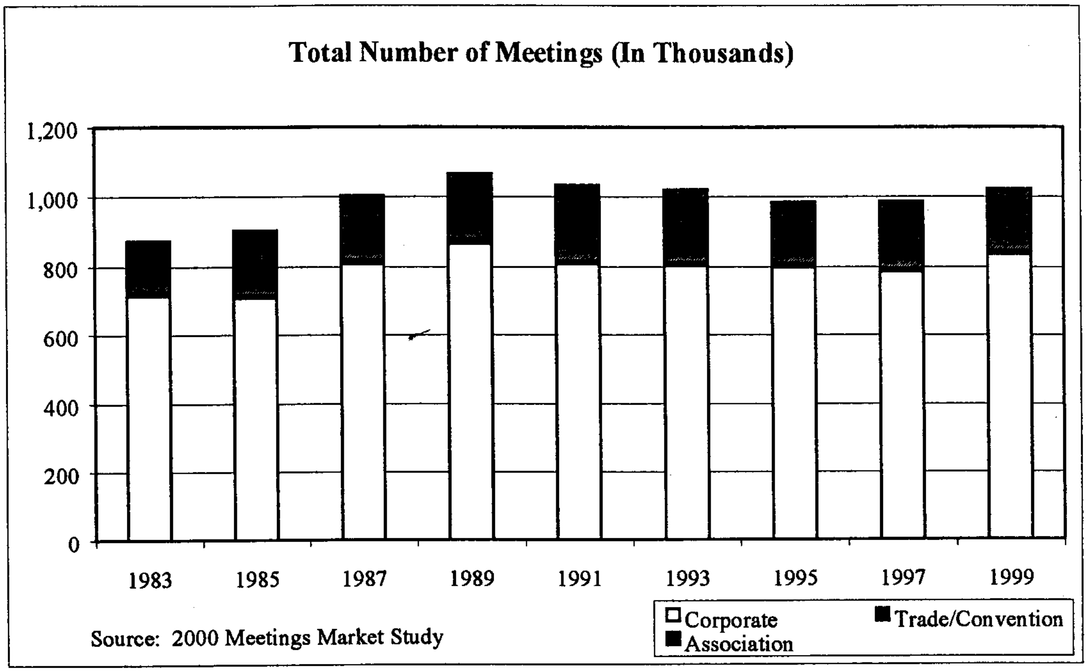
- **Corporate**: Includes sales and marketing meetings, management meetings, training seminars, stockholder meetings, professional and technical meetings, new product introductions, and incentive meetings.

- **Association**: Meetings other than the association's convention or trade show. Includes board meetings, professional and technical meetings, educational seminars, and chapter meetings.

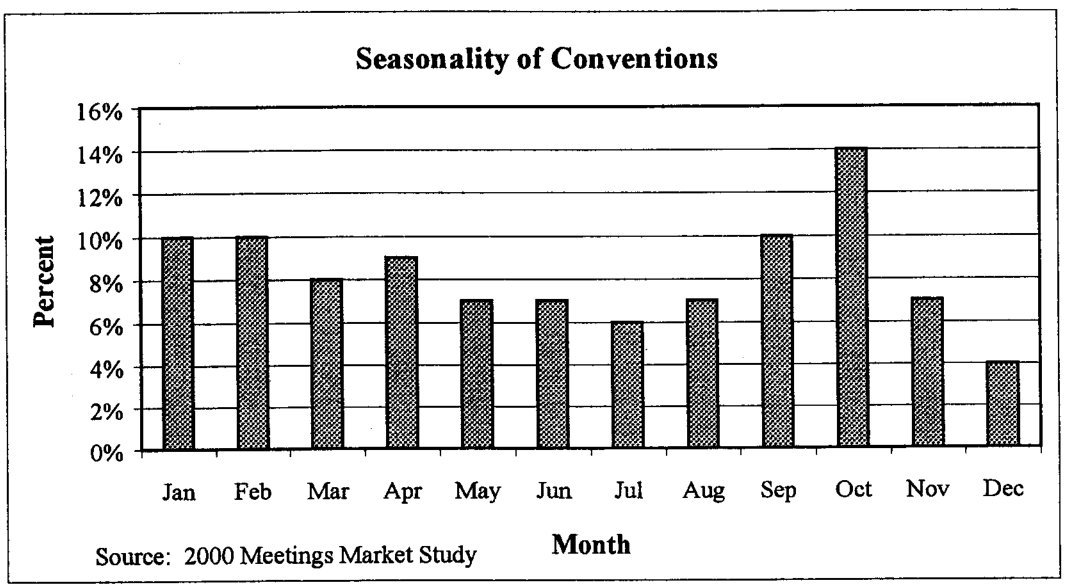
- **Trade Shows/Conventions**: Major trade shows and conventions held by professional, trade, and SMERF (social, military, educational, religious, fraternal) associations.

Number of Meetings

In 1983 the total number of meetings held was 873,200 and in 1999 the total number of meetings held was 1,021,500. During which time, according to the *Meetings Market Study,* the total number of meetings decreased from 1989 to 1995 and has been increasing since 1995. Total meetings for 1999, which numbered just over a million, are at its highest point in five years. While the number of association and trade/convention events has remained relatively stable over the past few years, the number of corporate events increased by seven percent from 783,900 in 1997 to 835,700 in 1999.



The following chart illustrates the seasonality of conventions based on the total conventions holding their event by month.

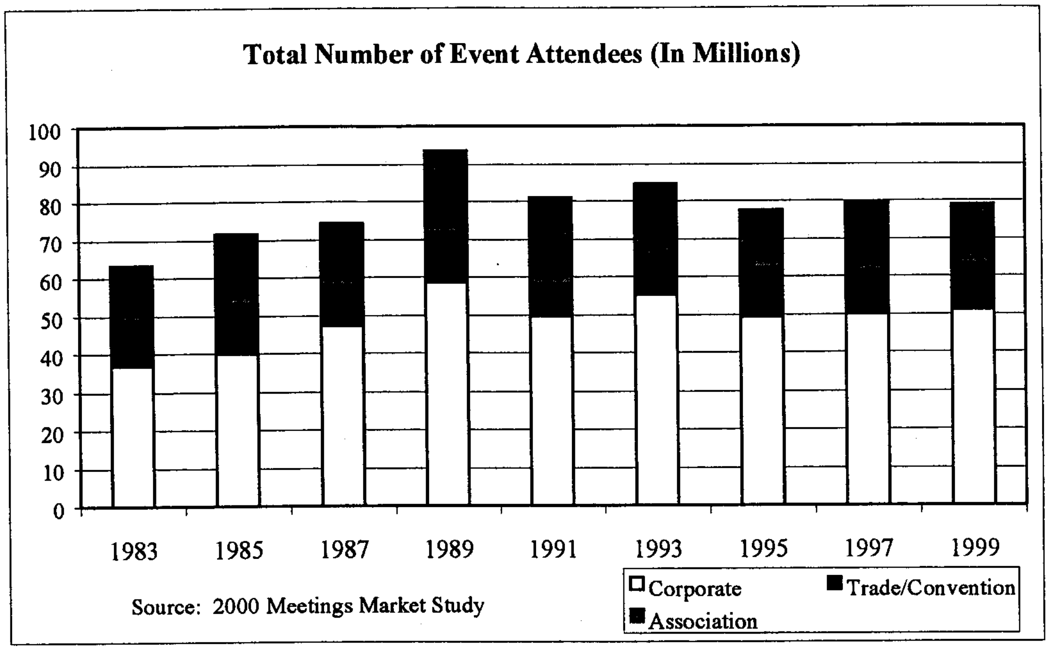


According to the *2000 Meetings Market Study*, October is the peak month for conventions followed by January, February, and September.

