I. Introduction and Summary of Findings

Introduction

In 2000, the Lancaster County Convention Center Authority (the "Authority") retained PricewaterhouseCoopers LLP ("PwC") to conduct an analysis of market demand and economic factors relative to a proposed convention center in Downtown Lancaster. Given the time that has lapsed and the changes in national and regional economic conditions, the Authority has requested that PwC update the previous analysis of market demand completed in November 2000, which assumed the development of a 281-room hotel, 25,000 to 28,000 square feet of ballroom space, 20,000 to 22,000 square feet of meeting space, and 25,000 to 30,000 square feet of contiguous exhibition space. In addition, the Authority desires to consider the potential for a modified convention center assuming a larger exhibition hall (50,000 – 56,000 square feet) including seating for concerts and a variety of sporting and special events.

Primary steps in our work included:

- define and evaluate the local market area to assess market conditions and to identify external factors which may positively or negatively affect future demand trends and usage of the proposed convention center/multi-purpose facility;
- assemble, update, and analyze key economic and demographic data to evaluate the present economic climate and to estimate the future growth potential of meeting and event demand;
- develop and update of the census of competitive meeting facilities and identify proposed meeting facility developments and/or changes to the existing competitive meeting facility supply base;
- identify any changes to the currently proposed building program/facility characteristics;
- conduct discussions with potential user groups to understand effects of current economic conditions on their meetings and events;
- conduct an updated analysis of the competitive environment for convention and meeting facilities throughout the region and nationally;
- analyze regionally competitive spectator event venues that may compete with the proposed multipurpose hall for events such as concerts, family shows, sporting events, etc.; and
- estimate future utilization at the proposed Lancaster County Convention Center facility.

II. Market Analysis

In this section, an evaluation of Lancaster County's community resources is presented to assess the destination's attractiveness to events. Community resources such as population, access, and hotel rooms are essential to event organizers in selecting a venue. Furthermore, each different type of event places a different priority on each these resources. The community resources that are evaluated in this section include:

- Hotel room supply: The supply, location, quality, and proximity of hotel rooms are relevant to events attracting attendees that require overnight stay.
- Air and highway access: 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 of these events tend to drive to the destination and the venue.
- Population: Population is important in attracting trade shows, consumer shows, and spectator events since these events typically draw 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. Income may also provide a measure of purchasing power of residents that in turn may affect availability of retail, entertainment facilities, and restaurants in the area.
- Retail: Availability of diverse retail offerings enhances the attractiveness of a destination.
- Employment: Employment diversity could be a measure of economic stability in an area and indicates the existence of a wide range of industries. This in turn helps determine potential users of a facility.

Lancaster County is located in south-central Pennsylvania approximately 30 miles south of Pennsylvania's capital, Harrisburg; 70 miles northwest of Philadelphia; and 80 miles northeast of Baltimore. Lancaster County's 2001 population was 475,400. The County population and median income continues to grow at a rate faster than that of the Commonwealth. The County's major industries include services, followed by wholesale/retail trade and manufacturing. According to the Lancaster Chamber of Commerce and Industry, the number of companies in Lancaster County has grown by 10 percent since 1990. Unemployment remains well below Commonwealth and National levels. Even with the recent negative changes in the National economy, Lancaster County appears to have sustained growth in all economic areas.

During our previous study, we highlighted examples of the effort to revitalize downtown Lancaster. A $20 million expansion of the Fulton Bank Building was completed earlier this year. The proposed Convention Center and adjacent hotel are additional examples of the effort to renew Lancaster's central area.

Hotel Market

For a convention center to successfully attract meetings and conventions, it must offer an adequate number of high-quality hotel rooms. For the purpose of this analysis, "convention-quality" hotels are identified as those with at least 50 rooms and at least a three-crown rating in Northstar Travel Media's *Business Travel Planner*. Northstar Travel Media defines three-crown properties as those that are "full-service establishments with comfortable accommodations, full-menu restaurants, and a variety of amenities." Two-crown properties may often be considered by event planners when evaluating a destination, as they provide a cost-effective option to their meeting/convention delegates. Therefore, two-crown hotel room supply is also delineated at points throughout the following analysis. Northstar Travel Media defines two-crown properties as "accommodations providing a standard complement of facilities and dining services. Additional amenities may be available, but [these properties are] still best suited to the cost-conscious traveler."

According to the Pennsylvania Dutch Convention and Visitors Bureau (PDCVB), the Lancaster area has a total of more than 6,000 hotel rooms, and an additional 150 to 200 rooms in bed and breakfast facilities. However, according to the *Business Travel Planner*, the Lancaster area has only 1,268 "three-crown or greater" hotel rooms. The 221-room Ramada Inn Brunswick Conference Center remains the only three-crown hotel in downtown Lancaster. Along with the proposed 294-room Marriott hotel (expected to rate at least three crowns), the total number of convention-class rooms in downtown Lancaster would grow to 515.

The following table illustrates the primary hotel room supply in Lancaster that is suitable for conventions. Though the *Business Travel Planner* does not capture and rate every hotel in every destination, it is the single most comprehensive resource available and serves as a consistent basis for comparison between the hotel room supplies offered by multiple destinations. Several properties in Lancaster were not either not listed by the *Business Travel Planner* or were listed, but not rated. PricewaterhouseCoopers has included in the following table those properties that offer 50 rooms or more and a restaurant on site, but were not rated or listed in the *Business Travel Planner*, as these properties have characteristics consistent with those sought by meeting/convention planners when considering accommodations for delegates.

Lancaster Hotels:

Property	*Number of Rooms*
Ratings of Three Crowns or Greater:	
Willow Valley Resort	342
Best Western Eden Resort Inn	275
Ramada Inn Brunswick Conference Center	224
Holiday Inn Lancaster Visitors Center	189
Hilton Garden Inn	156
Quality Inn & Suites	82
Subtotal	1,268
Ratings of Two Crowns:	
Lancaster Host Resort and Conference Center	330
Comfort Inn Sherwood Knoll	166
Ramada Inn Lancaster Resort	166
Hampton Inn	143
Fairfield Inn by Marriott	133
Howard Johnson Inn	112
Best Western Revere	95
Hawthorn Inn and Suites	73
Subtotal	1,218
Not Rated By Northstar Travel Media:	
Proposed Marriott	294
Continental Inn	165
Relax Inn	160
Country Inn of Lancaster	125
Historic Strasberg Inn	102
Subtotal	846
Total	**3,332**

Source: Northstar Travel Media *Business Travel Planner North America, Winter 2002/2003*

Access/Transportation

Regional and national events require adequate air access, and adequate highway access is necessary for state and local meetings, tradeshows, and other special events.

Airport

The Lancaster Airport serves the local Lancaster County area. The airport is currently served by USAirways Express under a code-share and service agreement with regional carrier Colgan

Air, which offers three direct flights daily to Pittsburgh. However, according to airport management, Colgan Air filed a 90-day notice to terminate services to/from the Lancaster Airport on December 23, 2002. Airport management is currently engaged in efforts to retain Colgan Air and/or attract an alternative airline. Unless otherwise resolved, commercial passenger air service to/from Lancaster Airport will cease in March of 2003. Local officials are continuing to work on a plan for an $8 million project to lengthen the runway at Lancaster Airport by 1,300 feet. The project would require local roads near the airport to be re-routed, and, in one case, permanently closed. Loss of service from Philadelphia is blamed in part on a short existing runway.

Lancaster's closest major airport is located approximately 30 miles north of the city in Harrisburg. Seven airlines service the airport. Non-stop flight service is offered from 14 cities. The following table illustrates enplanements, deplanements, and total passenger traffic at Harrisburg International Airport (HIA). A 3.6 percent decline in 1999 began annual losses in passenger traffic that have continued through 2001.

Passenger Statistics--Harrisburg International Airport

	Enplaned	*Deplaned*	*Total*	*% Change of Total*
1998	742,322	736,347	1,478,669	
1999	714,658	710,056	1,424,714	-3.6%
2000	663,676	656,508	1,320,184	-7.3%
2001	585,815	578,903	1,164,718	-11.8%

Source: Harrisburg International Airport

HIA is currently undergoing a $222 million expansion and upgrade. Included in the construction project are: new 283,000-square foot terminal with eight jet gates; a multi-modal transportation center that will accommodate buses, hotel shuttle vans, rental cars, limousines, taxis; parking for 2,700 cars; and an AMTRAK station. Each part of the complex will be connected with moving sidewalks. The project's completion is scheduled for 2004.

Although air service to Lancaster via Harrisburg has declined and continues to be low relative to other Northeastern destinations, it is important to note that service to/from key hub cities throughout the region (Philadelphia, New York, Boston, Pittsburgh, Washington) continues. Moreover major airports in Philadelphia and Baltimore, both within approximately 70 miles from Lancaster, provide alternative air access for visitors.

Highway, Rail and Public Transportation

As reported in the previous study, highway access to Lancaster includes Pennsylvania Route 283, U.S. Routes 30 and 222, and the Pennsylvania Turnpike (Interstate 76). Lancaster County is serviced by AMTRAK at three stations (Elizabethtown, Mount Joy, and Lancaster). Red Rose Transit Authority provides 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 and consumer shows. The following table compares population growth in Lancaster, the Commonwealth of Pennsylvania, and the United States.

Population Growth

	Population		*Compound*
	1991	*2001*	*Annual Growth*
Lancaster County	437,600	475,400	0.8%
Commonwealth of Pennsylvania	11,968,100	12,283,600	0.3%
United States	253,629,100	286,817,400	1.2%

Source: Sales & Marketing Management, *Survey of Buying Power, 1992 and 2002*

Lancaster County's compound annual population growth rate between 1991 and 2001 exceeded that of the Commonwealth of Pennsylvania, but was slower than that of the United States.

