



MARKET FEASIBILITY STUDY
FOR THE PHOENIX CONVENTION
CENTER AND SURROUNDING
HOSPITALITY ASSETS

PHOENIX CONVENTION CENTER

January 21, 2020





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Mr. John Chan
Director
Phoenix Convention Center and Venues
100 North Third Street
Phoenix, Arizona 85004

Dear Mr. Chan:

Conventions, Sports & Leisure International (CSL) has completed a Futures Study for the Phoenix Convention Center and Surrounding Hospitality Assets. The Study provides recommendations designed to maintain and enhance Phoenix Convention Center (PCC) market capture through near and long-term space and site planning, hotel development, and destination enhancement.

The attached report focuses on demand, site planning, program and other issues surrounding the PCC and supporting industry, and is designed to guide long term planning for future PCC, hotel and other hospitality investment. A summary of research results is also presented as an attachment to this Report.

We sincerely appreciate the assistance and cooperation we have been provided in the completion of this report and would be pleased to be of further assistance in the interpretation and application of our findings.

Very truly yours,

CSL International

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1.0 Introduction and Industry Background

Conventions, Sports & Leisure International (CSL) has completed a Futures Study for the Phoenix Convention Industry. The Study provides recommendations that will assist community leaders plan for future investment in the industry, develop a balance of future uses of the South Building site, and to identify the hotel and other district planning direction important for competing in the convention industry.

This study process consisted of detailed research and analysis, generating a comprehensive set of market-specific information derived from the following:

- 1,000 convention, conference and event facility projects throughout North America
- Local market visits, including community and site tours. The on-site presence provided for a firsthand assessment of the PCC campus and site area strengths and weaknesses.
- In person and telephone interviews with Phoenix stakeholders, including PCC management, Visit Phoenix, elected officials and city management, economic development professionals, hoteliers and other local visitor industry stakeholders.
- Research and analysis of local market conditions, including hotel statistics, corporate base, air access, attractions and other destination conditions.
- Analysis of competitive/regional and comparable facility markets.
- Surveys of past and lost PCC event customers.
- Survey of 100 national association and corporate meeting planners.

This research forms a base for evaluating potential future development scenarios for growing the Phoenix convention market sector.

1.1 The Phoenix Convention Industry

The origins of the convention industry in Phoenix essentially began in 1972 with the opening of the Phoenix Civic Plaza and Symphony Hall. In 1985, an expansion of the Civic Plaza was completed. At the time, the Civic Plaza represented a venue type common to the period, sometimes referred to as “boxes with docks”.

In the 1990’s and 2000’s, the need for more meeting and ballroom space became prevalent with the blending of tradeshow with more meeting intensive conventions. The Phase I and Phase II development of convention space in Phoenix, opening in 2006 and 2008 respectively, represented a dramatic response to these trends, placing Phoenix at the forefront of the industry in terms of convention center product.

As event attendee and planner preferences continued to evolve, cities broadened their focus on the development of headquarter hotel inventory, and the concept of a convention and visitor “district” became more important. The 2008 opening of the Sheraton Downtown Phoenix reflected these trends.

Today, all the elements of the past convention center concept are still very relevant – event planners need quality exhibit, meeting and ballroom space, as well as convenient hotel inventory and nearby entertainment amenities. Looking forward, new elements related to the convention industry are now becoming important, including technology supported augmented/virtual reality capabilities, more flexible event spaces, open space learning/networking spaces throughout the venue, and unique outdoor spaces.

A more in-depth overview of convention and hospitality industry trends is presented in Appendix A to this briefing.

1.2 Phoenix Convention Center Impacts

Investment in the convention industry, particularly one as significant as the development of the North and West Buildings of the PCC, can generate significant impact in terms of new event activity, room nights, economic output, jobs, tax revenues and profits for the visitor industry and the overall economy.

To help assess these types of impacts, the Arizona Auditor General commissions a study each year that measures actual PCC impact relative to impacts that would have been generated assuming the Center had not been built (No Expansion scenario). Based on the most recent version of this study (conducted by HVS), the event, attendance and room night impacts presented in the adjacent exhibit were calculated. These estimates reflect the net improvement in events, attendance and room nights resulting from the PCC investment.

As noted in the adjacent exhibit, over the ten years since the opening of the PCC expansion, Phoenix has benefitted from 422 Qualified Events (regional and national conventions and tradeshows) that would not have been held without the PCC expansion. These events have in turn generated 1.9 million net new attendees to Phoenix, accounting for just over 5.0 million room nights.

Based on the HVS study, the total economic output generated in the State of Arizona by the PCC in 2018

**Positive Event, Attendance & Room Night Impacts
Phoenix Convention Center**

	No Expansion	Actual	Change
Qualified Events			
2009	31	69	38
2010	27	62	35
2011	25	52	27
2012	27	61	34
2013	19	42	23
2014	19	65	46
2015	19	65	46
2016	19	67	48
2017	19	67	48
2018	0	77	77
Total	205	627	422
Attendance			
2009	62,000	310,000	248,000
2010	46,000	229,000	183,000
2011	42,000	211,000	169,000
2012	33,000	165,000	132,000
2013	24,000	118,000	94,000
2014	24,000	199,000	175,000
2015	24,000	248,000	224,000
2016	24,000	211,000	187,000
2017	24,000	240,000	216,000
2018	24,000	295,000	271,000
Total	327,000	2,226,000	1,899,000
Room Nights			
2009	252,000	826,000	574,000
2010	185,000	643,000	458,000
2011	171,000	601,000	430,000
2012	132,000	523,000	391,000
2013	96,000	368,000	272,000
2014	96,000	604,000	508,000
2015	96,000	694,000	598,000
2016	96,000	647,000	551,000
2017	96,000	674,000	578,000
2018	96,000	785,000	689,000
Total	1,316,000	6,365,000	5,049,000

reached an all time high at \$571 million, or 28 percent higher than the output generated in 2017. The tax revenue generated for the State by the PCC in 2018 reached \$23.5 million, higher than any other year of PCC operations.