Meeting Attendance

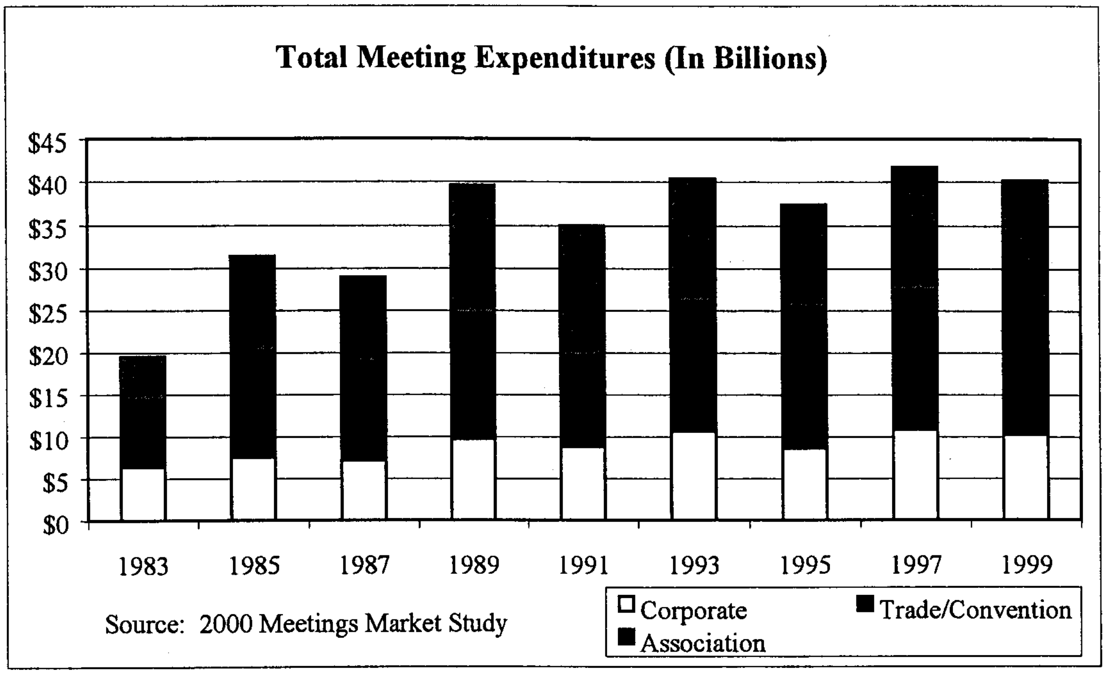
From 1983 to 1999, event attendance increased from 63.3 million to 78.9 million. In the past 17 years, corporate meeting attendance has increased from 36.8 million to 51 million, a 39 percent growth. Trade and convention attendance has ranged between 8.6 million and 13.6 million over the past 17 years. Association attendance increased from 14.4 million in 1983 to 15.6 million in

1999. Overall total attendance in 1999 decreased slightly, less than one-percent, from 1997 levels.



Total Event Expenditures

Costs for meetings and conventions have risen significantly over the past 17 years. From 1983 to 1999 total expenditures have more than doubled. In 1999, the most recent year for which industry-wide information is available, total event expenditures for all three categories were estimated at approximately $40.2 billion. As illustrated in the following chart, trade and convention expenditures comprised the largest portion (41 percent) of total expenditures followed by associations (34 percent) and corporate spending (25 percent). Total spending in 1999 declined approximately four percent from 1997.



While corporate events comprise the largest share of total number of events and attendees, they account for the smallest share of event expenditures. Further, while trade and convention events comprise the smallest share of total number of events and attendance, these events have the greatest level of expenditures.

Selection Criteria

Event organizers are key in the process of an event selecting a particular destination or facility. Organizers are responsible for developing a list of potential sites from which selection boards or committees choose. In selecting event destinations, there are several factors that are considered very important by event organizers. These factors include characteristics of the facility and the destination.

The following table provides a ranking of the most important factors in selecting an event destination as indicated by association and convention planners (1 representing the most important factor). As illustrated, association and convention planners rank the availability of hotels and meeting space and the affordability of a destination as the most important factors in selecting a destination.

Factors Considered Important in the Selection of an Event Destination

	Conventions	*Associations*
Availability of hotels & meeting facilities	1	2
Affordability of destination	2	1
Safety and security of destination	3	3
Ease of transporting attendees to location	4	4
Transportation costs	5	6
Distance traveled by attendees	6	5
Clean and unspoiled environment	7	7
Climate	8	8
Availability of recreational facilities	9	10
Sightseeing, cultural & other attractions	10	11
Mandated by by-laws	11	9
Glamorous or popular image of location	12	12

Source: 2000 Meetings Market Study

The following table illustrates the ranking of the most important factors in selecting facilities (1 representing the most important factor). As illustrated, the number, size and quality of meeting rooms was ranked highest by conventions, cost of the facility was ranked highest by associations, and corporate events ranked both food and beverage rates and the cost of the facility the highest.

Factors Considered Important in the Selection of a Facility

	Conventions	*Associations*	*Corporate*
Number, size and quality of meeting rooms	1	2	2
Negotiable food, beverage and rates	2 (tie)	3	1 (tie)
Cost of facility	2 (tie)	1	1 (tie)
Quality of food service	3	4	3
Meeting support services and equipment	4	6	4
Staff person assigned for all aspects of meeting	5	5	5
Availability of exhibit space	6	11 (tie)	10
Previous experiences with facility & staff	7	7	6
Proximity to shopping, restaurants, entertainment	8	10	11 (tie)
Proximity to airport	9 (tie)	8	8
Convenience to other modes of transportation	9 (tie)	9	7
Provision of special meeting services	10	12	11 (tie)
Meeting rooms with multiple high-speed phone lines and computer outlets	11	11 (tie)	9

Source: 2000 Meetings Market Study

Summary

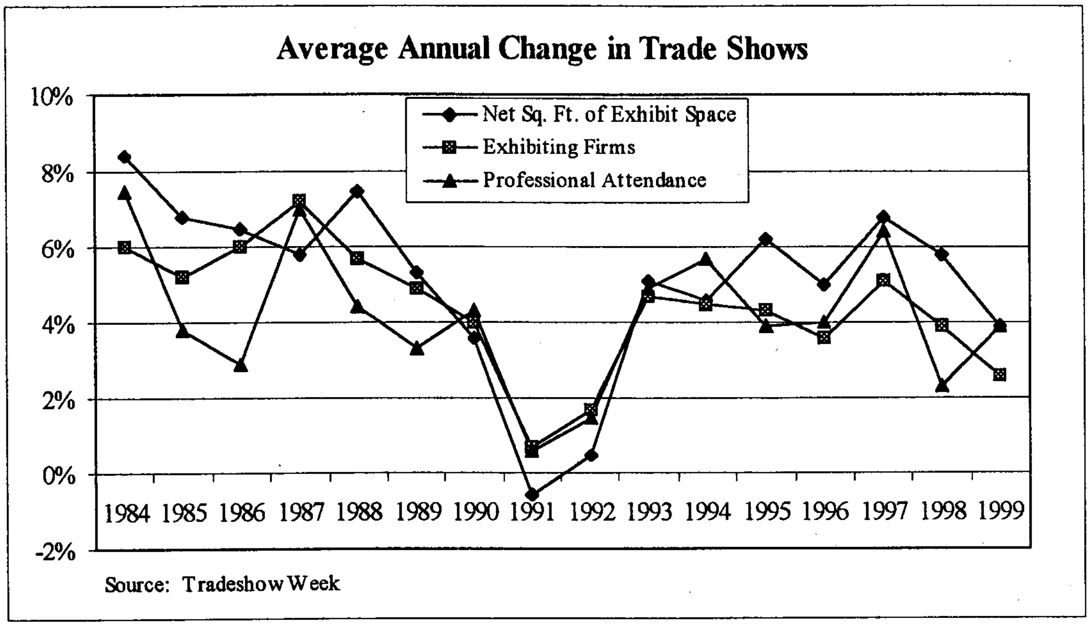
The meetings industry represents a $40.2 billion in expenditures in the U.S with conventions and associations generating approximately 75 percent of spending. Over the past 17 years, the total number of events, attendance, and expenditures have increased; however, activity has fluctuated through the years reflecting economic conditions as well as other impacting factors. From 1997 to 1999 the total number of meetings increased by approximately four percent, attendance fell slightly by less than one percent, and expenditures fell from $41.8 billion to $40.2 billion, a decline of about four percent.

Event planners consider several factors when selecting a facility and a destination for their event. Availability of hotels and meeting space and the affordability of the destination are key in planners selecting a destination. The number, size and quality of meeting space; food and beverage rates; and the cost the facility are important considerations for planners when selecting a facility for their event.