Income

Resident income of a particular destination is an important characteristic for consumer shows. These shows make their decision on whether to hold a show in a particular destination based upon the resources of the area population. Effective Buying Income (EBI) is defined by magazine as personal income less personal tax and non-tax payments, often referred to as disposable income.

The following chart illustrates growth of effective buying income for Lancaster County, the Commonwealth of Pennsylvania, and the United States.

Median Household EBI

	Median EBI		*Compound*
	1991	*2001*	*Annual Growth*
Lancaster County	$36,372	$40,891	1.18%
Commonwealth of Pennsylvania	31,968	35,914	1.17%
United States	32,073	38,365	1.81%

Source: Sales and Marketing Management, *Survey of Buying Power, 1992 & 2002*

Income growth in Lancaster County nearly matches that of the Commonwealth of Pennsylvania. Both jurisdictions, however, have exhibited slower average annual EBI growth than the United States. It should be noted that the compound annual growth rates calculated based on the changes in median EBI between 1991 and 2001 are considerably different than those illustrated in our previous report (for example, between 1990 and 1999, Lancaster's compound annual income growth was four percent). This is because historical median EBI for all three jurisdictions peaked in 2000 and declined substantially in 2001. In Lancaster County and the Commonwealth of Pennsylvania, this decline brought 2001 median EBI to levels below those of 1999. Consequently, when an average annual growth rate is calculated over an expanded time frame, which now includes a period of negative growth, the result is a figure that is lower than the previous average annual rate.

Employment

Employment distribution is one measure of an area's economic stability and suggests specific types of associations that a destination may have a comparative advantage in attracting. The following table illustrates employment in Lancaster County by industry sector and the destination's employment specialization compared with the United States. 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 than one suggests a relatively greater specialization in that industry.

As illustrated, Lancaster may have an advantage in attracting events related to manufacturing and construction.

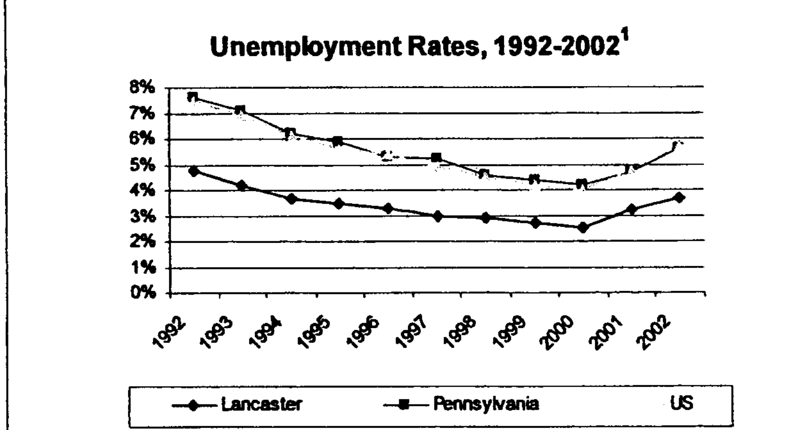
Lancaster County and National Employment Composition

	2002 Percent of Total Employment		*Coefficient of Specialization*
	Lancaster County	*United States*	
Services	27.4%	32.1%	0.85
Wholesale/Retail Trade	23.0%	20.9%	1.10
Manufacturing	21.1%	11.4%	1.86
Construction	7.3%	5.7%	1.28
Government	7.0%	13.5%	0.52
Finance, Insurance, Real Estate	6.2%	7.9%	0.78
Farming, Agriculture, Mining	4.2%	3.6%	1.18
Transportation, Public Utilities	3.8%	4.9%	0.77
Total Employment	295,900	170,442,447	

Source: Woods & Poole Economics, 2002

Services, wholesale/retail trade, and manufacturing represent the largest number of employees in Lancaster County. These total employment and employment specialization figures are similar to those reported in our previous study.

The following graph shows unemployment between 1992 and 2002 in Lancaster County. Lancaster has a lower unemployment rate than both the Commonwealth and the nation, however, the trend line illustrating the area's unemployment matches closely with the Commonwealth and the rest of the country. Unemployment has seen significant increases in the past two years.



[1] 2002 figures are through September 2002.
Source: Bureau of Labor Statistics

The following table lists the top-20 employers in Lancaster County.

Lancaster County Major Employers

Employer	*Industry*	*Number of Employees*
Lancaster General Hospital	Healthcare	3,350
R.R. Donnelley & Sons Company	Manufacturing	3,250
Armstrong Holding, Inc.	Manufacturing	2,900
County of Lancaster	Government	2,600
Manheim Auto Auction	Service	1,800
High Industries, Inc.	Manufacturing	1,510
QVC	Service	1,319
New Holland North America, Inc.	Manufacturing	1,300
School District of Lancaster	Education	1,260
Lancaster-Lebanon I.U. 13	Education	1,211
Tyson Foods, Inc.	Manufacturing	1,200
Ephrata Community Hospital	Healthcare	1,200
U.S. Postal Service	Government	1,154
Dart Container Corp. of PA	Manufacturing	1,100
Willow Valley Communities	Healthcare	1,100
ALCOA Mill Products, Inc.	Manufacturing	1,000
Lancaster Regional Medical Center	Healthcare	1,000
Pfizer, Inc.	Manufacturing	950
Anvil International	Manufacturing	944
Millersville University of Pennsylvania	Education	940

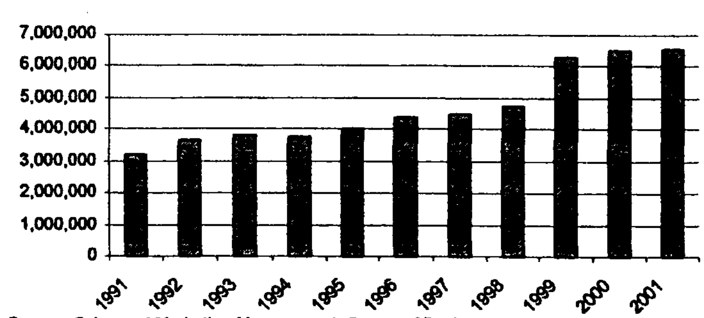
Source: Economic Development Company of Lancaster County, Pennsylvania

Manufacturing's strong influence on the Lancaster area is exhibited by the frequency of its mention on this chart as well as the high number of employees in the sector. As illustrated, manufacturing companies account for more than 45 percent of the total number of employees of the top-20 employers.

Retail Sales

Retail has become an increasingly important sector in Lancaster's economy in recent years. The area has several outlet shopping malls. This could prove to enhance the attractiveness of the destination as a convention or trade show location.

The following chart illustrates the retail sales trend for Lancaster County between 1991 and 2001. After a 33 percent increase in sales between 1998 and 1999, annual growth in retail sales appears to have stabilized.



Source: Sales and Marketing Management, *Survey of Buying Power, 1992-2002*

Compound annual growth of per capita retail sales for Lancaster, the Commonwealth, and the nation has exhibited a decrease since our previous study. The following chart illustrates per capital retail sales growth between 1991 and 2001.

Per Capita Retail Sales

	Per Capita Retail Sales 1991	*2001*	*Compound Annual Growth*
Lancaster County	$7,270	$13,758	6.6%
Commonwealth of Pennsylvania	6,763	11,806	5.7%
United States	7,181	12,646	5.8%

Source: Sales and Marketing Management, *Survey of Buying Power, 1992 & 2002*

Lancaster continues to exhibit higher annual growth in retail sales than the Commonwealth and the United States.

III. Local Facilities Overview

In our previous report, we described in detail the available options for meetings, conventions, and tradeshows in the Lancaster area. Those facilities include:

- Franklin & Marshall College Alumni Sports and Fitness Center
- Lancaster Host Resort and Conference Center
- Best Western Eden Resort Inn
- Willow Valley Resort and Conference Center
- Hotel Brunswick

It appears that no major changes have taken place at any of these properties since the November 2000 report. The following chart provides an overview of the characteristics of the facilities listed above.

Lancaster County Local Facility Characteristics

Facility	*Total Exhibit/ Multipurpose (sf)*	*Ballroom Space*	*Meeting Space*	*Hotel Rooms*
Franklin & Marshall Alumni Sports & Fitness Center	52,000	N/O	3,600	N/O
Lancaster Host Resort & Conference Center	41,000	9,000	14,000	330
Best Western Eden Resort Inn	11,000	7,000	4,000	276
Willow Valley Resort & Conference Center	10,000	N/O	5000	342
Hotel Brunswick	N/O	8,000	18,000	221

N/O: Not offered by the facility
Source: Facility Management

IV. Competitive Environment

In the previous study for the LCCCA, existing facilities that were located in markets considered competitive with Lancaster County were evaluated to better understand market and facility advantages, disadvantages, and competitive position within the market place. This section will serve to update the information provided in the previous study. Facilities and markets were evaluated in relation to Lancaster County in terms of:

- facility building program;
- hotel room supply;
- air service;
- population;
- income;
- destination cost;
- hotel tax rate; and
- convention and visitor bureau budgets.

The competitive markets evaluated for this update are identical to those analyzed in the previous study. We have divided the destinations into two categories: State Competitive and Regional Competitive. The facilities analyzed include:

State Competitive:

- 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 Marriott
- Pittsburgh Expo Mart
- Tamiment Resort & Conference Center
- The Resort at Split Rock (Lake Harmony)
- The Omni William Penn (Pittsburgh)
- Valley Forge Convention & Exhibition Center (King of Prussia)
- Westin Convention Center Pittsburgh
- Wyndham Franklin Plaza Hotel (Philadelphia)

Competitive Environment

Regional Competitive:

- 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
- Wildwood Convention Center – Wildwood, New Jersey
- New Niagara Falls Convention 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 existing facilities listed above were evaluated in terms of exhibit space, ballroom space, meeting space, and current expansions of ballroom and exhibit space. The tables on the following pages illustrate the physical characteristics of competitive facilities.

