



Albany Capital Center
Economic and Fiscal Impact Update
Draft Report
Albany, NY
February 29, 2016



Agenda

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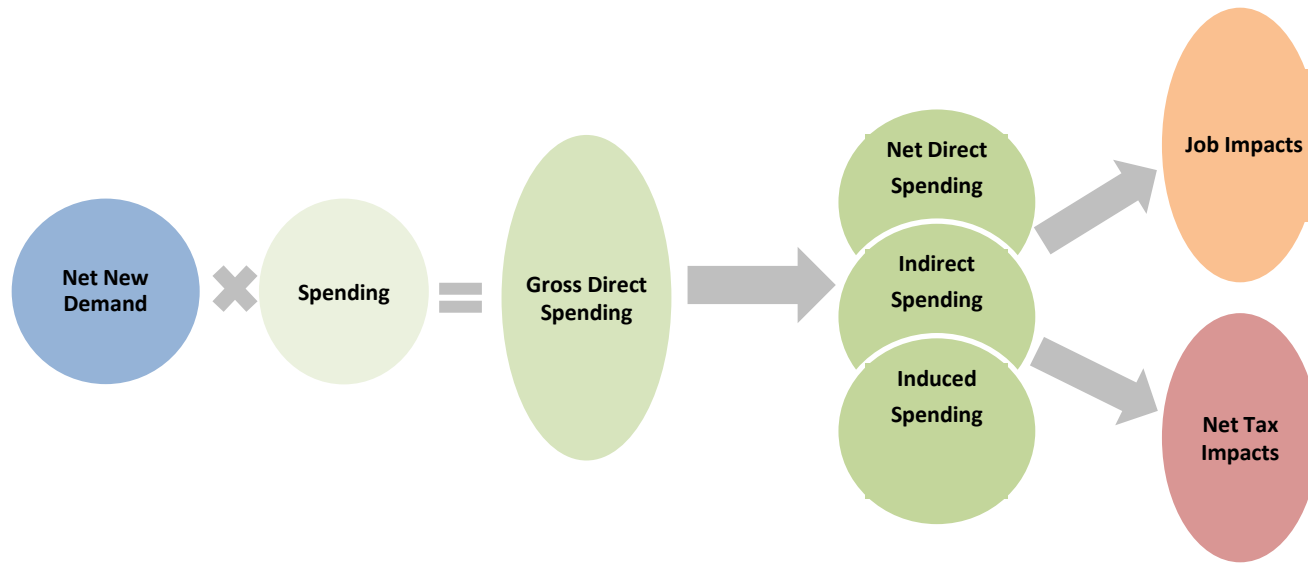
Introduction

- In 2013, the Albany Convention Center Authority engaged HVS in a convention center market study to analyze the development of the proposed Albany Capital Center (“ACC”). HVS’s prior report studied the existing Albany hotel market, lost business in the market, and national comparable venues to generate an operating pro forma. The pro forma served as the basis for economic and fiscal impact estimates.
- In this Economic and Fiscal Impact Update, HVS used an operating pro forma from SMG as a basis for economic and fiscal impact estimates.



***Worldwide Entertainment and
Conference Venue Management***

Economic and Fiscal Impact Analysis Overview



SMG Demand Projections

	2017	2018	2019	2020	2021
Events					
Conventions	6	11	16	17	18
Tradeshows	6	8	10	10	12
Consumer Shows	8	12	15	16	16
Assemblies	6	8	8	9	10
Banquets	24	30	30	32	33
Meetings	70	110	110	112	115
Special Events	9	10	12	12	13
Total	129	189	201	208	217
Average Attendance					
Conventions	750	750	750	750	750
Tradeshows	930	930	930	930	930
Consumer Shows	2,300	2,300	2,300	2,300	2,300
Assemblies	1,200	1,200	1,200	1,200	1,200
Banquets	400	400	400	400	400
Meetings	100	100	100	100	100
Special Events	1,000	1,000	1,000	1,000	1,000
Total Attendance					
Conventions	4,500	8,250	12,000	12,750	13,500
Tradeshows	5,580	7,440	9,300	9,300	11,160
Consumer Shows	18,400	27,600	34,500	36,800	36,800
Assemblies	7,200	9,600	9,600	10,800	12,000
Banquets	9,600	12,000	12,000	12,800	13,200
Meetings	7,000	11,000	11,000	11,200	11,500
Special Events	9,000	10,000	12,000	12,000	13,000
Total	61,280	85,890	100,400	105,650	111,160

Management expects the ACC to open in early 2017 and reach a stabilized level of demand in 2021.

Source: SMG

Room Night Projections

HVS estimated the average length of stay and percent lodgers for each type of event in SMG's projections.

Given these parameters, the figure below shows the expected number of induced room nights to the Albany market.