Trade Show Trends

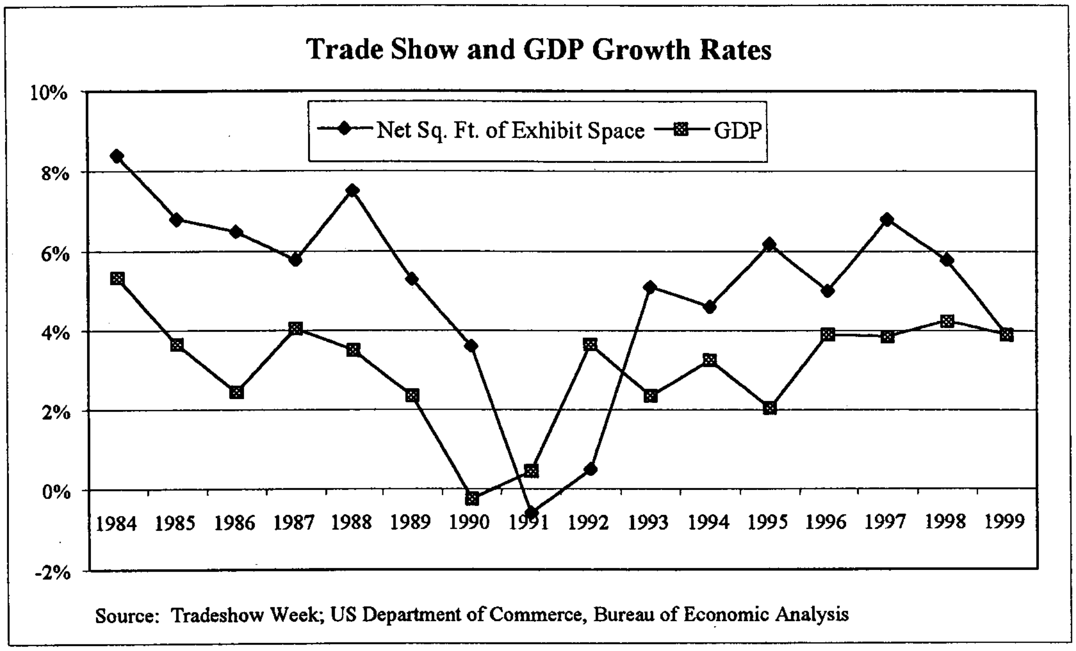
Tradeshow Week measures performance of the overall trade show industry. The following chart illustrates industry growth in terms of net square footage of exhibit space utilized, the number of exhibiting companies, and attendance figures from 1984 to 1999. Trade show growth slowed in the early 1990s due to economic recession and the Gulf War. Growth rates in exhibit space required ranged from four to seven percent annually from 1993 through 1999. In 1999, net square footage of exhibit space grew approximately four percent, exhibiting firms grew approximately three percent, and professional attendance grew approximately four percent.

Growth in exhibit space utilized exceeded exhibiting firms and attendance from 1995 to 1998; however, in 1999 square footage and attendance grew at the same rate.



According to the Tradeshow Week Major Exhibit Hall Directory, the demand for exhibit space is exceeding the supply. Currently, there is more than 65 million square feet of exhibit space in 377 facilities in North America. Over the next few years 87 venues are expected to complete new construction or expansions totaling up to three million square feet of exhibit space. However, show managers are projecting a record increase in net square footage in 2000, with 574 million square feet.

There appears to be a correlation between Gross Domestic Product (GDP) growth and growth in the trade show industry. Since the trade show industry provides a means to market products, network for future business, and obtain information on new products, it is not surprising that a strong economy would be conducive to its growth. The following chart illustrates growth of Real GDP and net square footage of exhibit space used between 1984 and 1999. Trade show industry growth outpaced the overall growth of Real GDP from 1993 to 1998. These indicators grew at the same pace in 1999.



Following the slow growth or decline resulting primarily from the recession the U.S. experienced during 1990 and 1991, trade show industry indicators have been growing steadily. Several factors contributed to this growth, including:

- Strong and expanding economy for nine consecutive years;
- Large and small firms feeling the positive effects of solid corporate earnings;
- The lowest inflation in a generation;
- A strong stock market;
- The low unemployment rate; and
- Increase in productivity.

As a result of growth in the economy, trade shows received increasing marketing dollars. The future of the economy will have an impact on potential growth in the trade show industry. For 2000, the economy is expected to continue its expansion growing at 3.3 percent, according to information provided by the Congressional Budget Office. The Congressional Budget Office forecasts for growth in Real GDP at 3.1 percent in 2001, 2.8 in 2002, and 2.6 percent in 2003 and 2004. Inflation is expected to increase from previous levels in 2000, 2001, and 2002. Unemployment is expected to remain low over the next several years. With growth in the U.S. economy continuing to exhibit positive growth, the trade show industry and demand for exhibit space is expected to continue to grow.

Technology Trends

As mentioned previously, the most common technology requests from users surveyed were A/V equipment, Internet access, and computer modem hookups. Given the rapid change in technology, it is preferable and more cost effective for the proposed facility to provide high-tech services via outside contractors to position itself better for future needs. PwC conducted research on best practices in regards to technology and recommendations of centers that cater toward groups with high-tech needs included the following:

- Fiber optic backbone throughout the Center
- CAT 5 wiring for connection to the booths in the exhibit hall and to meeting rooms
- ISDN, T-1, and T-3 lines for the Internet access
- Wireless technology
- Local Area Network (LAN) service
- Internet connection
- Teleconferencing capabilities
- Video conferencing capabilities

In addition, the outside contractors that specialize in providing services to convention centers foresee the following trends affecting convention center telecommunication revenue in the near future.

- Voice-Over-'Net: Using IP telephony technologies, voice will be transmitted via "packets" that are given priority when traveling over a data network. Quality will improve and it will allow every data network in place to carry both voice and data. Prices in the long distance markets are expected to decrease and it will be difficult to justify charging $0.30 per minute for long distance or "PIFs" for access to toll free lines.

- Proliferation of Wireless Technologies: The competition for wireless customers will become fierce. Just as AT&T launched its successful "One Rate" plan, other carriers will soon follow. There are forecasts of five-cent minutes within two years. Rate plans will migrate towards "all inclusive" packages that will offer "buckets" of calling time. If convention centers allow signal enhancing equipment to be placed in their centers, it is one more reason why someone would rely on their cell phone instead of order telecommunication services from the Center.

- Competition from Cable and Satellite Companies: Cable modems allow high-speed data transfer. It will be cheaper (and probably already is) for a customer who wants high-speed data lines in their booths to order local cable service for a month and bring their own cable modem than it will to have the Center drop Ethernet, T-1, or ISDN lines. Cable modems are being sold directly to the customer. Several Low Earth Orbit satellite systems (Motorola's Iridium Network and Gates/McCaw's "Teledesic") are being launched that will offer a "global footprint." Wireless voice and high speed Internet access will be made available to a global market from a single provider, which will further decrease the reliance on the Center's telecommunications provider for service.

Developments in in-building wireless systems may allow new services to be created and could result in new and cheaper ways of providing existing services. According to outside contractors interviewed, new services enabled by wireless technology include:

- Dynamic Wireless Lead Retrieval that can track, qualify, and follow-up with a lead right from the booth;

- Facility-based kiosk "Digital Media Exchange" that allows clients to find products and exhibitors easily and request information from them;

- A hand-held Distributed Registration Network where customers can register at the airport, in their hotel, or at the Center;

- Voice-over-IP telephones that allow mobile communications anywhere on Center at a fraction of the cost of cellular or land lines;

- Customer service representatives that have real time connectivity to databases that have the information customers need on the show floor; and

- Networked Presentations where audience can have the presentation downloaded onto a laptop and onto a disk in order to take it home.

VII. BUILDING PROGRAM

This section presents the description of an optimal building program for the proposed convention facility in downtown Lancaster based on the preceding market analysis. In defining the building program, PwC obtained assistance from Thompson, Ventulett, Stainback & Associates (TVS) architectural firm that specializes in the design of convention centers. More specifically, the building program is based on several factors including:

- Analysis of building characteristics of local, competitive, and comparable facilities;
- Utilization of facilities in competitive and comparable destinations;
- Potential user survey results;
- Analysis of Lancaster County's advantages and disadvantages in terms of attracting events;
- Analysis of Lancaster County's market characteristics and trends;
- Trends in meeting, convention, and trade show industries;
- Information obtained from interviews with local representatives and organizations; and
- Our past experience with facilities in similar markets.

The building program for the proposed facility is optimized to accommodate potential users and provide adequate space to host simultaneous events. The building program should offer a facility that is flexible enough to accommodate events with varying space needs such as larger events like convention/trade shows and consumer shows and smaller events like meetings, seminars, banquets, and other events.

Exhibition Space

It is estimated that the proposed convention/conference center in Lancaster should include 25,000 to 30,000 square feet of contiguous exhibit space. This space should be configured such that it could be used as a single hall or as smaller exhibition halls, allowing for the accommodation of large exhibitions or hosting smaller events simultaneously. The following paragraphs provide an "illustrative" description of the specific characteristics of the new exhibit space.