State Competitive Facility Characteristics

		Exhibit Multipurpose (sf)	Ballroom	Exh/MP Ballroom	Meeting	Expanded Space
Pennsylvania Convention Center	Philadelphia	470,000	30,000	500,000	84,000	788,000
David L. Lawrence Convention Center	Pittsburgh	313,000	33,000	346,000	89,000	346,000
Fort Washington Expo Center	Fort Washington	248,000	6,000	254,000	14,000	255,000
Valley Forge Convention & Exhibition Center	King of Prussia	130,000	4,000	134,000	17,000	135,000
Pittsburgh Expo Mart	Pittsburgh	96,000	N/O	96,000	19,000	96,000
Philadelphia Marriott	Philadelphia	33,000	42,000	75,000	14,000	80,000
Mount Airy Lodge	Mount Pocano	42,000	28,000	70,000	60,000	70,000
Hershey Lodge & Convention Center	Hershey	32,000	33,000	65,000	4,000	65,000
***Proposed* Lancaster Convention Center**	**Lancaster**	**32,000**	**29,000**	**61,000**	**17,000**	**61,000**
Tamiment Resort & Conference Center	Tamiment	57,000	N/O	57,000	11,000	57,000
Lancaster Host Resort & Conference Center[1]	Lancaster	41,000	9,000	50,000	14,000	50,000
Wyndham Franklin Plaza Hotel	Philadelphia	7,000	35,000	42,000	9,000	42,000
Blair County Convention Center	Altoona	24,000	15,000	39,000	7,000	39,000
Adam's Mark Philadelphia	Philadelphia	16,000	19,000	35,000	11,000	34,000
Omni William Penn	Pittsburgh	18,000	12,000	30,000	17,000	30,000
Loews Philadelphia Hotel	Philadelphia	N/O	25,000	25,000	12,000	26,000
The Resort at Split Rock	Lake Harmony	N/O	22,000	22,000	12,000	22,000
Holiday Inn Valley Forge	King of Prussia	12,000	10,000	22,000	2,000	22,000
Hilton Pittsburgh & Towers	Pittsburgh	N/O	21,000	21,000	7,000	21,000
Westin Convention Center Pittsburgh	Pittsburgh	N/O	12,000	12,000	12,000	12,000

N/O: Not offered by facility
Source: Facility Management

Competitive Environment

Regional Competitive Facilities

Facility	*Location*	*Exhibit Multipurpose (sf)*	*Ballroom*	*Exh/MP Ballroom*	*Meeting*	*Expanded Space*
New Jersey Convention and Expo Hall	Edison, NJ	125,000	N/O	125,000	5,000	125,000
Roland E. Powell Convention Center	Ocean City, MD	63,000	22,000	85,000	21,000	85,000
SeaGate Convention Centre	Toledo, OH	75,000	N/O	75,000	13,000	75,000
South Jersey Expo Center	Pennsauken, NJ	89,000	N/O	89,000	9,000	89,000
Wildwood Convention Center	Wildwood, NJ	75,000	12,000	87,000	5,000	87,000
Dayton Convention Center	Dayton, OH	83,000	N/O	83,000	17,000	83,000
Onondaga County Convention Center at Oncenter	Syracuse, NY	65,000	15,000	80,000	7,000	80,000
Buffalo Convention Center	Buffalo, NY	64,000	12,000	76,000	26,000	76,000
Huntington Civic Arena	Huntington, WV	55,000	9,000	64,000	5,000	64,000
Garden State Convention and Exhibition Center	Somerset, NJ	62,000	N/O	62,000	2,000	62,000
Meadowlands Exposition Center	Secaucus, NJ	61,000	N/O	61,000	4,000	61,000
Rochester Riverside Convention Center	Rochester, NY	49,000	10,000	59,000	12,000	59,000
New Niagara Falls Convention Center[1]	Niagara Falls, NY	31,000	17,000	48,000	32,000	48,000
Westchester County Center	White Plains, NY	40,000	N/O	40,000	11,000	40,000
Empire State Plaza	Albany, NY	26,000	N/O	26,000	13,000	26,000
Saratoga Springs City Center	Saratoga Springs, NY	20,000	N/O	20,000	1,000	20,000

[1] New York Governor George Pataki announced closure of the old Niagara Falls Convention and Civic Center in June 2001. The building is currently being converted into a Native American-operated casino and is anticipated to open as such in January 2003.

N/O -- Not offered by the facility
Source: Facility Management

Several competitive facilities are recently completed or are currently undergoing construction and/or expansion.

- The **David L. Lawrence Convention Center** in Pittsburgh is nearing the end of it's the final phase of a three-phase opening. In March 2003, the Center will open the third portion of its second floor exhibit space, bringing the total available exhibit space at the Center to 313,000 square feet.

- The **Blair County Convention Center** (Altoona) opened in May of 2001. Built at a cost of $50.4 million, the Convention Center reported a small operating profit during its first six months of operation. The Center has more than 24,000 square feet of exhibit space and is connected to a 105-room Courtyard by Marriott hotel.

- The **Wildwood Convention Center** opened in May 2002. Built at a cost of $68 million, the Center offers more than 73,000 square feet of exhibit space.

- The ***New* Niagara Falls Convention Center** is scheduled to open in April 2003. USA Niagara Development Corporation (a subsidiary of the Empire State Development Corporation) was tasked with the development of a "transitional" convention center for the Niagara Falls area after New York Governor George Pataki announced in July of 2001 that the existing Niagara Falls Convention and Civic Center would be sold to the Seneca Indian Nation to be converted to a casino. The new Center will be developed from a reconstruction of an area of downtown Niagara Falls known as Falls Street Faire. The facility is projected to include 31,000 square feet of exhibit space (52% less than the old Convention and Civic Center), a 17,000-square-foot ballroom, and 32,000 square feet of meeting space. The Convention Center development is part of a greater redevelopment program for downtown Niagara Falls, which currently has a high amount of office space vacancy and little to offer in terms of entertainment and dining options.

In addition, several destinations and facilities are planning expansions or new construction for their convention centers:

- It is our understanding that demand studies have suggested that exhibit space at the **Pennsylvania Convention Center** should be expanded to 700,000 from the current 428,000. The Pennsylvania Convention Center Authority sought $262 million (half of the cost of the expansion) from the Commonwealth legislature during the 2002 capital budgeting process. Citing the inability to resolve disputes between the Center and its unionized labor force, the Pennsylvania House of Representatives did not include the Center's requested funds in its capital budget. Then, on the final day of the 2002 legislative session, Commonwealth lawmakers passed a bill to give control of the Pennsylvania Convention Center to the Commonwealth. Members of the Pennsylvania Convention Center Authority will now be appointed by the state. In addition, before requested funding for an expansion is appropriated, the Center must complete an audit of its spending, implement a customer-service plan, and implement a stronger code of conduct.

- The **Bayfront Convention Center** (Erie) is scheduled to open in 2005. The facility will offer 29,000 square feet of exhibit space, a 13,000-square-foot ballroom, and additional breakout rooms. The estimated cost of the facility is currently $64 million and will include an adjacent 700-space parking garage. The facility will be funded in part by a five percent hotel room tax that was approved in Spring 2001 specifically to fund the construction of the Center.

- The **Roland E. Powell Convention Center** (Ocean City, MD) currently offers more than 63,000 square feet of exhibit space. The Maryland Stadium Authority, which owns the Center, has retained consultants to conduct a feasibility study to determine whether to expand the exhibit hall by as much as 30,000 square feet and add 12 meeting rooms. The results of the study are expected by late 2002.

- The proposed **Montgomery County Conference Center**, also owned by the Maryland Stadium Authority, is currently being planned. The facility will have 33,000 square feet of exhibit and meeting space and will be connected to a 225-room full-service Marriott

- Proposed **Hotel and Convention Center**, developed and owned by Gaylord Entertainment (which owns Nashville's Opryland Hotel and Convention Center, and similar properties in Florida and Texas), is considering a site in Prince Georges County, near the Washington, DC border. The project is estimated to cost $525 million and would include 1,500 hotel rooms and a 400,000-square-foot convention center.

- Plans for a ***New* Albany Convention Center** were recently finalized. Phase I of the convention center complex will include 85,000 square-foot exhibit hall, and 45,000 square feet of meeting space. The new exhibit space represents a 227% increase over the existing center's available exhibit space. A 400-room headquarter hotel and a 1,000-space parking structure are also included in the estimated $185 million cost of the project. While three sites have been identified as potential homes for the new convention center, the Albany Convention Center Task Force (which spent the majority of 2002 researching and analyzing the concept of a new convention center complex in Albany) has not made a final site selection. In Spring 2003, the Albany Development Authority will be established to develop, own, and manage the completed Center. After its establishment, the Authority's first task will be to manage the process of securing initial financing for the construction project. The planned construction start date is Fall 2004; operations are estimated to begin in 2006.

- Erie County (New York) officials have put plans for a new **Buffalo Convention Center** on hold. Much of the estimated $230 million cost of the facility would have been funded by the state, however, the soft economy and the events of September 11, 2001 have placed limits on the availability of state funds for projects such as the Buffalo Convention Center. In Spring 2002, work began on a $5 million effort to refurbish and update portions of the existing Buffalo Convention Center, including the main lobby and meeting rooms. In conjunction with the developments related to gaming in nearby Niagara Falls, some representatives working with the Seneca Indian Nation have expressed interest in turning parts of the Buffalo Convention Center into casino space.