Type of Event	Expansion	
	Length of Stay	Percent Lodgers
Conventions	2.50	80%
Tradeshows	3.00	70%
Consumer Shows	4.00	5%
Assemblies	1.00	10%
Banquets	1.00	20%
Meetings	1.00	5%
Special Events	1.00	10%

ROOM NIGHT PROJECTIONS

Type	2017	2018	2019	2020	2021
Conventions	7,200	13,200	19,200	20,400	21,600
Tradeshows	9,370	12,500	15,620	15,620	18,750
Consumer Shows	2,940	4,420	5,520	5,890	5,890
Assemblies	290	380	380	430	480
Banquets	670	840	840	900	920
Meetings	280	440	440	450	460
Special Events	720	800	960	960	1,040
Total	21,470	32,580	42,960	44,650	49,140

SMG Operating Pro Forma

In Thousands	2017	2018	2019	2020	2021
DEPARTMENTAL REVENUE					
Facility Rental	\$219	\$345	\$449	\$473	\$500
Event Services (Gross)	113	177	230	242	256
Food & Beverage (Gross)	950	1,353	1,484	1,596	1,700
Parking (Gross)	67	98	113	118	124
Total	\$1,348	\$1,972	\$2,276	\$2,428	\$2,580
OPERATING EXPENSES					
Food & Beverage Costs	\$741	\$1,055	\$1,128	\$1,197	\$1,275
Event Services Costs	56	89	115	121	128
Parking Costs	20	29	34	35	37
Total	\$817	\$1,173	\$1,277	\$1,353	\$1,440
OPERATING INCOME (LOSS)	\$531	\$800	\$999	\$1,075	\$1,140
NON-OPERATING REVENUE					
Advertising/Sponsorship	\$25	\$26	\$27	\$27	\$28
Other Miscellaneous	12	14	15	15	16
Total	\$37	\$40	\$41	\$43	\$44
INDIRECT EXPENSE					
Labor Costs	\$1,113	\$1,141	\$1,169	\$1,199	\$1,229
Administrative & General	116	119	122	122	126
Marketing & Sales	150	154	158	162	166
Contractual Services	50	51	53	54	55
Utilities	210	215	221	226	232
Repair & Maintenance	62	64	65	67	68
Supplies & Equipment	45	46	47	48	50
Insurance	22	28	31	33	34
Total	\$1,768	\$1,818	\$1,866	\$1,911	\$1,959
TOTAL NET INCOME (LOSS)	(\$1,200)	(\$978)	(\$825)	(\$793)	(\$776)

Source: SMG

Visitor Assumptions

Only visitors from outside the respective geographic areas would bring new income to their area economies. We estimated the percentage of out-of-area visitation for each event type and each geographic area.

HVS calculates economic spending through four types of new visitors:

- Overnight attendees
- Day-trip attendees
- Exhibitors
- Event organizers

% NEW TO MARKET

Geographic Area/Visitor Type	Overnight Guests	Day Trips	Exhibitor/ Organizer Attendees
City of Albany			
Conventions	75%	75%	80%
Tradeshows	75%	75%	80%
Consumer Shows	15%	15%	80%
Assemblies	15%	15%	0%
Banquets	0%	0%	0%
Meetings	0%	0%	0%
Special Events	15%	15%	0%
Albany County			
Conventions	77%	60%	80%
Tradeshows	77%	60%	80%
Consumer Shows	15%	10%	80%
Assemblies	15%	10%	0%
Banquets	0%	0%	0%
Meetings	0%	0%	0%
Special Events	15%	10%	0%
State of New York			
Conventions	20%	10%	20%
Tradeshows	20%	10%	20%
Consumer Shows	2%	2%	20%
Assemblies	2%	2%	0%
Banquets	0%	0%	0%
Meetings	0%	0%	0%
Special Events	2%	2%	0%

Gross Direct Spending

The figure below shows the estimated spending per visitor type and the number of visitors that yield total gross direct spending.

City of Albany					
Direct overnight visitor spending	=	39,200	overnight visitors	x	\$276.28 = \$10.8 M
Direct day trip spending	=	45,800	daytrip visitors	x	\$113.18 = \$5.2
Exhibitor Spending	=	171,500	attendees	x	\$52.14 = \$8.9
Organizer Spending	=	171,500	attendees	x	\$3.42 = \$0.6
					Facility Revenue = \$2.2
					Total Gross Direct Spending = \$27.7 M
Albany County					
Direct overnight visitor spending	=	40,200	overnight visitors	x	\$276.28 = \$11.1 M
Direct day trip spending	=	33,200	daytrip visitors	x	\$113.18 = \$3.8
Exhibitor Spending	=	171,600	attendees	x	\$52.14 = \$8.9
Organizer Spending	=	171,600	attendees	x	\$3.42 = \$0.6
					Facility Revenue = \$2.1
					Total Gross Direct Spending = \$26.5 M
State of New York					
Direct overnight visitor spending	=	10,300	overnight visitors	x	\$276.28 = \$2.8 M
Direct day trip spending	=	6,100	daytrip visitors	x	\$113.18 = \$0.7
Exhibitor Spending	=	42,900	attendees	x	\$52.14 = \$2.2
Organizer Spending	=	42,900	attendees	x	\$3.42 = \$0.1
					Facility Revenue = \$0.5
					Total Gross Direct Spending = \$6.4 M

*For the stabilized year of 2021 and stated in 2016 dollars.