- To the extent possible, the exhibit hall should be rectangular in shape, designed for maximum flexibility. For the most economical and practical layouts, the ratio of wall lengths should be approximately 2:1, the longer dimension being divisible by movable partitions giving a range of size combinations to suit different event requirements.
- While column-free halls are ideal for aesthetic purposes, facilities with columns on 90-foot centers are quite functional.
- Floor load capacity should be sufficient to enable the convention/conference center to accommodate large vehicles and the display of heavy exhibits. Therefore, it is recommended

that the minimum floor "live" load capacity should be 350 pounds per square foot.

- The exhibition floor should be developed on street grade to allow ease and efficiency for loading and truck access which requires more spacious access ways in centers with elevated (second or third story) exhibit hall floors. There should be convenient and efficient access for vehicles, construction equipment and exhibited items, with direct access to loading docks (approximately one dock per 10,000 square feet of exhibition space).

- Ceiling heights should be no less than 25 to 30 feet to provide for visual aesthetics, two-story booths, and ample overhead for trucks.

- Floor ports for electricity, water, telephone, compressed air lines, and drainage should be on 30-foot centers. There should be exhaust venting for steam or vapor producing exhibits.

- The lower walls should be resistant to damage. Vulnerable areas such as external corners, corridors, and entrances to doors or service elevators require extra protection.

- Storage facilities should be provided for facility management, event management, and exhibitors (event management and exhibitor storage/crate space is optional, although it could serve as a revenue center).

Meeting and Ballroom Space

The quality and functionality of meeting rooms and ballrooms are increasingly important to event organizers; therefore, building a first-class facility would involve high quality interior finishes and fixtures, seating, and other furnishings as well as lighting, acoustics, and technologically advanced capabilities.

It is estimated that the proposed facility should provide approximately 25,000 to 28,000 square feet of column-free ballroom space to accommodate up to 1,870 to 2,150 attendees (the number of people that could be accommodated in the ballroom in banquet style based on approximately 13-15 square feet per person). In addition, the ballroom space could also be used to set up for light exhibits, if necessary. It is also estimated that the proposed convention/conference facility should provide approximately 20,000 to 22,000 square feet of meeting space and be divisible into 15 to 20 rooms.

These estimates are based on several analyses including the ratio of meeting room space to exhibit/multipurpose and ballroom space offered in competitive and comparable facilities; the number and the average size of meeting rooms in these facilities; an analysis of space requirements of potential user survey responses including the need for simultaneous meeting rooms and ballroom space; and the average ballroom space offered at competitive and comparable facilities.

The following is an "illustrative" description of some of the characteristics of the proposed meeting and ballroom space.

- Meeting rooms should be located in such a way that they can function independently with their own pre-function space (lobby/registration) and in conjunction with ballroom activities.

- Meeting rooms should be configured so that public access is separate from service access.
- The ballroom should be column-free with ceiling heights of approximately 20 to 25 feet to accommodate audio-visual presentations and to provide an aesthetically pleasing environment. Meeting rooms should have ceiling heights of not less than 12 to 15 feet.
- Separate pre-function areas should be provided for the ballroom space with similar design characteristics/finishes to host registrations, receptions, and breaks.
- Sound-proof, movable walls should be used when subdividing the ballroom or meeting room space.
- Subdivided rooms should have individual controls for temperature, lighting, and audio/visual.
- Meeting room sizes should range to accommodate groups of less than 50 persons, groups ranging from approximately 50 to 100 persons, and rooms that accommodate larger groups of 100 to 200.

Lobby/Registration/Pre-function Areas

There should be at least two separate and distinct "main" entrances with lobbies for the proposed convention/conference center; a primary lobby and a secondary lobby. The primary lobby will be the focal point for arrival at the center and the secondary lobby will be utilized for ballroom events (unrelated to exhibit, meeting, or assembly events) held simultaneously. Lobbies should have enough space to serve as the point of delegate registration or pre-function areas, as well as the general area for orientation in the center. Based on information obtained from TVS, public circulation area including lobby, registration, and prefunction areas should amount to 30,000 to 34,000 square feet in order to support the function space described for the proposed building.

Kitchen Facilities

Plans should include appropriate amount of kitchen space located near meeting and ballroom space. Kitchen facilities for the proposed center should be capable of supporting maximum capacity for banquets, receptions, and other food functions. It is preferable to have one large kitchen with the capability to handle at least two simultaneous separate events. The kitchen facilities should be located with direct access to space that will accommodate banquets and sit down dinner functions, preferably adjacent to the ballroom, and located proximate to meeting rooms. Based on information obtained from TVS, a convention/conference center with 70,000 to 80,000 square feet of function space would require 8,000 to 9,000 square feet of space for food service areas (such as the banquet kitchen, dock, trash, storage, etc.).

Parking

Parking capacity of 750 to 900 spaces should be appropriate for those attending events at the convention facility. Providing 750 to 900 spaces is consistent with what is offered at competitive and comparable facilities in relation to their exhibit/multipurpose and ballroom space. Parking available nearby may also be utilized for events at the proposed center. Although attendees prefer on-site parking, off-site parking within walking distance (e.g. other street parking) is unlikely to decrease attendance to the proposed center.

Other Support Space

Based on information obtained from TVS, service/support space such as restrooms, storage, truck docks, service corridors, mechanical and electrical rooms, etc. should amount to 50,000 to 56,000 square feet of space while administrative offices should require an additional 2,000 square feet.

Summary

The following table provides a summary of building program described in this section. Given the site constraints, this building program could be achieved on three levels: exhibit space located on the ground level, ballroom space on the second level, and meeting rooms located on the third level. The gross building area for the new facility is estimated to range from 160,000 to 181,000 square feet.

Proposed Lancaster County Convention Center Building Program

		Range	
Exhibit Space	25,000	to	30,000
Ballroom Space	25,000	to	28,000
Meeting Room Space	20,000	to	22,000
Lobby/Registration/Prefunction	30,000	to	34,000
Total Public Space	100,000		114,000
Support Space (back-of-house support)	50,000	to	56,000
Food Service Areas	8,000	to	9,000
Office Space	2,000	to	2,000
Gross Building Area	160,000	to	181,000
Parking	750	to	900

The following chart illustrates future rentable space and prime rentable space of state competitive facilities after expansion in relation to the proposed building program for the Lancaster County convention facility. Rentable space refers to total exhibit/multipurpose, ballroom, and meeting room space. Prime space refers to total rentable space that meets the necessary ceiling heights illustrated earlier in this chapter. As shown, the proposed convention/conference center will rank eighth out of a total of 19 state competitive facilities in terms of total rentable space and third out of 16 destinations for which the information was available in terms of prime rentable space.

State Competitive--Future Total Rentable Space

Facility	*Total Rentable Space (sf)* [1]	*Prime Rentable Space (sf)* [1]
Pennsylvania Convention Center [2]	941,920	800,070
David L. Lawrence Center [2]	428,000	400,000
Fort Washington Expo Center	268,928	7,900
Valley Forge Convention & Exhibition Center	152,224	N/A
Mount Airy Lodge	130,475	N/A
Pittsburgh Expo Mart	115,100	18,946
Philadelphia Marriott	88,366	41,700
Proposed Lancaster County Convention Center	**70,000 to 80,000**	**70,000 to 80,000**
Hershey Lodge and Convention Center	69,076	3,600
Tamiment Resort & Conference Center	67,426	50,686
Lancaster Host Resort & Conference Center [3]	64,577	23,540
Wyndham Franklin Plaza Hotel	51,367	0
The Westin William Penn	47,062	9,800
Blair County Convention Center	46,070	N/A
Adam's Mark Philadelphia	45,222	4,884
Loews Philadelphia Hotel	36,868	13,166
The Resort at Split Rock	33,966	18,050
Hilton Pittsburgh & Towers	28,437	0
Holiday Inn Valley Forge	24,151	12,000

[1] Rentable space includes exhibit/multipurpose, ballroom, and meeting space

[2] Assumes that expansion will include prime space

[3] 23,540 square feet of prime space is not purpose built, but was originally built as indoor tennis facilities. This space is also not connected to other meeting facilities on the site.

Source: Facility Floor Plans, Facility Management

VIII. ESTIMATED UTILIZATION

Utilization estimates for the proposed convention facility in downtown Lancaster are provided in terms of number of events and attendance. Utilization estimates are presented for a stabilized year of operations and based on the following:

- Surveys of potential users including representatives of state and regional associations, local businesses and organizations, and consumer show organizers;
- Attendance and event characteristics at competitive and comparable facilities;
- Building program described in Section VII; and
- Community resources and market characteristics of Lancaster County and competitive and comparable destinations.