Like other communities nationally, Phoenix has significantly benefitted from visitor-generated economic activity that would otherwise not have been created but for the long-term investments made in its convention industry assets.

In fact, unlike venues that attract local residents, investment in the convention industry can create net new economic activity, support businesses within and beyond the visitor sector, create important new employment opportunities, bolster net new local tax revenues thereby reducing the tax burden on residents, and improve quality of life aspects within the community.

1.3 Setting a Stage for the Future

We know that the “state-of-the-industry” in terms of space, aesthetics, amenities and functionality of convention center facilities is continuing to evolve year-over-year in cities throughout the country. Sufficient headquarter hotel inventory and convention district walkability are critical to a successful destination. Event planners increasingly prefer, and oftentimes demand, trend-forward amenities focused on new technology, hall flexibility, open space learning, outdoor functionality and other features.

As investment in the convention and supporting hospitality industry takes place nationally, there are also fundamental real estate conditions that have to be considered. While we can identify the future space needs, amenities, hotel and entertainment, and trend-forward investment that will be needed, success of these investments requires a site area that is contiguous/connected to the existing PCC.

A focus of this Phoenix Convention Industry Futures Study is to identify both the types of investments that should be planned for, as well as the contiguous/connected space needs required for these investments to be successful.

2.0 Hotel Availability and Implications on Phoenix Market Capture

The availability of guest rooms to serve the requirements of the convention industry is a critical factor in the success of a convention center. Even with sufficient convention center space, market capture in the convention industry cannot extend beyond the availability of convention quality, committable hotel inventory in the area near a center.

To assess the suitability of existing hotel inventory supporting the PCC, we have analyzed the number of periods of at least four consecutive days between 2016 to 2018 during which there were at least 1,500 available hotel rooms in the downtown area (the average event days for convention events held at the PCC was approximately 3.8 in

2018). In 2016, there were 15 such periods, largely between July and December. In 2017, there were 10 four-day periods of 1,500 rooms, with 15 in 2018.

These available room-block periods represent potential for adding new non-local events at the PCC. However, in order to realistically assess new event potential, we have made adjustments to reflect holidays and periods during which it can be challenging to attract large non-local events due to seasonality conditions specific to Phoenix. These data are reflected in the following chart.

**Available Room Blocks of at Least 1,500 Rooms
Downtown Hotels – 2016 to 2018**

# of 4-day 1,500-room blocks in DT Phoenix by Year			
	2016	2017	2018
Total 4-day Blocks	15	10	15
(Less Holidays)	(5)	(5)	(5)
(Less Off-Season*)	(8)	(4)	(5)
Prime Available Blocks	2	1	5

* Off-season defined as July to September.

Source: STR

As previously noted, there were 15 four-day periods in 2016 with at least 1,500 hotel rooms available downtown. However, five of these took place over various holidays, and an additional eight were held during the July to September period, defined as the off-season. While Visit Phoenix aggressively targets events occurring during the off-season and other need periods, there were still only two blocks of prime dates during which at least 1,500 rooms were available in 2016.

Using a similar approach, there was one 4-day block of 1,500 available downtown hotel rooms during desirable months in 2017, and five in 2018. Of note, there were no four-day periods during which at least 2,500 downtown hotel rooms were available in any of the years reviewed. These data suggest that it will be difficult to significantly increase city-wide convention and other large event activity without expanding the existing downtown area convention quality hotel inventory proximate to the PCC.

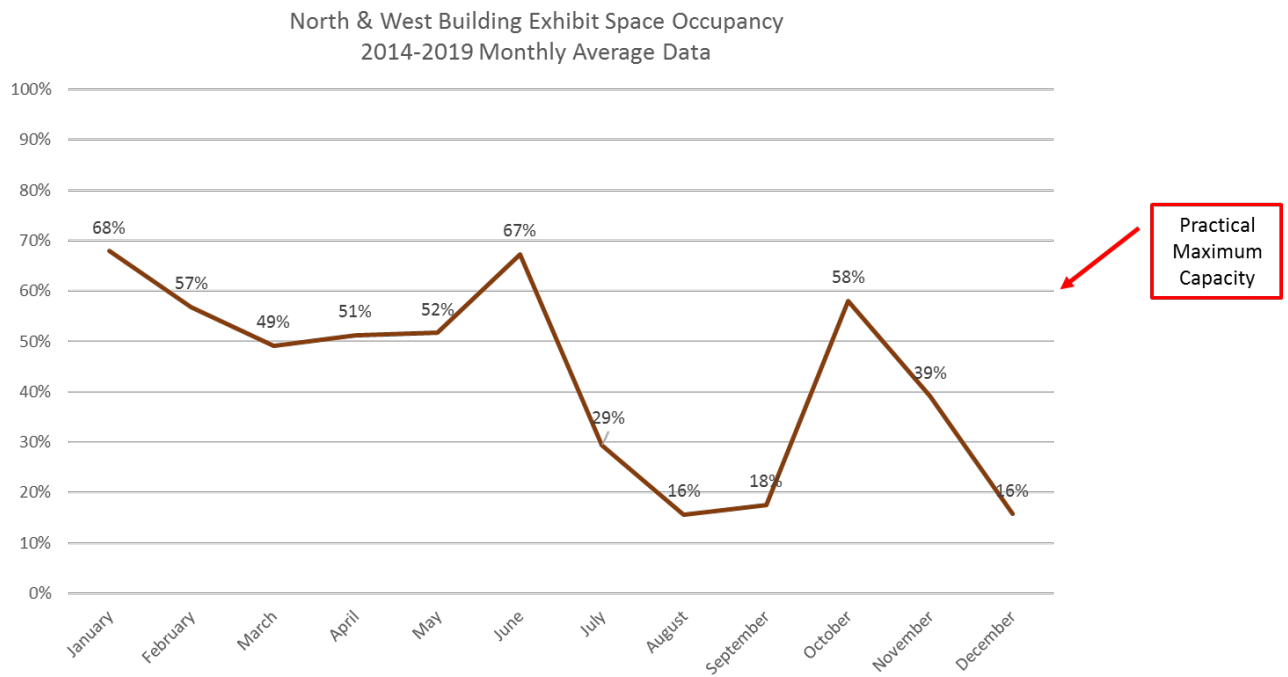
3.0 Historical PCC Operations Assessment