- Representatives involved with the **DestiNY** project in Syracuse (a plan involving the $2.2 billion expansion of the existing Carousel Center Mall into an entertainment and retail destination) have expressed interest in making a convention center a part of the development project. Pyramid Companies, the developer of the DestiNY project, says that a 500,000-square foot convention center would be used by the high-tech businesses that would ultimately reside in the industrial developments surrounding the entertainment project, located just outside of downtown Syracuse. Pyramid maintains that Onondaga County (where Syracuse is located) or some other government entity should be responsible for building and operating such a facility. The Onondaga County Convention Center is currently located in downtown Syracuse and offers 65,000 square feet of exhibit space.

- Saratoga Springs officials have been studying the feasibility of expanding **Saratoga Springs City Center**. Plans, while preliminary, call for the exhibit space to be expanded to 30,000 square feet from the current 20,000 square feet. To finance the estimated $5.3 million cost of the center expansion and construction of a nearby parking garage, city officials have asked the State of New York for permission to increase the hotel occupancy tax to six percent from the current four percent.

Competitive Environment

In our previous study, we outlined plans for construction or expansion of two non-convention facilities in the Harrisburg/Hershey/Lancaster area: the Pennsylvania Farm Show Complex in Harrisburg and the Giant Center arena in Hershey.

- The **Pennsylvania Farm Show Complex** plans to have its current $76 million expansion project finished by its annual Farm Show event in January 2003. Prior to its expansion, the Farm Show offered 360,000 square feet of exhibit space, 32,000 square feet of arena space, and 20,000 square feet of meeting space. When it opens in January, the facility will have a total of 535,000 square feet of exhibit space, an additional arena, an additional barn, and additional off-site parking. The entire facility will compromise nearly one million square feet after the expansion is complete.

- The **Giant Center** arena opened on October 15, 2002 to replace the antiquated HERSHEYPARK® Arena. The facility is home to the American Hockey League Hershey Bears, a minor league affiliate of the National Hockey League Colorado Avalanche. In addition, the facility hosts concerts, family shows, and other events. The Giant Center seats up to 10,500, and has 40 luxury suites. The floor of the arena totals 17,000 square feet. The cost for the building and all related infrastructure was $95 million.

As the Authority desires to consider the potential for a modified convention center including seating for concerts and a variety of sporting and special events, it is also important to understand the competitive environment for entertainment. The following table describes competitive entertainment venues throughout the region.

Competitive Performing Arts and Special Event Venues

Venue	*Location*	*Seating Capacity*
First Union Center	Philadelphia, PA	21,000
First Union Spectrum	Philadelphia, PA	19,000
Baltimore Arena	Baltimore, MD	14,000
Giant Center / Arena	Hershey, PA	12,500
The Liacouras Center	Philadelphia, PA	10,000
Farm Show Complex	Harrisburg, PA	9,800
Mann Center for the Performing Arts	Philadelphia, PA	9,342
The Star Pavilion at Hersheypark	Hershey, PA	7,200
Pier Six Concert Pavilion	Baltimore, MD	4,333
Academy of Music	Philadelphia, PA	2,897
Lyric Opera House	Baltimore, MD	2,564
Joseph Meyerhoff Symphony Hall	Baltimore, MD	2,443
Site and Sound Millennium Theatre	Lancaster, PA	2,000
University of Pennsylvania - Irvine Auditorium	Philadelphia, PA	2,000
Hershey Theatre	Hershey, PA	1,904
Merriam Theatre	Philadelphia, PA	1,870
American Music Theatre	Lancaster, PA	1,600
The Morise A Mechanic Theatre	Baltimore, MD	1,600
Strand Performing Arts Center	York, PA	1,300
Trocadero/The Balcony	Philadelphia, PA	1,200
Long's Park Amphitheater	Lancaster, PA	Open Lawn

Source: *AudArena Stadium 2002 International Guide*, facility management

Entertainment venues in the local area offering seating for more than 1,000 include:

- The **HERSHEYPARK® Stadium** serves as a venue for concerts, pageants, racing rodeos, athletic and music competitions, and other events. The stadium has approximately 30,000 seats and when utilizing the stage on its north end, the facility can accommodate a large audience of nearly 25,000

- The **Star Pavilion at HERSHEYPARK® Stadium** is an open-air facility located on the north end of HERSHEYPARK® Stadium. The Pavilion was constructed to maximize the use of the stage in the Stadium, allowing the single stage to play to two distinctly different venues. The facility was opened in 1996 and serves primarily as a venue for intimate summer concert performances, accommodating up to 7,200 fans in both stand and grass seating.

- The **Giant Center** Arena, described in the preceding section on new developments, serves as a venue for concerts, family shows, Pennsylvania Interscholastic Athletic Association championship events, and other entertainment. The facility can accommodate approximately 10,000 for end-stage performances and 12,500 for "in-the-round" performances and events.

- The **Pennsylvania Farm Show Complex**, also described in the preceding section on new developments, is located in Harrisburg and includes two arenas, one seating 7,400 and the other, 1,500. The arenas host sporting events, races and competitions, circuses, concerts, and other types of entertainment.

- The **Sight and Sound Theatres** are located in Lancaster County and hosts live stage inspirational and religious productions. The Sight and Sound Millennium theatre has a 300 foot wrap-around stage and offers seating for 2,000, while the Sight and Sound Living Waters Theatre provides a more intimate setting, with seating for approximately 650.

- The **Hershey Theatre** hosts various types of stage performances, including touring Broadway shows, classical music and dance attractions, and other entertainment. The theatre seats approximately 1,900.

- The **American Music Theatre**, located in Lancaster, has been hosting musical events, including original musical productions and concerts, since 1997. The Music Theatre accommodates up to 1,600 patrons for a single performance.

- **Long's Park Amphitheater** hosts concerts and other stage productions. The Amphitheater offers a free entertainment series throughout the summer months, and the venue can accommodate thousands via its open lawn seating.

Market Characteristics

Hotel Room Supply

As noted previously, an adequate convention-class hotel room supply is essential for a successful convention and tradeshow facility. Again, convention-class hotel rooms are identified as those with a rating of three crowns or more in the Northstar *Business Travel Planner.*

The adjacent chart illustrates the convention class hotel room supply in the competitive destinations chosen for this study. As illustrated, in some tables we also compared characteristics to "comparable" destinations (Hot Springs, Covington, Gatlinburg, Visalia, Norfolk, Roanoke, and Portsmouth), for purposes of consistency with our previous report.

As illustrated, Lancaster ranks third and fifth, respectively, out of 33 destinations in its number of "two-crown or greater" and "three-crown or greater" hotel rooms. This report assumes that the proposed 294-room Marriott hotel to be developed adjacent to the convention center would be a "three-crown or greater" quality property. Thus, Lancaster's "three-crown or greater" hotel room supply figures include the proposed Marriott hotel.

Destination Hotel Room Supply

Location	*Two-Crown or Greater Hotel Rooms*	*Three-Crown or Greater Hotel Rooms*
Philadelphia, PA	12,111	10,298
Pittsburgh, PA	6,445	5,452
Lancaster, PA[1]	**3,332**	**1,562**
Gatlinburg, TN	3,058	1,050
Ocean City, MD	3,042	1,432
Norfolk, VA	2,959	1,808
Rochester, NY	2,667	1,718
Dayton, OH	2,257	1,107
Niagara Falls, NY	2,170	879
Toledo, OH	2,162	1,514
Syracuse, NY	2,136	341
King of Prussia, PA	1,823	1,474
Somerset, NJ	1,654	1,085
Secaucus, NJ	1,651	1,047
Albany, NY	1,463	979
Covington, KY	1,458	1,090
Roanoke, VA	1,430	997
Hot Springs, AR	1,418	352
Buffalo, NY	1,368	877
White Plains, NY	1,278	752
Hershey, PA	1,103	900
Saratoga Springs, NY	634	372
Edison, NJ	630	446
Altoona, PA	469	218
Huntington, WV	457	202
Lake Harmony, PA	452	135
Visalia, CA	351	201
Portsmouth, VA	340	273
Fort Washington, PA	221	221
Wildwood, NJ	0	0
Tamiment, PA	0	0
Pennsauken, NJ	0	0
Mount Pocono, PA	0	0

[1] Includes proposed 294-room Marriott.

Source: Northstar Travel Media *Business Travel Planner North America Winter 2002/2003*

The following tables present "three-crown or greater" proximate rooms and the number connected to each comparable or competitive facility. Proximate hotel rooms are those that are within walking distance to the convention center. The proposed Marriott and the existing Ramada Hotel Brunswick will be the only properties within walking distance to the LCCC.

State Competitive Hotel Room Supply

Facility	*Location*	*Proximate Hotel Rooms*	*Connected Hotel Rooms*
Loews Philadelphia Hotel	Philadelphia	6,990	585
Pennsylvania Convention Center	Philadelphia	6,990	1,408
Philadelphia Marriott	Philadelphia	6,990	1,408
Wyndham Franklin Plaza Hotel	Philadelphia	3,203	758
David L. Lawrence Convention Center	Pittsburgh	2,917	618
The Westin Pittsburgh Convention Center Hotel	Pittsburgh	2,917	618
Omni William Penn	Pittsburgh	2,917	595
Hilton Pittsburgh & Towers	Pittsburgh	1,608	713
Adam's Mark Philadelphia	Philadelphia	1,110	515
Valley Forge Convention & Exhibition Center	King of Prussia	913	488
Hershey Lodge & Convention Center	Hershey	665	665
Proposed Lancaster Convention Center	**Lancaster**	**515**	**294**
The Resort at Split Rock	Lake Harmony	427	427
Pittsburgh Expo Mart	Pittsburgh	366	366
Blair County Convention Center	Altoona	327	104
Fort Washington Expo Center	Fort Washington	325	0
Holiday Inn Valley Forge	King of Prussia	305	225
Tamiment Resort & Conference Center	Tamiment	225	225

Note: Mount Airy Lodge, included in previous study, has since shut down its operations.