Utilization by Event Type

This section provides a summary of utilization estimates by event type for the proposed facility. Events included in this section are mostly larger events that use exhibit/ballroom space.

Conventions/Trade Shows

Estimated number of conventions and trade shows is based primarily on surveys of potential users and utilization of competitive/comparable facilities. The annual number of conventions and trade shows is estimated to range from 20 to 30 with an average attendance of 500. Total attendance for these events are estimated to range from 10,000 to 15,000.

Consumer Shows

Consumer show estimates are based on utilization of competitive/comparable centers, user survey responses, activity of existing facilities in Lancaster, and market characteristics of Lancaster County. It is estimated that the proposed building could host 20 to 25 annual consumer shows with an average attendance of 3,500. Total attendance for these events are estimated to range from 70,000 to 87,500. Conventions, trade shows, and conferences are typically held during the week and most consumer shows are typically held over the weekend when a facility is less likely to be occupied by associations and corporations. Because consumer shows are typically revenue generating events for the building, these estimates assume that the Center management will be willing to book these events 12 months in advance and be involved in the promotion/organization of some of these events.

Other Events

The proposed Lancaster County convention/conference center has the potential to draw other events such as corporate meetings, smaller State Association events, other meetings, seminars, local social events including banquets, receptions, graduations, reunions, and festivals. Based on competitive/comparable facility utilization and user survey responses, it is estimated that the proposed building could host 80 to 100 other events. Average attendance for these events is estimated at 300 with total attendance ranging from 24,000 to 30,000. The level of activity for these events will be impacted based on booking policy.

Summary

This section provides a summary of estimated utilization for the proposed convention/conference center with proposed building program. Utilization estimates are presented as a range since there are a number of factors that may affect event activity. Realization of these estimates primarily depend on the following conditions.

- The proposed center will be built based on the building program presented in Section VII.

- The proposed 281-room hotel will be built.

- The proposed building should be marketed by the PDCVB and the management at the proposed hotel, if different from Center management, for long-term events (such as regional and state association conventions/trade shows, conferences, and meetings with overnight attendees) and the marketing/sales staff at the Center (if different from the hotel) should concentrate on consumer shows and other local events. In other successful destinations throughout the country, long-term marketing is typically controlled and aggressively conducted by the local CVB since attracting these types of events involves destination marketing and the CVBs are better equipped to provide this service.

- The building program should have efficient and flexible design characteristics (e.g., ability to host two functions simultaneously, minimize operating costs, etc.). There should be the ability to book simultaneous small events by separate entrances/registration areas, effective layout, circulation and signage, and sufficient staff to support the event activity. This includes the ability to book exhibition space with consumer shows while high-impact professional association conventions or conferences are utilizing ballroom and meeting room spaces.

- A booking policy that facilitates maximizing the number of certain events and attendees to specific types of events that would achieve the most important objectives of the Center (e.g., revitalize downtown Lancaster, serve the local community, encourage overnight stay by attendees that could benefit countywide hotels, restaurants, retail merchants, and other segments of the economy, etc.) should be adopted.

- The facility should offer competitive rental rates.

- Center management should obtain cooperation from the area hotels in providing necessary room blocks.

- There should be efficient access (ingress/egress) to the Center for drive-in attendees (e.g., clearly visible signage directing attendees to the Center and parking).

- The budgets established for marketing Lancaster County should be sufficient to provide effective marketing.

The following table presents estimated utilization for the proposed building.

Proposed Lancaster County Convention Center Utilization Estimates

	Number of Events Range		*Average Attendance*	*Total Attendance Range*	
Conventions/Trade Shows	20	30	500	10,000	15,000
Consumer Shows	20	25	3,500	70,000	87,500
Other Events	~~80~~	~~100~~	300	~~24,000~~	~~30,000~~
Total	120	155		104,000	132,500

As illustrated, the proposed venue has the potential to attract between 104,000 and 133,000 to downtown Lancaster that otherwise may not impact downtown merchants and/or other activity.

Based on our industry knowledge, a full-service high quality 281-room hotel could attract an additional 10,000 to 15,000 attendees from in-house group business that would use some of the proposed convention/conference center's facilities. This estimate is based on the proposed hotel not having its own separate meeting space, and instead, using the meeting space at the proposed Center. Taking into account both the proposed hotel and the convention center's events, convention/trade show attendance could range between 20,000 to 30,000 bringing total attendance to 114,000 to 147,500.

The average annual number of conventions and trade shows of facilities that are comparable and facilities that may be competitive to the proposed Lancaster facility ranged from five to 45 annual events. Total attendance for these events ranges from 23,000 to 105,000. The average annual number of consumer shows of competitive/comparable facilities ranged from five to 65 with total attendance ranges of 23,000 to 143,000.

IX. FINANCIAL ANALYSIS

This section presents estimates of operating revenues and expenses for the proposed convention/conference center and does not include revenue and expenditures by the proposed 281-room hotel. Operating revenues and expenses are estimated for the stabilized year in 2000 dollars as well as for the first five years of operations. Typically, the stabilized year tends to occur in year four or five. The actual year of stabilization may be dependent on recessions, management changes, competition, changes in booking policies, and other factors. In addition, an illustration of the financial operations for the first five years of operations for the building is provided. Estimates are based on:

- Operating information from comparable/competitive facilities;
- Utilization and attendance estimates presented in the Market Analysis;
- Range of building program presented previously;
- Potential user survey results;
- PricewaterhouseCoopers' previous experience with similar facilities; and
- Knowledge of the industry and other sources.

Operating revenues and expenses exclude interest income, interest expense, transfers, capital outlay, depreciation, capital repairs/reserves, equipment replacement expenses, and other charges.

Several methodologies are used to estimate a range of operating revenues and expenses for the proposed convention/conference facility. Considering historical performance and financial operations of other comparable/competitive facilities, line items are evaluated on a per attendee, per event, per total and rental revenue, and per square foot basis to arrive at these estimates. The following describes each revenue and expense line item. Figures presented in the following paragraphs represent estimates for the stabilized year of operations in 2000 dollars. At the end of this section, estimates for the first five years of operations are presented.

Operating Revenues

- **Rental** revenue is generated from exhibit hall, ballroom, and meeting room events at the proposed convention/conference center. Rental revenue is estimated to range from $550,000 to $712,000 for the proposed building. Rental rates may differ from one event to another based on event type.

- **Event Service** revenue is generated from facility assessments for services provided, such as equipment, telecommunications, audio-visual, electric, and event labor services that are charged back to client. Expenses for these items are subtracted to obtain net event service revenue. These items are estimated to net between $220,000 and $270,000.

- **Net Food and Beverage** revenue is generated from concession and catering sales. The proposed facility is estimated to generate annual gross food and beverage revenue ranging from $500,000 to $675,000 in the stabilized year. Based on other comparable and competitive facilities and the assumption that the adjacent hotel will provide catering and concession services, it is estimated that the net food and beverage will approximate 60 percent of gross food and beverage sales from events at the proposed convention/conference center. Based on this percentage, net food and beverage revenue at the proposed Center is estimated to range from $300,000 to $405,000 accounting for expenses related to the purchase of food, labor fees, etc.

- **Other** revenues include revenues from miscellaneous or special event revenue. Other revenues are estimated to range from $6,000 to $7,000.

It is our understanding that the proposed convention/conference center will be attached to the King Street Parking Garage that is owned and operated by the City of Lancaster Parking Authority. Given this factor, parking revenue has not been estimated since it will not be received by the proposed Center.

Operating Expenses

- **Personnel** expense includes salaries, wages and benefits for all full-time employees. This expense does not include part-time event staff as these employees are typically charged to the event producer. Personnel expenses are estimated to range from $1,100,000 to $1,300,000 for a stabilized year of operations. The estimated number of full-time staff ranges from 25 to 29 for the proposed convention/conference facility based on analysis of similar facilities. The average salary of the full-time personnel is estimated at $42,000.

- **Utility** expense is based on an analysis of comparable center operations. This expense includes heating, lighting, power, water, sewer, telecommunication charges, etc. Utility expense is estimated to range from approximately $310,000 to $370,000.

- **Insurance** expense was estimated based on general liability insurance of other competitive and comparable facilities. These estimates are based on a per square foot basis. General liability insurance expense is estimated to range from $20,000 to $25,000.