The convention and tradeshow event levels at the PCC have remained fairly steady during the period 2014 to 2019, averaging approximately 78 events. This consistency suggests that there are limiting factors, likely hotel and seasonality issues, to the ability to increase non-local event activity.

The optimal range for exhibit space occupancy for the convention industry is between 50 percent and 70 percent. Occupancy levels nearing or above 70 percent suggest that a venue may be losing significant market share due to lack of space.

Combined upper and lower level exhibit space occupancy levels at the PCC’s North and West Buildings have averaged approximately 44.9 percent over the past six years, never exceeding 49.6 percent. Average annual occupancy for the upper hall has ranged between 49 percent and 55 percent over the past three years, compared to a consistent 40 percent occupancy for the lower hall.

Annual occupancy levels are significantly impacted by a lack of convention quality hotel inventory near the PCC, and seasonality patterns that result in very low occupancy during the July to September period. A summary of PCC exhibit space seasonality patterns over the past six years is presented in the following exhibit.



Source: PCC, CSL International

As noted above, average monthly PCC occupancy peaks at 68 percent in January, 67 percent in June and 58 percent in October, and is generally consistent in the February to May period. Expected occupancy drops take place during the summer months due to high temperatures, and in December due to the holiday season and limited event activity nationally during the month. As previously noted, PCC and Visit Phoenix management will continue to aggressively target event opportunities during the summer need periods to help increase PCC occupancy.

Overall PCC occupancy data suggest that an expansion of PCC exhibit space should be considered more of a longer term priority, likely after additional headquarter hotel inventory adjacent to the PCC is developed.

4.0 Comparable and Competitive Facility Analysis

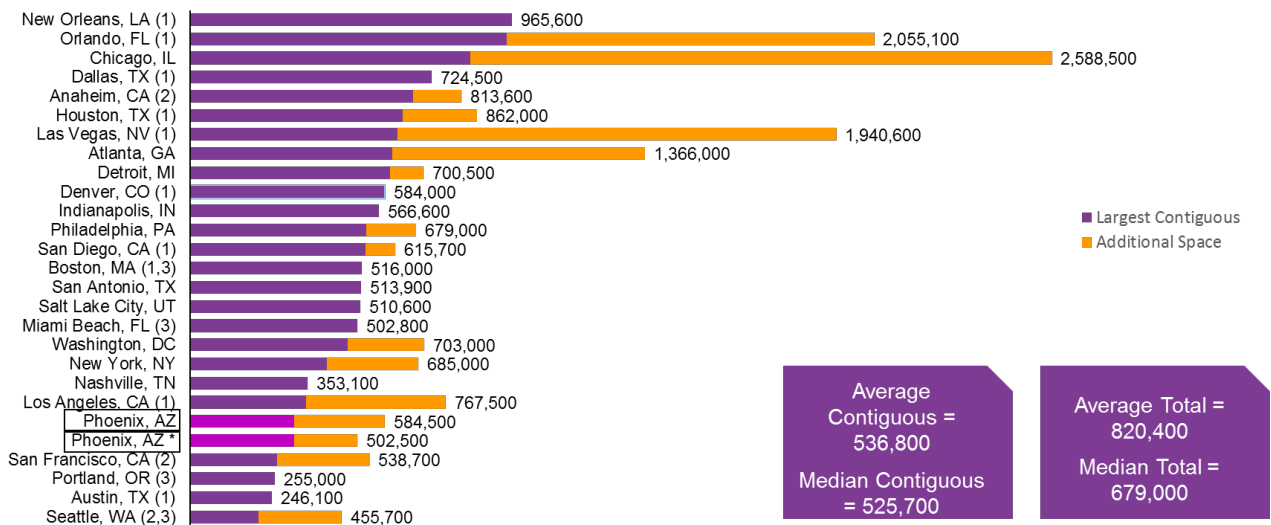
We have prepared a comparison of PCC space and supporting assets with 26 major market North American convention centers. We have also developed more focused comparisons with selected centers that can be considered most comparable to or competitive with the PCC.

It is important to note that several markets are considering expansion and/or improvement to their convention product, including New Orleans, Orlando, Dallas, Denver, San Diego, Boston, Los Angeles and Austin. Seattle is underway with a \$1.5 billion convention facility development. Investment in competitive venues will include both space and amenity additions that are designed to address emerging industry trends. New headquarter hotel development is planned or underway in Boston, Miami Beach, Portland and Seattle.

4.1 PCC Space

As shown in the following exhibit, the 312,500 square feet of contiguous exhibit space at the PCC ranks 22nd among the 26 major market North American convention centers reviewed as part of this analysis. The 502,500 square feet of total exhibit space (excluding the South Building) also ranks 22nd among the comparable and competitive venue set.