Source: Northstar Travel Media *Business Travel Planner North America Winter 2002/2003*, Convention and Visitors Bureaus

As illustrated, Lancaster will rank 12th in terms of proximate rooms (within walking distance) to the proposed site of the LCCC and 14th in terms of connected rooms out of 18 competitive facilities.

Regional Competitive Hotel Room Supply

Facility	*Location*	*Proximate Hotel Rooms*	*Connected Hotel Rooms*
Garden State Convention and Exhibition Center	Somerset, NJ	1,927	360
Roland E. Powell Convention Center	Ocean City, MD	1,600	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
New Niagara Falls Convention Center	Niagara Falls, NY	854	0
Saratoga Springs City Center	Saratoga Springs, NY	850	240
SeaGate Convention Centre	Toledo, OH	847	610
Onondaga County Convention Center at Oncenter	Syracuse, NY	555	0
Empire State Plaza	Albany, NY	521	0
Proposed Lancaster County Convention Center	**Lancaster, PA**	**515**	**294**
Dayton Convention Center	Dayton, OH	505	292
Huntington Civic Arena	Huntington, WV	324	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: Northstar Travel Media *Business Travel Planner North America Winter 2002/2003*, Convention and Visitors Bureaus

The proposed LCCC will rank 12th in terms of total proximate hotel rooms fifth in terms of connect hotel rooms out of 17 regional competitive facilities.

Competitive Environment

Air Access

Direct flight service to a prospective meeting destination is important to event planners, particularly those that work with regional or national events, where the majority of attendees fly to the destination. For this study, direct flight city information was collected from the website, FlyteComm.

Lancaster Airport and Harrisburg International Airport are the two closest airports to Lancaster. USAirways Express currently services Lancaster Airport; Harrisburg International Airport is serviced by seven airlines including USAirways Express. Again, it should be noted that air service to Lancaster Airport is likely to cease beginning in March of 2003. However, since Pittsburgh is the only city offering direct service to the Lancaster Airport and Pittsburgh also offers service to Harrisburg International Airport, this loss of service will not impact the total number of cities from which event attendees can fly to the Lancaster area.

Air Access

Location	*Direct Flight Cities*	*Distance (in miles)*
Edison, NJ	157	46
Secaucus, NJ	157	23
Somerset, NJ	157	60
White Plains, NY	157	41
Covington, KY	111	10
Pittsburgh, PA	102	12
Fort Washington, PA	99	30
King of Prussia, PA	99	27
Pennsauken, NJ	99	12
Philadelphia, PA	99	7
Albany, NY	32	8
Saratoga Springs, NY	32	28
Dayton, OH	21	13
Norfolk, VA	20	0.5
Portsmouth, VA	20	12
Buffalo, NY	20	9
Niagara Falls, NY	20	23
Lake Harmony, PA	19	45
Mount Pocono, PA	19	44
Tamiment, PA	19	58
Hot Springs, AR	17	55
Rochester, NY	17	4
Gatlinburg, TN	16	35
Syracuse, NY	15	7
Roanoke, VA	14	4
Hershey, PA	14	11
Lancaster, PA	**14**	**31**
Wildwood, NJ	13	42
Toledo, OH	10	10
Huntington, WV	3	50
Ocean City, MD	2	27
Altoona, PA	1	12
Visalia, CA	1	45

Source: Northstar Travel Media *Business Travel Planner North America Summer 2002*, FlyteComm.com, and Airport Websites

The following table illustrates air access available to Lancaster compared to other destinations in terms of number of cities with direct flights, and distance of the airport to the city. In cases where a destination may be served by more than one airport (such as Lancaster), the number of unique direct flight cities for each airport is counted for a total number of direct flight cities to that destination. It should be noted that Edison, Secaucus, and Somerset are all served by Kennedy International, Newark International, and La Guardia Airports. These three airports in addition to Westchester County Airport also serve White Plains. Philadelphia International serves Fort Washington, King of Prussia, Pennsauken, and Philadelphia. Buffalo International serves Buffalo and Niagara Falls. 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.

The table ranks each destination by number of direct flight cities to that destination's airport. In cases of a tie, the destinations are further ranked by distance from the city to the farthest airport. As illustrated in the previous table, Lancaster ranks 27th out of 33 destinations in terms of direct flight cities to each destination's airport. Lancaster's ranking is tied with Hershey and Roanoke, but its distance from the Harrisburg airport places Lancaster 27.

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 and consumer shows. The number of potential attendees within driving distance of a show site typically affects event attendance. The following table ranks each competitive and comparable destination's County population.

As illustrated, Lancaster County ranks 12th out of 33 destinations. This is similar to the ranking held by Lancaster County in our previous study.

Population Characteristics

Location	*County*
Philadelphia, PA	1,496,900
Pittsburgh, PA	1,264,200
Buffalo, NY	938,600
White Plains, NY	925,500
Edison, NJ	763,200
Fort Washington, PA	757,100
King of Prussia, PA	757,100
Rochester, NY	733,300
Secaucus, NJ	619,000
Dayton, OH	552,200
Pennsauken, NJ	509,000
Lancaster, PA	**475,400**
Syracuse, NY	453,100
Toledo, OH	451,900
Visalia, CA	380,400
Somerset, NJ	306,000
Albany, NY	292,400
Hershey, PA	251,900
Norfolk, VA	229,600
Niagara Falls, NY	217,700
Saratoga Springs, NY	203,600
Covington, KY	151,900
Mount Pocono, PA	146,100
State College, PA	137,500
Altoona, PA	128,400
Wildwood, NJ	102,800
Portsmouth, VA	99,900
Huntington, WV	96,100
Roanoke, VA	94,800
Hot Springs, AR	89,600
Gatlinburg, TN	74,000
Lake Harmony, PA	58,600
Tamiment, PA	49,300
Ocean City, MD	48,900

Source: Sales and Marketing Management, *Survey of Buying Power 2002*

Income

Income is considered a key characteristic for consumer shows. The following table illustrates median household income for Lancaster County and its competitive and comparable destinations.

As illustrated, Lancaster ranks eighth out of the 33 destinations reviewed. In our previous study, Lancaster ranked sixth out of the same number of destinations.

Median Household Income

Somerset, NJ	$69,157
White Plains, NY	58,715
Fort Washington, PA	53,799
King of Prussia, PA	53,799
Edison, NJ	53,614
Covington, KY	41,546
Pennsauken, NJ	41,468
Lancaster, PA	**40,891**
Hershey, PA	40,427
Albany, NY	39,843
Rochester, NY	39,815
Saratoga Springs, NY	39,563
Syracuse, NY	38,074
Secaucus, NJ	38,061
Dayton, OH	36,664
Pittsburgh, PA	36,647
Buffalo, NY	35,643
Toledo, OH	34,816
Wildwood, NJ	34,688
Mount Pocono, PA	34,512
Niagara Falls, NY	32,157
State College, PA	31,915
Gatlinburg, TN	31,392
Visalia, CA	31,279
Altoona, PA	31,122
Lake Harmony, PA	30,956
Tamiment, PA	30,786
Philadelphia, PA	29,995
Norfolk, VA	29,725
Hot Springs, AR	29,030
Ocean City, MD	28,794
Roanoke, VA	27,649
Portsmouth, VA	27,521
Huntington, WV	25,847

Source: Sales and Marketing Management, *Survey of Buying Power 2002*

Destination Costs

Cost is also a factor in the attractiveness of an event destination. Attendance to some events may be affected by high (or low) costs of lodging, dining, transportation, and incidental costs.

The Internal Revenue Service published the maximum per diem rate allowed for travel within the continental United States. This rate includes the daily cost of lodging, meals, and incidental expenses. The following table shows Lancaster's maximum per diem rate in comparison with its competitive and comparable destinations.

As illustrated, Lancaster continues to be an affordable destination relative to cities such as Philadelphia and Pittsburgh. Lancaster ranks 10th out of 33 destinations in terms of destination cost. In our previous study, Lancaster's ranking was ninth.

2002 Per Diem Comparison

Norfolk, VA	$86
Portsmouth, VA	86
Hot Springs, AR	90
Mount Pocono, PA	90
Lake Harmony, PA	92
Tamiment, PA	92
Roanoke, VA	93
Dayton, OH	95
Toledo, OH	99
Lancaster, PA	**103**
Syracuse, NY	104
Visalia, CA	107
Gatlinburg, TN	112
Huntington, WV	116
Pennsauken, NJ	116
Hershey, PA	117
Covington, KY	118
Niagara Falls, NY	120
Buffalo, NY	120
Saratoga Springs, NY	120
Altoona, PA	125
Pittsburgh, PA	125
Rochester, NY	125
Ocean City, MD	130
Albany, NY	138
Fort Washington, PA	154
King of Prussia, PA	154
Philadelphia, PA	164
Secaucus, NJ	167
Wildwood, NJ	167
Somerset, NJ	182
Edison, NJ	199
White Plains, NY	207

Source: Internal Revenue Service
Publication 1542, Revised February 2002

Hotel Tax Rates

Many convention destinations (including Lancaster County) fund their convention facilities and destination marketing through local transient occupancy taxes or hotel/motel taxes. A hotel room's cost is impacted by these taxes. Therefore, a destination's affordability is affected by a hotel/motel tax. The following table lists the various taxes levied by local and state governments in each competitive and comparable destination. As illustrated in the previous table, Lancaster ranks 20th out of 33 destinations. In our previous study, Lancaster also ranked 20th.