- **Contract Service** expense primarily consists of services produced by outside contractors. Contract services could include other professional services, laundry service, legal support charges, refuse disposal services, and other contract items. This expense is estimated to range between $140,000 to $170,000. These estimates are based on an analysis of other comparable and competitive center operations.

- **Marketing/advertising expense** is for the proposed convention/conference facility's promotion and includes expenses related to sponsoring events for meeting planners, attending conferences, advertisement, facility brochures, and other marketing materials. In-house marketing should be provided in addition to the marketing provided by the PDCVB. Typically, in-house marketing is geared toward short-term local events while the CVB promotes the facility and the destination and books events that take place in a longer term. Marketing expense is estimated to range from $70,000 to $80,000.

- **Maintenance, Repairs and Supplies** expense consists primarily of costs associated with routine expenditures for maintaining the building and equipment, cleaning, office supplies, and other materials. These expenses are estimated to range from $170,000 to $205,000.

- **Other** expenses include professional development fees, dues and memberships, books and subscriptions, and other miscellaneous administrative and contingency costs routinely associated with operations of the facility. Other expense is estimated to range from approximately $54,000 to $67,000.

Estimates for the proposed convention/conference center for a stabilized year of operations are presented in the following table.

Lancaster County Financial Operations

	Range	
Revenues		
Rent	$550,000	$712,000
Event Services	220,000	270,000
Net Food and Beverage	300,000	405,000
Other Revenue	6,000	7,000
Total Revenues	1,076,000	1,394,000
Expenses		
Personnel	1,100,000	1,300,000
Utilities	310,000	370,000
Insurance	20,000	25,000
Contract Services	140,000	170,000
Marketing/Advertising	70,000	80,000
Maintenance, Repairs, & Supplies	170,000	205,000
Other Expenses	54,000	67,000
Total Expenses	1,864,000	2,217,000
Revenues Less Expenses	($788,000)	($823,000)

Based on discussions with management of other complexes where the hotel and the convention facility are both under the same management, the proposed convention/conference center could lower its operating expenses by approximately 20 percent. The following table illustrates the potential savings of the proposed facility with the 20 percent reduction in operating costs.

Potential Operating Cost Savings

	Range	
Total Revenues	$1,076,000	$1,394,000
Total Expenses	1,491,200	1,773,600
Revenues Less Expenses	($415,200)	($379,600)

The following table provides an illustration of operating revenue and expense estimates for the first five years of operations for the proposed facility. Year one assumes that 2004 will be the first full year of operations.

Lancaster County Proposed Convention Center -- Five-Year Operating Estimates [1]

Operating Revenues

	Year 1 [2]	*Year 2*	*Year 3*	*Year 4*	*Year 5*
Rent	$641,000	$690,000	$745,000	$804,000	$853,000
Event Services	250,000	269,000	290,000	313,000	332,000
Net Food and Beverage	364,000	381,000	411,000	443,000	472,000
Other Revenue	6,000	7,000	7,000	8,000	9,000
Total Revenues	1,261,000	1,347,000	1,453,000	1,568,000	1,666,000
Operating Expenses [3]					
Personnel	1,331,000	1,366,000	1,402,000	1,439,000	1,477,000
Utilities	333,000	358,000	387,000	418,000	443,000
Insurance	25,000	26,000	26,000	27,000	28,000
Contract Services	172,000	177,000	181,000	186,000	191,000
Marketing/Advertising	83,000	85,000	88,000	90,000	92,000
Maintenance, Repairs, & Supplies	186,000	200,000	216,000	233,000	247,000
Other Expenses	62,000	66,000	71,000	77,000	82,000
Total	2,192,000	2,278,000	2,371,000	2,470,000	2,560,000
Revenues less expenses	($931,000)	($931,000)	($918,000)	($902,000)	($894,000)

[1] An inflation rate of 2.6 percent is applied.

[2] Year 1 assumes first full year of operations to take place in 2004.

[3] There may be approximately 20% savings in operating costs with the hotel and Center under one management.

Convention centers are typically created with the intention of providing a widespread economic benefit to the surrounding community. Convention centers typically operate at a deficit, and their operating deficits are generally offset by public subsidies such as the revenue stream from hotel taxes, like those collected in Lancaster County, or other sources. Convention center operating subsidies are accepted because of the fact that the primary benefit of a convention center is to attract out-of-town spending to the area which benefits other local businesses and establishments, including hotels, restaurants, retail, entertainment, etc.

Construction Cost

Construction costs for the proposed convention/conference center in Lancaster are estimated based on information provided by TVS. Construction cost estimates include building hard construction costs only and does not include any soft costs, such as architectural fees, furniture, fixtures, equipment, permitting, etc.

Based on the gross building area of the proposed facility it is estimated that the total building hard construction costs for the proposed Lancaster convention/conference center would range from approximately $30.9 million to $34.9 million. These figures are estimated in 2000 dollars and are adjusted for local cost factors in the Lancaster area.

X. ECONOMIC AND FISCAL IMPACT ANALYSIS

The existence of a convention center within a region generates new spending from non-resident overnight and "day-tripper" delegates, association executives, and exhibitors it attracts, or those who otherwise would not have spent dollars in the local economy. This "first round" of spending then generates additional economic impacts to the region as it is re-spent in second and subsequent rounds of spending/re-spending, through the multiplier effect. Further, additional fiscal impacts are generated as various taxes are levied on these series of transactions generated by attendee spending.

This report provides estimates of additional economic activity and tax benefits to Lancaster County which may be generated by the annual operations of the proposed convention/conference center in Lancaster in a stabilized year that would otherwise not be generated if the facility were never developed. The economic impact is measured in terms of net new dollars flowing into the economy or new visitor spending. This report also provides estimates of economic and fiscal impacts from the construction of the facility. Economic and fiscal impacts are presented in 2000 dollars. A detailed explanation of the concepts and methodology utilized is provided in Appendix A of this report.

Economic Impact from the Operations of the Proposed Convention/ Conference Center

This section provides a summary of results of the economic and fiscal impact analysis generated by mostly larger events such as conventions, trade shows, consumer shows, and other events that use exhibit/ballroom space at the proposed convention/conference center. ***These estimates do not include spending and related economic and fiscal/tax impacts associated with smaller group business and other events (corporate transient, in-house group business, incentive travel, leisure travel, etc.) generated by the 281-room hotel. These events, while smaller in size, are potentially greater in number; therefore, their impacts may be equally substantial.*** The building program and utilization estimates presented previously are utilized in estimating the economic impact.

Estimates are presented for total economic and fiscal impacts of the proposed facility on Lancaster County.

Economic Impact

Economic impacts created by operations of a proposed convention facility in downtown Lancaster result from spending by attendees for conventions, trade shows, consumer shows, and other events. As a result of the new spending in Lancaster County by event attendees (recurring impact), the "local" economies should benefit from increases in the following.

- **Sales Volume.** An increase in the total aggregate economic activity resulting from new expenditures or new dollars imported into an economy as a result of the proposed convention center operations or spending by non-residents and residents who, without the proposed convention center, would have spent their dollars outside the "local" area. In other words, it represents the total dollar flow of sales made in the major economic sectors (wholesale, retail, manufacturing, service, etc.).

- **Employment.** The number of new employees hired as a result of total changes in sales volume.

- **Resident Income.** Changes in local earnings resulting from new dollars flowing into the economy.

Professional and trade association events typically generate the highest level of impact to the local area. Delegates to association events generally stay longer and spend more per day on hotels, restaurants, retail, and other expenditures than other event attendees. Overnight professional and trade association attendees (or those requiring hotel rooms) generate the highest level of impact. Day-trippers, or attendees who drive or fly to Lancaster to attend an event for the day and do not require hotel rooms, also generate economic impact, albeit to a lesser degree. Many of these day-trippers are likely to be from neighboring cities (e.g., Harrisburg, Philadelphia, etc.) or other parts of Pennsylvania.

Consumer shows generate less economic impact than convention/trade show events since the majority of attendees at these events tend to be local residents or day-trippers. Non-local exhibitors also generate some economic impact through spending on hotels, eating and drinking, retail, entertainment, and business services.

Other events such as local meetings, weddings, and other social events with non-resident attendees generate economic impact to the local community to a lesser degree than convention/trade shows and consumer shows. These attendees tend to have most of their spending on hotels, eating and drinking, and business services and stay fewer days.