Competitive and Comparable Convention Centers Contiguous and Total Exhibit Space



1 - Currently planning convention center/hotel expansion.

2 - Figure includes space that is planned, under construction, or recently constructed.

3 - Planning/constructing a new headquarter hotel property.

Source: facility management, 2019.

* - Denotes Phoenix Convention Center totals without the inclusion of square footage in the South Building.

The ratio of meeting to exhibit space at the PCC ranks 5th among the 26 venues reviewed, with the ballroom to exhibit space ratio ranking 7th. These data highlight a relatively high level of PCC meeting/ballroom space, and represent a competitive strength of the PCC in an industry with increasing demand for meeting and ballroom space.

4.2 Hotel Inventory

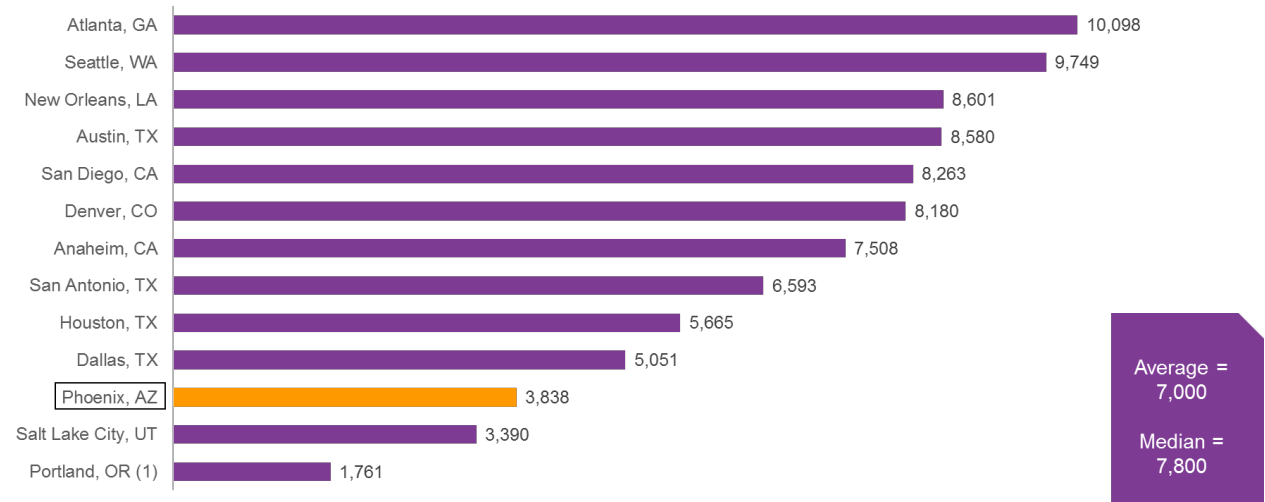
We have conducted a more tailored analysis focusing on the hotel inventory and destination amenities in the competitive and comparable markets of Anaheim, San Diego, Houston, Atlanta, New Orleans, Seattle, Austin, Denver, Dallas, Salt Lake City and Portland.

Event planners prefer destinations that can offer a large block of hotel rooms near a convention center, in as few properties as possible. Offering large, headquarter-type properties (500 to 1000+ hotel rooms) near a center is therefore important to accommodating event planner needs.

In reviewing this analysis, it is important to make the distinction between total rooms and committable rooms. The share of room inventory that hotel management is willing to commit to securing a room block for an event is termed “committable” rooms.

When considering Phoenix headquarter hotels and total hotel rooms adjacent to a center, the 2,225 combined total rooms in the Sheraton, Hyatt and Renaissance rank 5th among the 13 markets considered. However, as noted in the following exhibit, the 3,838 total rooms within one-half mile of the PCC ranks 11th.

Summary of Hotel Inventory Proximate (within one-half mile) to Comparable Convention Centers



1 – Figure includes incoming headquarter hotel property that is either planned or under construction. Source: facility management, 2019.

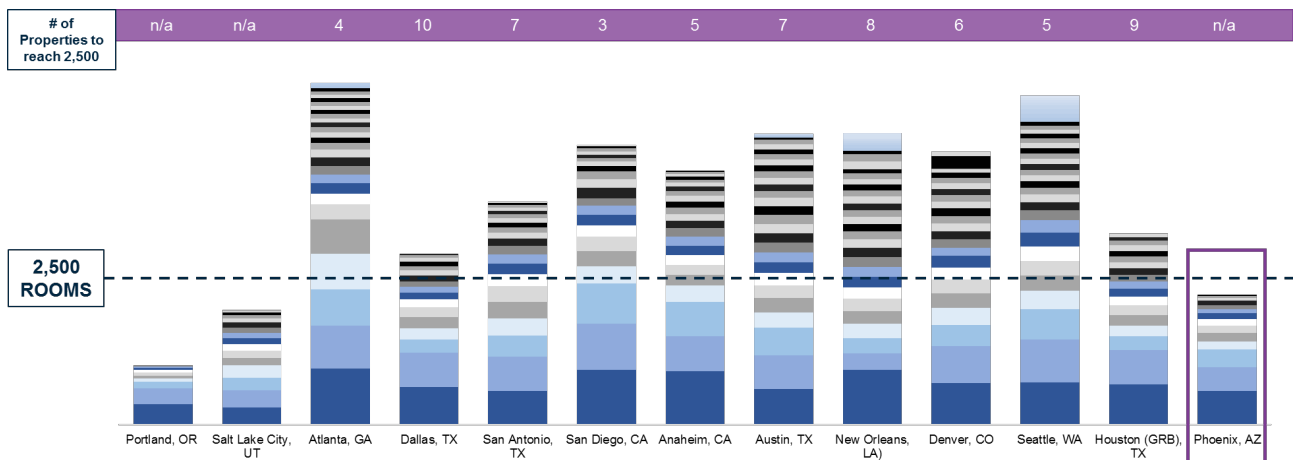
These data again suggest that the ability to assemble a room block for large non-local conventions and tradeshow in Phoenix is challenging. Combined with the general lack

of availability of downtown hotel rooms as defined earlier in this summary, the hotel inventory in Phoenix within close proximity of the PCC should be considered a competitive disadvantage.