Destination Hotel Tax Rates

Location	*Room*	*Other*[1]	*Total*
Edison, NJ	0.00%	6.00%	6.00%
Lake Harmony, PA	0.00%	6.00%	6.00%
Mount Pocono, PA	0.00%	6.00%	6.00%
Pennsauken, NJ	0.00%	6.00%	6.00%
Secaucus, NJ	0.00%	6.00%	6.00%
Somerset, NJ	0.00%	6.00%	6.00%
Tamiment, PA	0.00%	6.00%	6.00%
Wildwood, NJ	0.00%	8.00%	8.00%
Fort Washington, PA	2.00%	6.00%	8.00%
King of Prussia, PA	2.00%	6.00%	8.00%
Altoona, PA	3.00%	6.00%	9.00%
Hershey, PA	3.00%	6.00%	9.00%
Huntington, WV	3.00%	6.00%	9.00%
Ocean City, MD	4.00%	5.00%	9.00%
White Plains, NY	3.00%	6.75%	9.75%
Visalia, CA	10.00%	n/a	10.00%
Covington, KY	4.00%	6.24%	10.24%
Roanoke, VA	6.00%	4.50%	10.50%
Hot Springs, AR	3.00%	7.63%	10.625%
Lancaster, PA	**3.90%**	**7.10%**	**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%
Syracuse, NY	5.00%	7.00%	12.00%
Dayton, OH	12.50%	0.00%	12.50%
Gatlinburg, TN	3.00%	9.50%	12.50%
Norfolk, VA	8.00%	4.50%	12.50%
Portsmouth, VA	8.00%	4.50%	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%
Rochester, NY	6.00%	8.00%	14.00%
Toledo, OH	8.00%	6.25%	14.25%

[1]Other includes sales, excise, tourism, and other applicable taxes.

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

It should be noted that since our previous study nine destinations have increased their hotel/motel taxes. These include:

- Altoona, Pennsylvania (1.5 percentage points)
- Hershey, Pennsylvania (1.0 percentage points)
- Ocean City, Maryland (1.0 percentage points)
- White Plains, New York (0.5 percentage points)
- Hot Springs, Arkansas (0.5 percentage points)
- Gatlinburg, Tennessee (1.0 percentage points)
- Norfolk, Virginia (1.0 percentage points)
- Portsmouth, Virginia (1.5 percentage points)
- Rochester, New York (2.0 percentage points)

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 that include travel, promotion, and advertising. The CVB budgets detailed here are the 1999/2000 budgets of the competitive and comparable destinations studied. It should be noted that many CVB budgets have been affected significantly by the current economy and the terrorist attacks on September 11, 2001. This table is shown only for illustrative purposes.

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 acquired from hotel room and excise taxes during a six-month period, as well as all other CVB resources.
N/A--do not have own local CVB
Source: Convention and Visitors Bureaus

Competitive Environment

The budget shown for the Lancaster County CVB includes funds acquired from the hotel room and excise tax during a six-month period, as well as other CVB sources. . The CVB receives 100 percent of the hotel room excise tax and 20 percent of the hotel room tax. The total actual revenues collected from the hotel room tax and hotel room excise tax in 2000 were $4.6 million. In 2001, total hotel tax revenues were approximately $4.8 million, and revenues collected from January to October 2002 were $4.4 million. Lancaster's CVB budget ranks seventh out of 33 destinations.

Summary of Resources

The following table provides a summary of Lancaster's market characteristics when compared with the competitive and comparable destinations. A ranking of "1" is most favorable and a ranking of "33" is least favorable.

Summary of Resources

Ranked by Destination	Ranking (out of 33)
Hotel Room Supply:	
Two-Crown or Greater	3
Three-Crown or Greater	5
Air Access	27
County Population	12
County Effective Buying Income	8
Destination Costs	10
Hotel Tax Rates	20

V. User Surveys

In our November 2000 study, we surveyed past users of Lancaster meeting/event facilities and potential users of the proposed Lancaster convention facility. Among these user groups were state and regional associations, major businesses in Lancaster, local groups and organizations, and users of competitive facilities. This primary market research played an important role in the analysis of potential demand for a new convention facility, identifying qualitative issues relevant to perceptions of Lancaster, Pennsylvania as an event destination as well as quantitative parameters of prospective user needs.

Recent changes in economic and market conditions have impacted the meetings and convention industry, and may have resulted in changes to user characteristics and needs. It was, therefore, appropriate to re-contact past and potential users surveyed in the November 2000 study to identify relevant changes in user characteristics and needs and to analyze the impact any changes may have on utilization of the proposed convention facility.

Among those respondents that had indicated in November 2000 that they would definitely, highly likely, or possibly use a new convention facility in downtown Lancaster, more than 80 percent indicated that they would still consider the proposed facility as a venue for their future events. Those respondents that were no longer interested in the proposed facility responded accordingly for reasons unrelated to economic conditions or their perceptions of the attractiveness of Lancaster or its proposed convention facility. In two cases, for example, respondents represented organizations that had recently merged with other entities and the resulting organization did not have the same meeting/event needs and/or rotation as the originally surveyed organization. Other cases included organizations that felt they had now established a tradition of meeting in the same destination every year and did not wish to deviate from that practice.

Respondents reported few changes to their event characteristics and needs. The most notable change reported was a continued slight and steady increase in meeting/event attendance, which was experienced by the majority of those users surveyed. Other changes included a reduction in the frequency of events held annually by two organizations and a doubling of exhibit space needs experienced by one user. Overall, the survey found that past and potential users were not materially affected by the recent economic downturn or other factors during the lapse in time between the November 2000 study and the present.

In addition to surveying previous respondents, we also conducted interviews with two new samples of potential users of the proposed Center. These interviews addressed the potential for a modified convention center assuming a larger exhibition hall (50,000 – 56,000 square feet) including seating for concerts and certain sporting and special events. The first round of interviews targeted event planners whose events require approximately 50,000 square feet of exhibit space, and explored the potential demand for an exhibition hall of approximately this size in Lancaster. These interviews identified a limited demand among potential users whose events require approximately 50,000 square feet of exhibit space.

User Surveys

Respondents to our survey offered the following statements and recommendations regarding the proposed Lancaster convention center. While these statements do not necessarily represent the thoughts of all customers, they are representative of the comments received in many discussions.

- "We would definitely consider using a convention center in Lancaster. Lancaster is a central location in Pennsylvania, offering lots of activities and easy access. It also has a high concentration of our state association membership."
- "The Pennsylvania Convention Center is too large and expensive for our event. There is a huge need for mid-sized, affordable facilities of the type proposed in Lancaster."
- "We would consider the proposed Center, as long as it is not too large."
- "We keep hearing about the proposed facility and are anxiously anticipating its opening."
- "We have a contract in place with an existing facility for the next several years, but would consider the proposed Center once we have fulfilled our contract."
- "We are have outgrown the existing meeting/convention facilities in Lancaster, but would like to return to the area. The proposed convention center would allow us to do that."
- "We like Lancaster, but are concerned that there are not enough hotel rooms in the area to accommodate our event."
- "We find that our membership is keeping very busy in their profession and attending fewer conference/convention events per year than they have in the past, so it is important to us and to them that the one or two events they attend per year also serve as a vacation. Lancaster does not have the appeal that many other cities do in this regard."
- "We only choose first- and, occasionally, second-tier destinations for our event. We do not consider Lancaster as such."
- "The existing meeting/convention facilities in Lancaster are not acceptable for our event."

As illustrated above, there were a numerous positive comments about the proposed Center and Lancaster as a destination, and there were also some concerns expressed by respondents. These concerns indicate that there are important issues to be addressed related to the marketing and development of the proposed facility and Lancaster as a meeting/convention destination. For example, some perceive Lancaster as having poor "destination appeal" relative to alternative destinations, despite Lancaster's selection of shopping, dining and entertainment options. This can be addressed by marketing efforts that attempt to overcome this perception.

The second round of interviews targeted coordinators of concerts, sporting, and special events. Among those interviewed were coordinators of high school and college/university sporting events and concert promoters. Interviews indicated that there was not substantial demand for use of this facility as a sporting event or other special event venue. This was because of the availability of other facilities in the area better suited to host local and regional sporting events and the relative proximity of the HERSHEYPARK Arena, which offers a quantity of seating better suited to accommodate the typical attendance at a family show or other non-sporting spectator event than that which the proposed convention center could accommodate given the considered exhibit space dimensions.

Examples of thoughts shared by respondents to the second round of interviews on use of the proposed Lancaster convention center as a venue for concerts and certain sporting and special events follow.

- "The majority of events leading up to high school finals/championship events are held at local high-school and universities. While the championships and finals are occasionally held at private venues, typically Hershey Park Stadium and Giant Center, there is a competitive request for proposal process, which allows other venues to compete for these events."

- "We may be able to consider the proposed venue for one or two local sporting events, but hold most of our events throughout the state at local high-school and university facilities. We typically need to accommodate 1,500 to 7,500 people for sporting events and have historically paid rental fees ranging from $250 to $1,500 per day."

- "We would consider using a facility in Lancaster for intimate indoor events. However, the market may not produce sufficient demand."

- "There is potential for the market to be over-saturated with mid-level facilities."

In summary, our interview findings suggest that the market for concerts, sporting, and special events is already sufficiently served by existing facilities in markets such as Hershey, Harrisburg, Philadelphia, and Baltimore.