Direct Effects

The new "direct" spending generated by both overnighters and day-trippers to events hosted at the proposed convention/conference center during a stabilized year was estimated based on utilization and attendance estimates presented in the Market Analysis. Industry-specific IMPLAN (IMpact analysis for PLANning) multipliers are calculated using formulas that employ the most recent data provided by the U.S. Department Bureau of Economic Analysis. These multipliers are applied to the direct spending to compute estimates of total impacts (direct and indirect) to the County in terms of sales volume, employment, and resident income.

To summarize, the data employed to estimate direct expenditures were obtained from the following.

- The Market Analysis presented in the previous sections including the estimated building program and attendance;

- Daily overnight delegate spending estimates obtained from the 1998 IACVB Delegate Spending Survey;

- Financial estimates provided in Section IX;

- Other information provided by the PDCVB, potential users, and *Sales and Marketing;* and

- Our previous experience and industry knowledge.

Total "direct" spending from both overnighters and day-trippers to events at the proposed Lancaster convention/conference center is estimated for a stabilized year of operations. The following is a discussion of critical factors used to estimate direct expenditures of attendees to events at the proposed facility.

- Overnight delegate, day-tripper, association, and exhibitor spending estimates for conventions and trade shows are based on the spending figures obtained from the 1998 IACVB Spending Survey that included responses from attendees in 410 events in more than 100 cities. Spending figures are converted to 2000 dollars and adjusted for Lancaster's visitor costs.

- Spending is adjusted for a different length of stay in Lancaster versus the average of other destinations. The average length of stay is 3.24 days for conventions in the IACVB survey and the estimated length of stay for Lancaster events is 3.3 days based on potential user surveys.

- Hotel spending is adjusted for Lancaster hotel rates and the number of delegates staying per room. Based on information provided by the PDCVB and our industry knowledge, an average hotel rate of $100 per night with 1.4 delegates per room was used in this analysis.

- Local transportation spending is adjusted for overnight and day-tripper parking downtown.

Estimates for convention/trade show attendance and spending levels are based on the following:

- Attendance estimates utilized in this analysis were presented in Section VIII. Total convention/trade show attendance at the proposed convention/conference center is estimated to range from 10,000 to 15,000. Based on potential users and utilization estimates, it is estimated that approximately 90 percent of all attendees will be overnight attendees.

The following table illustrates direct spending estimates per event per delegate for overnighter and day-tripper attendees. Association and exhibitor spending is also illustrated on a per event per delegate basis. Spending levels are estimated in 2000 dollars.

Convention & Trade Show Spending per Event (2000$)		
	Lancaster County	
	Overnight	*Day-trippers*
Delegate Spending		
Hotels	$200.00	$0.00
Eating & Drinking	126.16	17.89
Amusement & Recreation	23.75	0.97
Retail Trade	57.84	12.02
Local Transportation	11.52	12.00
Gasoline	9.22	1.57
Business Services	32.16	10.37
Total[1, 2]	$460.63	$54.83
Association Spending[1]	$52.47	
Exhibitor Spending[1]	$134.86	

[1] Per attendee, per event.
[2] Totals may not add due to rounding.

- Delegate spending includes attendee expenditures. Hotel spending includes expenditures on hotel rooms and other hotel spending (i.e., telephone, tips, laundry, etc.). Expenditures on eating and drinking places include hotel and other local restaurants and bars. Amusement spending includes museums, sporting events, theater, recreation, and other attractions. Retail trade includes shopping and incidentals. Transportation spending includes parking, taxis, and other local transportation. Business services include faxing, typing, copying, and other services.

- Association spending includes expenditures on food and beverage functions, exhibition/meeting space rental, staff living expenses, equipment rental, labor, and other services.

- Exhibitor spending includes show-related expenditures on food and beverage functions, advertising, utilities, hospitality suites, additional meeting rooms, equipment rental, labor, and other business services. It is estimated that only 70 percent of the convention/trade show events will contain exhibits based on potential user surveys.

Direct expenditures from conventions/trade shows are estimated for the proposed convention/conference center operations during a stabilized year and are based on the attendance and spending assumptions previously described. The direct impacts from conventions/trade shows for Lancaster County range from $6.1 million to $9.1 million. Direct expenditures include spending by delegates, associations, and exhibitors.

Consumer shows are also expected to generate economic impact for the County from exhibitors and attendees coming from other areas outside of Lancaster. Approximately 15 percent of attendees and exhibiting companies are from outside the local area based on user surveys, local market characteristics, and our industry experience. Based on user surveys, it is estimated that there are approximately 60 exhibiting companies per event. Estimates for consumer show attendee and exhibiting company spending are based on industry publications and our past experience.

Average spending per consumer show attendee approximates $21 for spending inside and outside the show including eating and drinking, retail, admissions, and other. Average spending per exhibiting company per event is approximately $487 which includes spending made on hotels, meals, retail purchases, entertainment, and business services (e.g., rental of the facility, event service charges, etc.). Approximately 85 percent of consumer show direct spending at the event will remain in Lancaster County and not be taken out of the County by non-resident exhibitors.

Total estimated consumer show direct spending is based on the spending estimates previously explained. This spending approximates to range from $288,000 to $359,000 for Lancaster County in 2000 dollars.

Some of the meetings, training, and seminar events also generate economic impact for the County. Approximately 60 percent of other events will be of this type based on user survey results. Some of the attendees to these events will come from outside Lancaster County. Approximately 15 percent of attendance to these events will be out-of-towners. Direct spending for meeting, training, and seminar events approximates $58 per attendee including spending made on hotel, meals, and business services (e.g., rental of the facility, event service charges, etc.) by attendees and event organizers. Total direct spending for Lancaster County from meetings, training, and seminar events will range from $53,000 to $66,000.

Direct spending for local social events includes spending on hotels, meals, and business services and is estimated at $75 per attendee. Approximately 40 percent of other events will be of this type. Approximately 10 percent of the attendees to these functions are estimated to come from outside of Lancaster County. Total direct spending for Lancaster County from local social events will range from $60,000 to $75,000.

As illustrated in the following table, total direct spending by attendees to events at the proposed convention/conference center is estimated to range from $6.5 million to $9.6 million for Lancaster County.

Total Annual Direct Spending -- All Events

	Range	
Conventions/Trade Shows	$6,100,000	$9,100,000
Consumer Shows	288,000	359,000
Meetings/Training/Seminars	53,000	66,000
Local Socials	60,000	75,000
Total	$6,500,000	$9,600,000

Total Impact

The sum of direct and indirect impacts reveals a total effect of the proposed convention/ conference center operations on Lancaster County. These impacts are provided in terms of sales, income, and employment. The following table presents total economic impacts resulting from delegate, exhibitor, and association spending for conventions and trade shows, consumer shows, meetings/training/seminars, and local social events. Impacts are shown for a stabilized operating year in 2000 dollars.

Total Annual Economic Impact from Operations

	Range	
Lancaster County		
- Sales	$11,000,000	$16,300,000
- Income	$4,100,000	$6,200,000
- Employment	200	300

In terms of total sales, the proposed convention center is estimated to generate $11 million to $16.3 million for the County. Income ranges from $4.1 million to $6.2 million for the County. In terms of jobs, it is estimated that 200 to 300 jobs will be created in the County. It should be noted that the first round of spending generated by the proposed convention facility impacts employment primarily in the area hotels, restaurants, and retail establishments since these sectors comprise a large portion of direct spending. However, the second and subsequent rounds of spending typically affect the entire economy of the area and it is unlikely that the operation of the proposed convention/conference center would alter the current overall employment distribution among primary employment sectors.

Fiscal Impact from the Operations of the Proposed Convention/Conference Center

Lancaster County would also benefit from a proposed convention facility operations in the form of increased tax revenues. Fiscal information was obtained from the Lancaster County Tax Collection Bureau, Lancaster County Tax Assessment Office, Lancaster County Commissioners Office, and other sources. The primary taxes affected by center-related expenditures include the hotel tax, earned income tax, and the occupational privilege tax. The following is a discussion of these taxes.

Hotel Tax

As discussed previously, Lancaster County assesses a five-percent tax on hotel expenditures in the County. The Lancaster County Hotel Room Rental Tax comprises 3.9 percent of this tax of which 80 percent of revenues collected will be used to fund only the new convention facility and the other 20 percent is allocated to the PDCVB. The Lancaster County Hotel Excise Tax comprises the other 1.1 percent of the hotel tax and all revenues from this tax are remitted to the PDCVB to promote tourism in the area.

Earned Income Tax

A one-percent earned income tax is collected annually from all Lancaster County residents who are employed. This tax is collected by the school districts in Lancaster County. Fifty percent of revenues collected from this tax are distributed back to the municipalities within the County and the other 50 percent is distributed to the school districts in which the residents live.