We have also developed an analysis of hotel properties needed to assemble a hotel room block of 2,500 room within reviewed markets. This level of room commitment is beyond the capacity of the existing downtown Phoenix hotel inventory where, given the willingness of management to commit hotel rooms to event room blocks, current blocks are typically closer to 1,200 rooms. However, it represents an aspirational target for attracting larger, high-impact conventions and tradeshow.

The analysis also assumes that 60 percent of room inventory would be committed to a room block. In practice, the committability percentage will vary by market, however the 60 percent assumptions allows for a consistent comparison among markets reviewed.

Summary of Hotel Properties Required to Assemble a Room Block

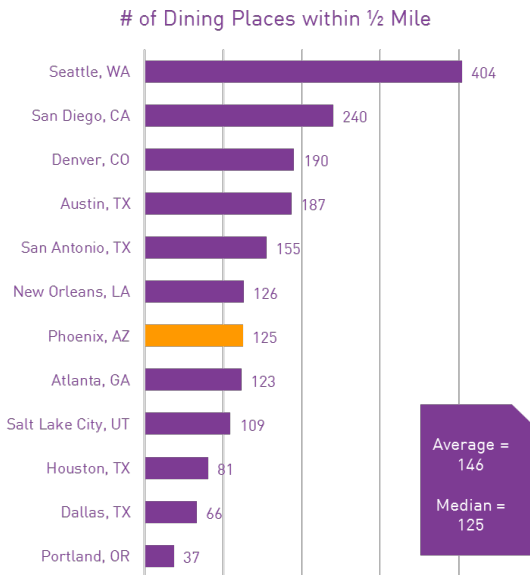


Note: 60% committability rate assumed for each market's 1/2-mile hotel inventory. Source: DMO's, 2019.

As noted above, 2,500 committable rooms can be assembled in most markets, using between three and ten properties. Three markets, including Phoenix, do not have sufficiently large committable hotel inventory within one-half mile of the convention center to assemble a 2,500 room block. According to Visit Phoenix, the Cambria recently opened with 127 rooms, and the AC Hotel is projected to open in 2021 with 199 rooms. Several other hotels are in the planning or final planning stages with potential opening in 2021 or 2022. However, all properties either under construction or planned for opening by 2022 will offer less than 200 rooms.

While adding to overall inventory, these smaller, typically limited service properties are not a prominent component of non-local event room blocks, with planners preferring large convention/group oriented properties located in the vicinity of a convention center.

The hotel inventory analysis summarized above clearly indicates a negative effect on the ability to attract large non-local events to the PCC, and helps explain the PCC occupancy patterns over the analysis period reviewed.



Source: Esri, 2019.

4.3 Hospitality Amenities

We have also reviewed the number of dining establishments within one-half mile of convention centers in the 13 markets reviewed, as summarized in the following exhibit.

The 125 restaurants within one-half mile of the PCC ranks 6th, below the average of 146, as summarized in the following exhibit. In addition, the inventory and density of adjacent or very nearby restaurants to the PCC is somewhat less than desired.

These data demonstrate that creating a highly desirable convention destination will require not just PCC and headquarter hotel

investment, but a strategy, building on existing efforts to grow a critical mass of walkable restaurant, retail and hospitality density, within close proximity of the PCC.

4.4 Convention Center Expansion Real Estate Considerations

We have reviewed the expansion location and configuration for eight completed and planned major market convention center projects. This review is intended to evaluate the relative importance of expansion locations within challenging urban environments. Markets reviewed are San Antonio, Seattle, Anaheim, Denver, Indianapolis, Boston, Austin and San Diego. Detail for each of these projects is presented in Appendix B.

In almost all cases reviewed, major expansion of convention center space takes place on sites that are adjacent/connected to the existing venue. In many cases including Denver and Boston, long term planning taking place at the initiation of the original building construction envisioned a future contiguous expansion, with earmarked land protected until needed.

We also note that projects in Boston, Austin and Seattle allowed for some element of commercial development on/adjacent to the expansion site. In markets such as San Antonio, Anaheim and Indianapolis, existing structures on the expansion site were demolished, creating a higher overall project cost. These costs were deemed important to incur in order to ensure contiguous and/or adjacent expansions.

Based on our review of these and other convention center projects, the need for contiguous and/or adjacent parcels to accommodate convention center expansions is very consistent in the industry nationally. Locating convention center expansion components outside an adjacent footprint is perceived by event planners as non-competitive for large events.