VI. Industry Trends

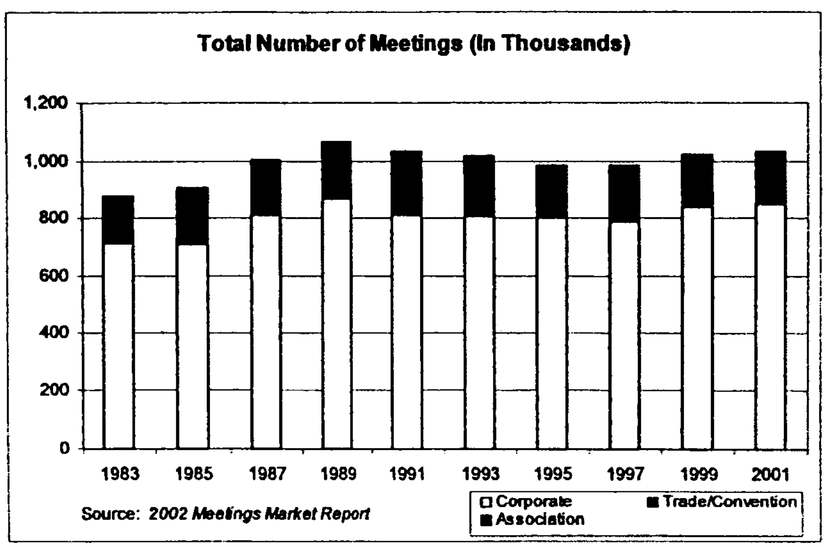
To effectively plan for the proposed convention/conference center's future needs, it is useful to understand industry trends, such as meeting characteristics, site selection criteria, exhibit space demand, and the relationship between economic conditions and industry growth.

Meetings Market

This section presents results of the *Meetings Market Study*, a biennial study sponsored by *Meetings & Conventions* magazine. The *Meetings Market Study* surveys meeting/event organizers and has been exploring characteristics of the U.S. meetings market, such as meeting volume, attendance, and expenditures, for the past 19 years. Meeting data presented in this section are categorized and defined as follows:

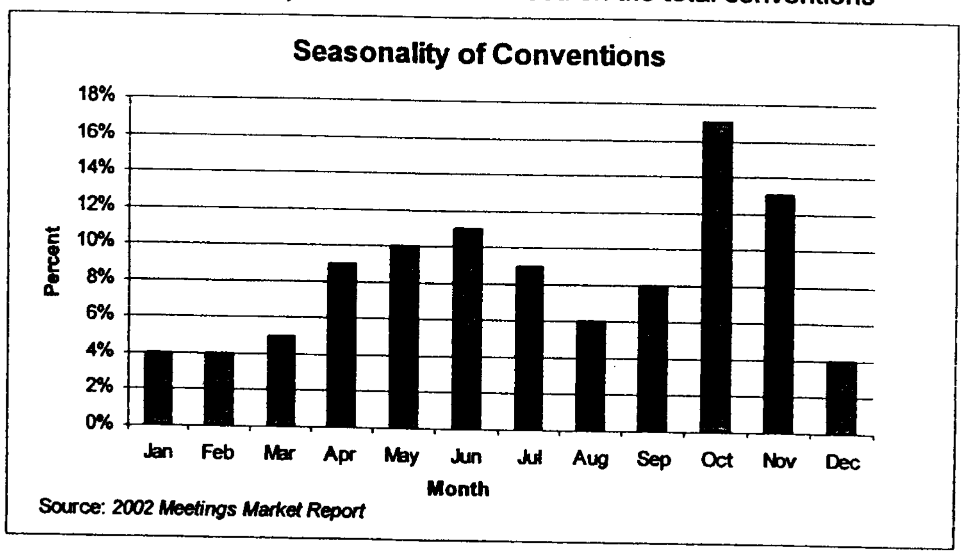
- **Corporate**: Includes sales and marketing meetings, management meetings, training seminars, stockholder meetings, professional and technical meetings, new product introductions, and incentive meetings.
- **Association**: Meetings other than the association's convention or trade show. Includes board 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



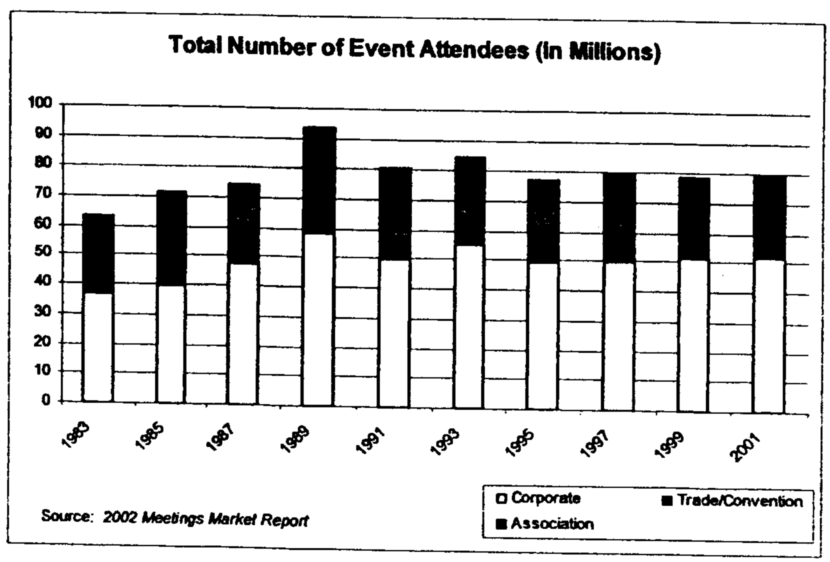
According to the *Meetings Market Report*, the total number of meetings held by U.S. meeting planners has grown from 873,200 in 1983 to 1,033,600 in 2001. During this time, meeting volume experienced a period of decline between 1989 and 1995, but has been increasing since 1995. At just over a million, the total number of meetings held in 2001 was at its highest point in twelve years. While association and trade/convention event volume has remained relatively stable in recent years, the number of corporate events increased by eight percent, from 783,900 to 844,100, between 1997 and 2001.

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



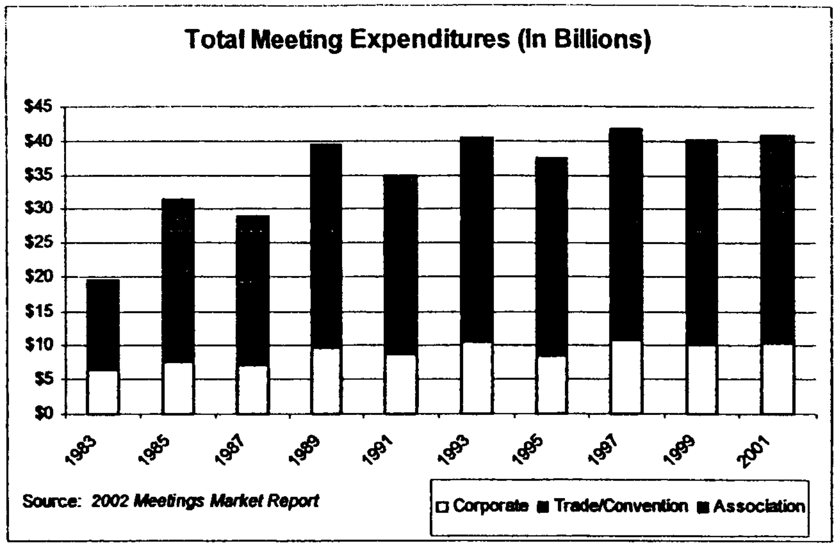
According to the *2002 Meetings Market Study*, October is the peak month for conventions followed by November, June, and May.

Meeting Attendance



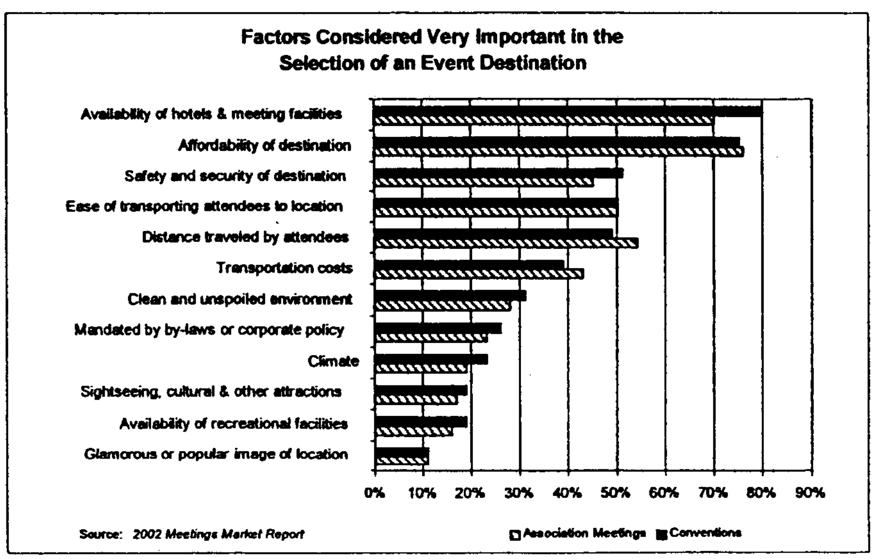
Event attendance increased from 63.3 million in 1983 to 79.9 million in 2001. However, total event attendance has remained relatively stable in recent years, with an average annual growth rate of one percent between 1995 and 2001. In the past 19 years, corporate meeting attendance has increased from 36.8 million to 51.5 million, a 40 percent growth. Trade and convention attendance has fluctuated between 8.6 million and 13.6 million over the past 19 years. Association attendance has returned to levels similar to those experienced in the early- to mid-1980s (15.9 million in 2001), after reaching a peak of 22.6 million in 1991.

Total Event Expenditures



Total spending on meetings and conventions more than doubled between 1983 and 2001. In 2001, expenditures on corporate, trade/convention, and association events totaled approximately $40.8 billion. Though trade/convention events represented only one percent of total meeting volume, their associated expenditures accounted for the largest portion (41 percent) of total event spending. Conversely, corporate events represented 81 percent of total meeting volume, but their associated expenditures accounted for only 25 percent of total event spending. Association events contributed 34 percent of total event spending. The following chart illustrates event expenditures over the past 19 years.