**The totals for each geographic area do not aggregate.

Sources: DMAI, CITI, STR, and HVS

Economic Impact

The parameters of new visitation and the gross direct spending per visitor form the basis of spending for IMPLAN's input-output model. The figure below shows the total amount of direct, indirect, and induced spending for each geographic area in a stabilized year. HVS calculated the number of full-time equivalent jobs that would form as a result of the ACC.

ECONOMIC IMPACT IN A STABILIZED YEAR

	Spending (in millions)	Jobs
City of Albany		
Direct	\$24.2	140
Indirect	5.3	30
Induced	4.5	20
Total	\$34.0	190
Albany County		
Direct	\$24.1	140
Indirect	5.6	30
Induced	6.5	30
Total	\$36.2	200
State of New York		
Direct	\$5.7	30
Indirect	1.4	10
Induced	2.3	10
Total	\$9.4	50

Tax Summary (for a stabilized year)

The economic impact generates a fiscal impact through the City of Albany, Albany County, and the State of New York. The figures below describe the taxes HVS used in its fiscal impact analysis.

ACCA

Tax	Total Rate	ACCA Share	Effective Rate	Base
Hotel Occupancy Tax	6%	50%	3%	taxable room rentals

ALBANY COUNTY

Tax	Total Rate	County Share	Effective Rate	Base
Sales & Use Tax	4%		4%	taxable sales
Hotel Occupancy Tax	6%	33.33%	2%	taxable room rentals
Motor Fuel Excise Tax	4%		4%	motor fuel produced in or imported to NY

STATE OF NEW YORK

Tax	Total Rate	State Share	Effective Rate	Base
Sales & Use Tax	4%		4%	taxable sales
Personal Income Tax	4% - 8.82%		4% - 8.82%	personal income
Motor Fuel Excise Tax	0.17 per gallon		0.17 per gallon	motor fuel produced in or imported to NY
Auto Rental Tax	5%		5%	passenger car rentals

Incremental Fiscal Impact (for a stabilized year)

ACCA

Tax Category	Tax Base	Effective Tax Rate	Estimated Tax Revenue
Hotel Occupancy Tax	\$5,810,000	3.00%	\$174,000
			<u>\$174,000</u>

ALBANY COUNTY

Tax Category	Tax Base	Effective Tax Rate	Estimated Tax Revenue
Local Sales & Use Tax	\$23,983,000	4.00%	\$959,000
Auto Fuel	\$31,000	4.00%	1,000
Hotel Occupancy Tax	\$5,944,000	2.00%	119,000
			<u>\$1,079,000</u>

STATE OF NEW YORK

Tax Category	Tax Base	Effective Tax Rate	Estimated Tax Revenue
Sales & Use Tax	\$5,940,000	4.00%	\$238,000
Auto Fuel	\$6,000	8.30%	1,000
Auto Rental	\$138,000	5.00%	7,000
Payroll Taxes	\$4,087,000	4.00%	163,000
			<u>\$409,000</u>

Sources: IMPLAN and HVS

Statement of Assumptions and Limiting Conditions

1. This report is to be used in whole and not in part.
2. No responsibility is assumed for matters of a legal nature.
3. We have not considered the presence of potentially hazardous materials on the proposed site, such as asbestos, urea formaldehyde foam insulation, PCBs, any form of toxic waste, polychlorinated biphenyls, pesticides, or lead-based paints.
4. All information, financial operating statements, estimates, and opinions obtained from parties not employed by HVS are assumed to be true and correct. We can assume no liability resulting from misinformation.
5. Unless noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the proposed subject property.
6. We are not required to give testimony or attendance in court by reason of this analysis without previous arrangements, and only when our standard per-diem fees and travel costs are paid prior to the appearance.
7. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material presented in this report, it is recommended that the reader contact us.
8. We take no responsibility for any events or circumstances that take place subsequent to the date of our report.
9. We do not warrant that our estimates will be attained, but they have been developed on the basis of information obtained during the course of our market research and are intended to reflect reasonable expectations.
10. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers have been rounded. Thus, these figures may be subject to small rounding errors.
11. It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the client, and use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.
12. Although this analysis employs various mathematical calculations, the final estimates are subjective and may be influenced by our experience and other factors not specifically set forth in this report.
13. This report was prepared by HVS Convention, Sports & Entertainment Facilities Consulting. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of this organization, as employees, rather than as individuals.
14. This report is set forth as a market study of the proposed subject facility; this is not an appraisal report.

Certifications

The undersigned hereby certify that, to the best of our knowledge and belief:

1. the statements of fact presented in this report are true and correct;
2. the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
3. we have no (or the specified) present or prospective interest in the proposed property that is the subject of this report and no (or the specified) personal interest with respect to the parties involved;
4. our engagement in this assignment was not contingent upon developing or reporting predetermined results;
5. our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal; and
6. our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

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