5.0 Convention Industry Trends

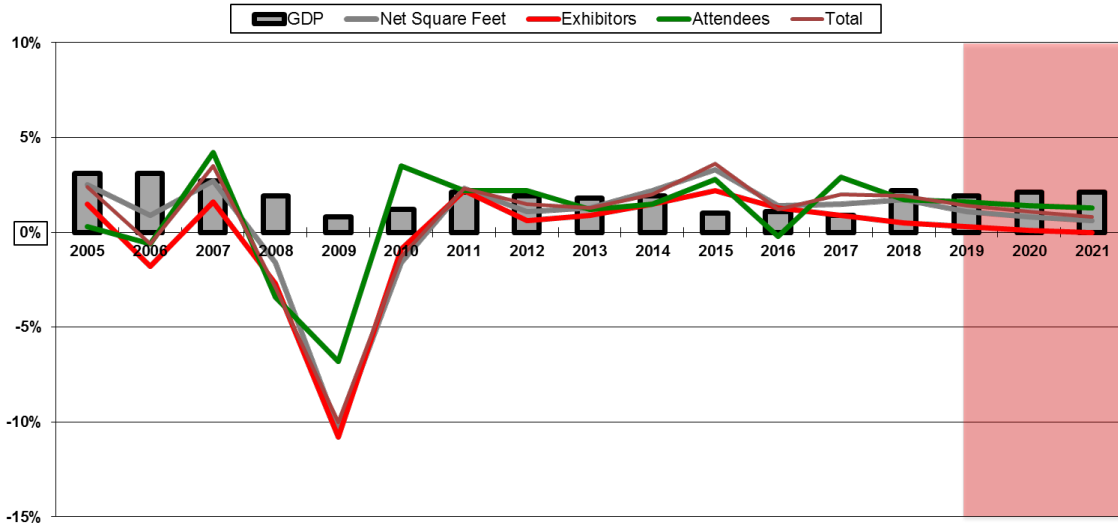
A summary of broad industry demand trends helps to address an important question in the industry – is investment, any investment, in the convention industry worthwhile, or is the industry becoming obsolete – giving way to virtual meetings, teleconferences and other advances. Establishing the longer term relevance of the industry is an important precursor to suggesting any material investment in assets designed to gain market share.

Nearly all indicators suggest that the national economy is continuing a pattern of modest growth. A large collection of data suggests that the health of the convention, tradeshow and meetings industry, like nearly all industries, has historically been and is currently linked to the strength and fluctuations of the overall U.S. economy. This “linkage” is a fundamental premise of any analysis of future convention and tradeshow industry performance.

The Center for Exhibition Industry Research (CEIR) is a nonprofit organization whose mission is to advance the growth, awareness and value of exhibitions in the United States. The annual CEIR Index Report is developed to provide an objective measure of the annual performance of the exhibition industry focusing on square footage, exhibiting companies, attendees and gross industry revenue. We have prepared a summary of CEIR produced historical and projected performance metrics as compared to growth in U.S. Gross Domestic Product (GDP) for the 15-year period spanning 2005 through 2019, as presented in the exhibit on the following page.

As shown, convention industry conditions for 2019 show continued modest growth, along with projected GDP growth of 2.3 percent in 2019 (based on data from The Conference Board). Given the close parallels between GDP changes and changes in various measures of the convention industry, we expect future industry growth to continue to mirror the overall health of the economy.

Convention & Tradeshow Industry Growth – Comparison to U.S. GDP

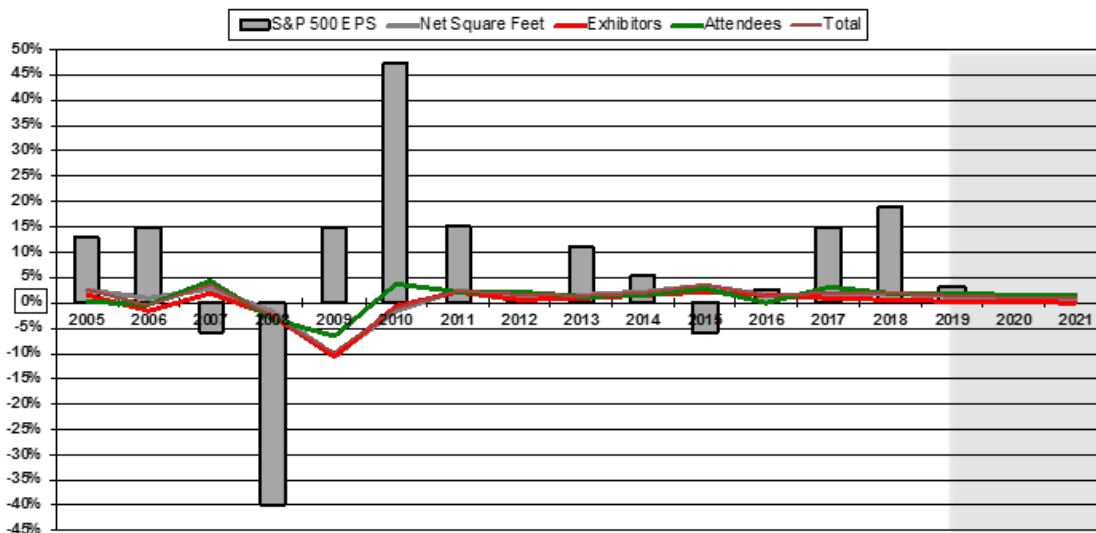


Note: 2014 is the base year and is assigned a value of 100. Years 2019 – 2021 are forecasted data
 Source: Center for Exhibition Industry Research (CEIR).

Forecast →

We have also analyzed linkages between convention and tradeshow industry demand and the overall health of the corporate sector, measured in terms of S&P 500 earnings per share. Our analysis summarizes convention industry and S&P 500 earnings per share annual growth percentages (or declines) for the past 15 years, in addition to projected data for future years. A significant decline in S&P 500 earnings per share data in 2008 foreshadowed a significant yet more modest decline in various convention industry measures in 2009. There has been a link between convention industry and overall corporate earnings growth since 2011.

Convention & Tradeshow Industry Growth – Comparison to S&P 500 Earnings per Share



Note: 2014 is the base year and is assigned a value of 100. Years 2019 – 2021 are forecasted data
 Source: Center for Exhibition Industry Research (CEIR).