Occupational Privilege Tax

Some municipalities, not all, in Lancaster County collect an annual occupational privilege tax on employees within their municipality. The City of Lancaster collects an annual occupational privilege tax of $10 per employee. The average occupational privilege tax collected by other municipalities within the County is also $10 per employee. This impact is shown as a contribution to municipalities located within the County as a whole but is not a tax that is collected by the County.

Lancaster County Total Fiscal Impact from Operations

	Range	
- Hotel	$99,000	$148,000
- Earned Income Tax	41,000	62,000
- Occupational Privilege Tax	2,000	3,000
Total	$142,000	$213,000

Total tax impacts to the County from a new convention/conference center in downtown Lancaster ranges from $142,000 to $213,000.

Economic Impacts of Construction

In addition to economic and fiscal impacts generated annually from facility operations, Lancaster County will receive one-time (non-recurring) economic and fiscal benefits from construction activities (capital expenditures for labor and materials) associated with the proposed convention/conference center.

Based on information provided by TVS and the gross building area of the proposed facility, the total building hard construction costs for the proposed Lancaster convention/conference center will range from approximately $30.9 million to $34.9 million in 2000 dollars. Based on this estimate, non-recurring economic impacts from construction in 2000 (constant) dollars to Lancaster County are shown in the following table.

Economic Impacts from Construction

	Range	
Lancaster County		
- Sales	$ 51,700,000	$ 58,300,000
- Income	$ 18,500,000	$ 20,900,000
- Employment	520	590

Fiscal Impacts of Construction

Fiscal benefits of construction of the proposed convention/conference center to Lancaster County were estimated by applying the one-percent earned income tax collected annually from all Lancaster County residents and the average occupational privilege tax of $10 per employee described earlier to estimated indirect and total economic impacts.

Estimates of the primarily one-time (non-recurring) fiscal impacts from construction activities of the proposed convention/conference center are presented in the following table, in 2000 dollars.

Fiscal Impact from Construction

	Range	
Lancaster County		
- Earned Income Tax	185,000	209,000
- Occupational Privilege Tax	5,000	6,000
Total	$190,000	$215,000

APPENDIX A

Economic/Fiscal Impact Concepts

Economic impacts from a proposed convention/conference center operations in Lancaster County result from the export of services and the import of new visitor spending. In their simplest form, economic impacts can be measured by estimating total direct expenditures resulting from facility operations. However, to equate total new expenditures with only new direct expenditures would be incorrect because total new expenditures would also include the spin-off or ripple effect as these direct expenditures (or "first round" of spending) are re-spent (by their "second" or "third" round recipients) within the local economy.

Increased activity or indirect benefit from subsequent spending rounds is commonly known as the multiplier effect. The size of a given economy's or area's multiplier is directly related to its geographic size, population and diversity of its industrial and commercial base. A larger population is generally able to support a more diverse economic base and more products are likely to be manufactured and purchased locally. Therefore, money injected into the economy is re-spent more often, causing greater changes in local business volume.

The existence of a convention center in a community creates impacts on the economy in several ways. During a convention or trade show, spending occurs on items such as lodging, meals, entertainment, and transportation. The operations of the center generate other sources of expenditures by association executives and representatives of exhibiting companies on items such as business services, lodging, and meals.

Definitions of Economic and Fiscal Impacts

Economic impacts are calculated in terms of direct effects, indirect effects, total spending, and fiscal impacts. Each of these terms is defined below. Fiscal impacts quantified in this report include Lancaster County tax revenues generated by the addition of a convention/conference center in Lancaster County.

- **Direct effects** are defined as "first round" spending generated by operation of the proposed convention/conference center in Lancaster County. These are expenditures made that are directly related to the proposed convention facility.

- **Indirect effects** consist of the re-spending of the first round of expenditures. This occurs as the dollars spent on direct goods and services are distributed throughout the economy, continually changing hands, leading to further expenditures, or indirect spending. However, every dollar is not re-spent within the designated economy indefinitely. Rather, recipients of the direct expenditures may spend a portion of their income outside the defined community. As this leakage occurs, the flow is diminished, and ultimately exhausted.

- **Total effect** is the sum of direct and indirect effects produced by visitor spending attributed to events at a proposed convention/conference center in Lancaster County. Total effects are provided in terms of sales, resident income, and employment.

- **Fiscal impacts** are the effects created by the proposed convention/conference center operations on the public sector within the economy. These include tax revenues generated by direct and indirect spending identified previously. Typical revenues affected are those generated from accommodations, sales and personal income taxes.

Multiplier Effects

Input-output analysis or modeling describes the sum of transactions between suppliers and consumers of goods and services. The initial demand for such products is the direct effect. These suppliers then purchase goods and services from other producers, the indirect effect. This process continues until leakage occurs and the flow ceases.

Indirect effects can be mathematically derived by input-output models and result in sets of **multipliers**, specific to a particular region or economy. These sets provide a description of the change in sales for every regional industry caused by a one dollar change in demand for any given industry. The modeling system used in this analysis is IMPLAN (IMpact Analysis for PLANning), created by the Minnesota IMPLAN Group (MIG), Inc.

The notion of a multiplier rests upon the difference between the initial effect of a change in final demand and the total effects of that change. Total effects can be calculated either as direct and indirect effects, or as direct, indirect, and induced effects. Direct effects are production changes associated with the immediate effects or final demand changes. Indirect effects impact area production changes in backward-linked industries caused by the changing input needs of directly affected industries (for example, additional purchases to produce additional output). Induced effects are the changes in regional household spending patterns caused by changes in household income generated from the direct and indirect effects.

Three different sets of multipliers are estimated by IMPLAN corresponding to three measures of regional economic activity; total sales, personal income, and employment. For each set of multipliers, three types of multipliers are generated, Type I, Type II, and Type III.

- **Type I multipliers.** A Type I multiplier is the direct effect, produced by a change in final demand, plus the indirect effect divided by the direct effect. Increased demands are assumed to lead to increased employment and population with the average income level remaining constant. The Leontief inverse (Type I multipliers matrix) is derived by inverting the direct coefficients matrix. The result is a matrix of total requirement coefficients, the amount each industry must produce in order for the purchasing industry to deliver one dollar's worth of output to final demand.

- **Type II multipliers.** A different type of multiplier is the Type II. In addition to inter-industry effects, this multiplier takes into account the income and expenditures of households. The household income and expenditure are included in the Leontief inversion. This internalizes the household sector, therefore, a Type II multiplier includes the induced, or household spending, effects.

- **Type III multipliers.** The IMPLAN Type III multiplier is an employment-based calculation of the induced effects. It assumes full employment and, therefore, each job adds/subtracts population with an associated average expenditure per person. The Type III multipliers are based on the employment generated by the new economic activity as captured by the Type I multiplier. This new employment is translated into a number of persons through a population to worker ratio. The population change is introduced to the model, resulting in induced economic activity via the Type I multiplier. In general, Type III multipliers tend to be higher than Type II. One consideration for Type III multipliers is that it treats all jobs equally, whether it is a manufacturing job or a job at a restaurant. It is recommended to be utilized when the types of jobs created are known to be of similar nature.

IMPLAN Type II multipliers are used in this analysis to estimate economic impacts generated from the addition of a convention/conference center in downtown Lancaster.

IMPLAN produces a report that provides multipliers for over 500 sectors of economic activity at the city, county, region, and state level. These are calculated using the methodology described above. The data used in the model is based on 1997 economic activity. For this reason, direct spending applied to the employment multipliers is deflated to reflect expenditures in 1997 dollars.

As a result of direct spending, Lancaster County's economy should benefit from the following.

- **Total sales** represent an increase in aggregate economic activity resulting from import of new expenditures (or new dollars imported into an economy) as a result of a proposed convention center related spending by non-residents or residents whom, without the new enterprise, would have spent their dollars outside the region. In other words, it represents the total dollar flow of sales made by major economic sectors (wholesale, retail, manufacturing and service). These multipliers are used to measure the interdependence of the new proposed convention center and other businesses in the regional economy.

- **Total income** represents direct and indirect changes in resident employee compensation resulting from increased employment from new dollars flowing into the economy.

- **Total employment** represents direct and indirect employment effects from the production of one million dollars of sales. Employment is measured in total jobs (in terms of full- and part-time jobs).

- **Taxes** include both direct and indirect tax revenues generated by the multiple rounds of spending.

  - ***Direct tax rates*** are applied to the direct spending generated in the first round.

  - ***Income tax rates*** are applied to total income generated by the multiplier effect.