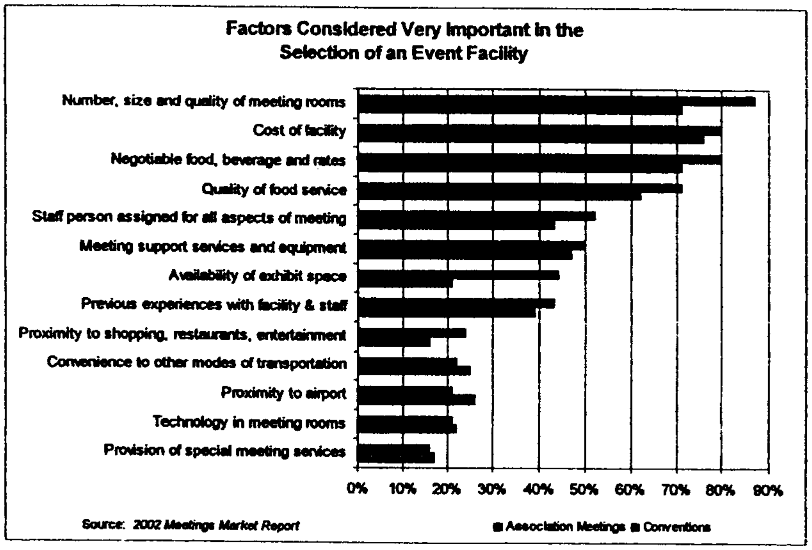
Selection Criteria



Event organizers are key in the process of an event selecting a particular destination or facility. Organizers are often responsible for selecting an event site or for developing a list of potential sites from which selection boards or committees choose. Several factors play an integral role in the event destination selection process. These factors include characteristics of the facility and the destination.

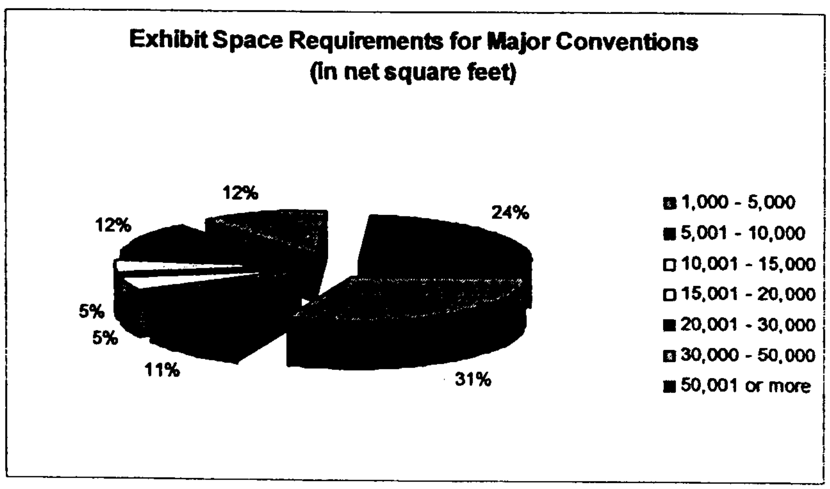
The following chart depicts the most important factors in event destination selection as indicated by association meeting and convention planners. As illustrated, 70 and 80 percent of association meeting and convention planners, respectively, consider the availability of hotels and meeting space to be among the most important factors in event destination selection. Approximately 75 percent of association meeting and convention planners consider affordability to be among the most important factors in event destination selection.

The following table depicts the most important factors in the selection of facilities. 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.



Exhibition Space Needs

The following chart illustrates the distribution of convention space requirements, as reported in the 2002 Meetings Market Report. As illustrated, a center with 25,000 to 30,000 square feet (12,500 to 15,000 net) of exhibit space can accommodate up to 47 percent of conventions, while a 50,000 to 56,000 square foot exhibit hall can host approximately 64 percent of conventions. In other words, the expanded hall could physically accommodate approximately 35 percent more events.



Summary

The meetings industry represents $40.8 billion in expenditures in the U.S. Conventions and association meetings generate approximately 75 percent of this spending. Over the past 19 years, event volume, attendance, and expenditures have increased; however, activity has fluctuated throughout the years, reflecting economic conditions and other factors. From 1999 to 2001, each of these three event-related statistics increased by approximately one 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 the most important considerations when event planners are selecting a destination. The quantity, dimensions, and quality of meeting space; cost of the facility; and food and beverage rates are among the most important decision criteria considered by event planners when selecting a facility.

VII. Building Program and Utilization

Building Program

The following is a summary of the building program described in the November 2000 PwC report:

Proposed Lancaster County Convention Center
November 2000 Building Program (square feet)

	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/Pre-function	30,000	to	34,000
Total Public Space	100,000	to	114,000
Support Space (back-of-house)	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 Spaces	750	to	900

As identified previously, a goal of this report was to consider the potential for a modified convention center assuming a larger exhibition hall (50,000 – 56,000 square feet) and seating for concerts and certain sporting and special events.

It is important to note that the November 2000 study was conducted subsequent to a 1999 analysis by another firm suggesting the development of a convention facility containing 61,000 square feet of meeting, ballroom, and exhibit space. As indicated in our 2000 study, at that time the Authority was also interested in assessing the potential for a larger venue capable of attracting larger conventions and trade shows that could benefit county-wide hotels, restaurants, retail merchants, and other segments of the local economy. The November 2000 report suggested demand in Lancaster County for a somewhat larger center (compared to the 1999 study), as illustrated above, containing between 70,000 and 80,000 square feet of meeting, ballroom, and exhibit space.

The following is a summary of our findings related to the updated building program analysis:

Building Program and Utilization

- Discussions with potential meeting planners continue to support our November 2000 conclusions regarding facility needs (square footage) required by events that would consider Lancaster County and the proposed convention center.
- Although discussions with potential event organizers suggest there does not appear to be significant demand for a doubling of the exhibition hall described in our November 2000 report (from 25,000-30,000 to 50,000-56,000), some larger events have expressed an interest. Additional event activity could also result from the added flexibility to host simultaneous events during peak periods (for example, two events requiring 25,000 square feet of exhibition space) or, to a lesser degree, the ability to host events requiring greater than 30,000 square feet. As illustrated in the previous section, the larger hall would physically accommodate approximately 35 percent more conventions; however, many of those larger events prefer destinations such as Philadelphia.
- During peak periods of seasonality, in addition to providing the added flexibility for simultaneous events, the additional hall space could provide additional flexibility to host one event while another is in the process of move-in or move-out.
- Local consumer shows (home and garden shows, car shows, craft shows, etc.) are often the primary demand segments for larger exhibition space. While a larger hall may not necessarily result in more consumer shows, it is not unreasonable to expect the more popular consumer shows may expand into a 50,000 square foot hall.
- Consideration should be given to the cost-benefit associated with an expanded exhibition hall. From a cost perspective, while a larger hall would add to the construction/development budget, the costs of developing the larger hall in the first phase of the project may be less than a future expansion. Moreover, while a larger hall may increase operating costs, some of these costs may be offset by additional event revenue.
- The "lukewarm" response from concert, sporting, and other event promoters, coupled with the variety of alternative spectator event venues serving the region (Harrisburg, Hershey, Philadelphia, Baltimore) suggest a lack of demand for spectator event seating.

Estimated Utilization

As described in our November 2000 report, demand estimates for the proposed convention center are based on certain conditions, including:

- The proposed center will be developed based on the building program described.
- The Marriott hotel will be developed.
- The PDCVB and the hotel/convention center management team should jointly and aggressively market the center.
- The facility should offer competitive rental rates.
- Area hotels will cooperate in providing necessary room blocks.
- The budgets established for marketing Lancaster County (PDCVB) should be sufficient to provide aggressive and efficient marketing.

Based on the findings presented in this report, we have concluded that the prior estimates of utilization for the proposed Lancaster County Convention Center should continue to be used for long-term planning purposes. While current national economic conditions, threat of war, etc., may delay the year of stabilization beyond the three to five years often required, the long-term outlook for the destination continues to support demand. The following table illustrates the stabilized-year demand estimates.

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

The following is a summary of our findings related to the updated demand analysis:

- Although current national economic conditions have had a negative impact on the meetings, convention and trade show industry, the downturn is consistent with trends experienced during prior periods of economic uncertainty.
- Discussions with potential meeting planners suggest continued demand by a variety of events that would consider Lancaster County and the proposed convention center.
- The proposed Lancaster Convention Center should be marketed as an affordable alternative to Philadelphia or Pittsburgh for state events.
- The opening of the expanded David L. Lawrence Convention Center in Pittsburgh, coinciding with the current downturn in economic conditions and the related negative effect on the meetings industry could result in a situation where Pittsburgh and other markets throughout the region with new convention centers (Wildwood, Niagara Falls) could provide aggressive incentives to attract events that might otherwise consider Lancaster.
- If existing planned convention centers throughout Maryland, New York, Pennsylvania, and the rest of the region move forward with construction and opening, they will add potentially competitive supply of convention facilities. This will be particularly evident if those planned convention facilities are, similar to Lancaster, developed in conjunction with a high-quality hotel.
- In the short-term, and as Lancaster County and the new convention center develop a positive perception/reputation among meeting planners, the combination of the downturn in the industry and increase in competitive supply could result in a slow ramp-up to stabilization (greater than 5 years); however, the long-term outlook for Lancaster, particularly with the high-quality Marriott hotel, high-quality management, and aggressive and effective marketing support from the PDCVB suggests our prior convention center demand estimates (upon stabilization), are appropriate for planning purposes.