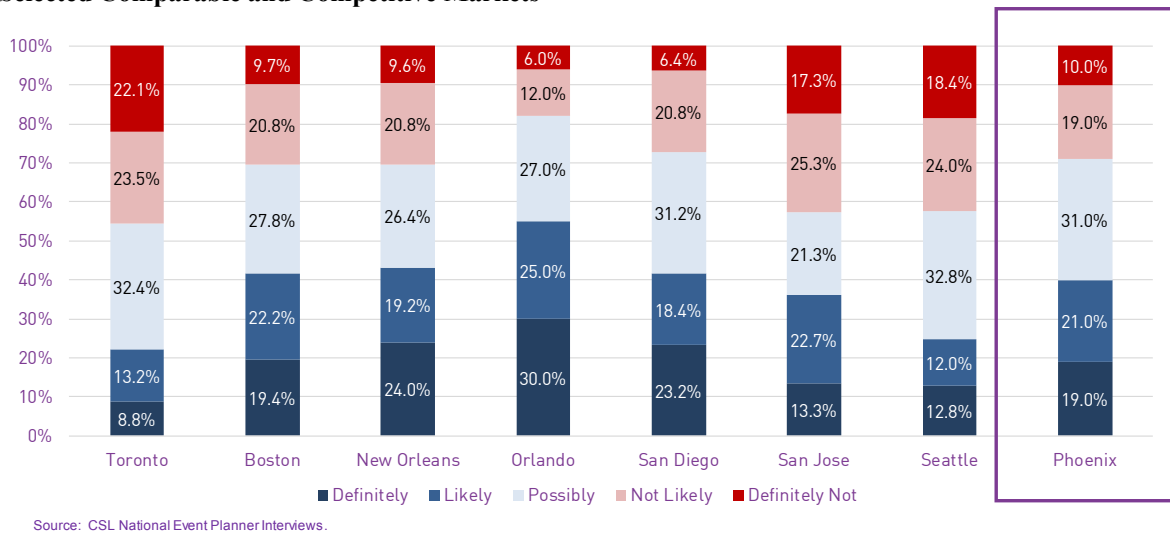
Forecast →

These data highlight the steady, modest growth pattern within the convention and tradeshow industry, and the parallels between the convention/tradeshow industry and the overall economy.

6.0 Market Demand Research

We have conducted telephone interviews with 100 planners of national conventions and tradeshows to help assess market demand for convention space in Phoenix, facility space needs, hotel requirements, seasonality patterns and related factors. The following exhibit presents the percentage of planners surveyed that would definitely, likely, possibly, not likely and definitely not book an event in Phoenix. In addition, the exhibit shows a comparison of the Phoenix survey results to similar research we have conducted for other selected North American markets.

Summary of Positive Response Rates – Selected Comparable and Competitive Markets



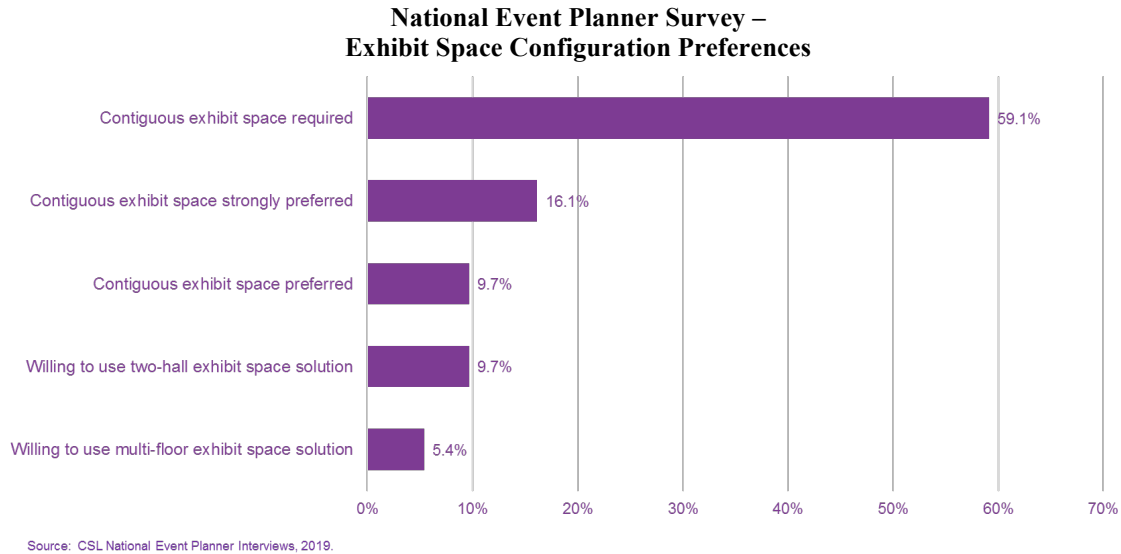
As highlighted at the right side of the exhibit, 19 percent of national event planners surveyed would definitely book Phoenix for an event. An additional 21 percent would likely and 31 percent possibly book Phoenix.

The combined 71 percent positive response rate compares similarly to past CSL survey results in markets such as San Diego, New Orleans and Boston, and somewhat ahead of Seattle, Toronto and San Jose. These results indicate a relatively strong opportunity to maintain and potentially increase market capture, and increase overall PCC occupancy over time provided hotel and other limitations in the market are addressed.

Primary reasons for not considering Phoenix as an event destination focused on lack of association members and potential event attendees in the area, geographical rotational

issues, limitations of large hotels and committable room blocks, and temperature conditions during the summer months.

We also asked planners to provide their views on various exhibit space configurations, ranging between fully contiguous and multi-floor exhibit space. Results are summarized in the following exhibit.



A majority of event planners surveyed (59 percent) require contiguous exhibit space, with an additional 16 percent strongly preferring contiguous space. When combined with the 10 percent preferring contiguous space, a total of 85 percent of planners surveyed would require or prefer contiguous exhibit space. These data are important to consider when developing future PCC expansion scenarios.

We have also analyzed the share of market that could be captured in Phoenix under various committable hotel room and exhibit space square footage totals. The following table presents the committable hotel room inventory and exhibit space square footage needed to capture various shares of market, ranging between 50 percent and 92 percent.

**Share of Market Captured With
Various Hotel and Exhibit Space Totals**

Market Capture	Committable	
	Hotel Rooms	Exhibit Space (sf)
50%	2,000	150,000
63%	2,300	180,000
70%	2,500	200,000
80%	3,000	280,000
92%	5,500	312,500

Source: CSL Market Survey Research, 2019

To accommodate 50 percent of the convention and tradeshow market for Phoenix, 2,000 committable hotel rooms and 150,000 square feet of exhibit space would be required. To reach 80 percent market capture, approximately 3,000 committable hotel rooms and 280,000 square feet of exhibit space would be required.

The 312,500 square feet of lower level exhibit space beneath the North/West buildings can accommodate approximately 92 percent of the planners surveyed with an interest in hosting an event in Phoenix. Assuming 2,300 committable hotels rooms within one-half mile of the PCC, market capture would be only 63 percent. These capture percentages are highlighted in the chart.

In order to capture 92 percent of events with respect to hotel inventory, approximately 5,500 committable rooms in the market would be needed market-wide. For blocks this size, it is likely that hotels well outside the downtown area would be needed, which is common in other markets throughout the country.

Essentially, the downtown Phoenix convention quality hotel inventory has difficulty supporting the full inventory of PCC upper and lower level exhibit space.

7.0 Guiding Principles for Future Phoenix Convention Industry Development

Based on the analysis conducted, we have prepared a summary of key recommendations for future investment in the PCC and overall Phoenix convention industry product. The recommendations are broad, focusing on event space, hotel inventory, trend-forward facility initiatives and surrounding hospitality district development. Many of these recommendations are presented in the context of the on-going discussions regarding the future of the South Building.

The South Building portion of the overall PCC campus can be viewed as somewhat distinct from the North and West Buildings. Events at the South Building tend to be more local in nature, including consumer shows, trade events and conferences. This allows for a more focused sales effort on non-local events for North and West Buildings.

Since the most recent renovation of the South Building in 2008, exhibit hall occupancy rates have averaged 37 percent, suggesting a lack of overall use relative to desired space occupancy. However, since 2014, the occupancy of the South Building has likely been negatively impacted by the event planner concern related to ongoing discussion and press coverage of the potential redevelopment of the South Building site.

There have been recent discussions as to the highest and best use of the South Building site, including options that involve various levels of commercial development. The future market capture success of the PCC and the convention industry in Phoenix will likely require use of a portion of the South Building site for expansion. This Report therefore defines appropriate convention industry space targets for the South Building site.

The current exhibit space occupancy levels at the PCC (between 40 and 50 percent in the upper and lower level halls) are negatively impacted by lack of available, walkable convention hotel inventory. These occupancy levels suggest that future PCC expansion of space should be considered more of a mid to long-term priority. In addition, the comparatively high ratio of meeting and ballroom space to exhibit space suggests a favorable overall balance of sellable areas.

At the same time, we note that the square footage of contiguous PCC exhibit space ranks near the bottom of the comparable and competitive venue set. Competitive markets including San Diego, Anaheim, Los Angeles, San Francisco, Denver, Seattle and others continue to invest in and plan for the future of their convention and hospitality assets.

We also note that the demographics and business practices of the meeting attendee are, and will continue to change, creating a “moving target” for successful convention center strategic planning. No venue, regardless of the attractiveness of the market, is entitled to continually retain specific events or market share. As with any product in any industry, continual investment is required to respond to evolving customer and industry demands.

As the convention center industry changes, as competitive destinations invest in their industry product, and as the Phoenix hospitality product continues to develop, some form of investment in the PCC will be needed over time to maintain, and potentially increase market share.

Based on the analysis conducted, a summary of investment concepts and timing is presented throughout the remainder of this Report.

7.1 Near Term Priorities - Initiatives Supported Over the Next Five Years

Added Hotel Inventory

There are significant limitations to the hotel inventory supporting the ability to attract non-local conventions and tradeshow. As previously noted, between 2016 and 2018, there were a total of only eight four-day periods during which at least 1,500 hotel rooms within one-half mile of the PCC were available during desirable periods. The 3,838 rooms within one-half mile of the PCC ranks 11th among 13 comparable and competitive markets reviewed.

To increase PCC market capture and occupancy percentages, development of added full-service convention hotels with large committable room blocks near the PCC should be considered a priority. The development of hotels should include at least one headquarter property that is (1) attached to or adjacent to the PCC; and (2) offers 800 to 1,200 rooms. A property of this type would elevate the Phoenix hotel package surrounding the center to a level comparable to markets such as New Orleans, Austin and San Antonio.

The current site of the South Building would be an ideal location for such a property from the perspective of serving the convention industry. There are no other sites adjacent to the PCC that offer a desired location. As planning for the South Building site continues, the space needed for the recommended headquarter hotel should be accounted for.

Trend-Forward Amenities

There are numerous trend-forward enhancements to the existing PCC North and West buildings that should be considered more of a near term priority. These include the following.

- Incorporating open space learning areas within the prefunction space of the PCC. Management should consider a new space plan for public areas and purchase of movable furniture and digital monitors that can be used to create informal meeting areas. Selected meeting planners should be asked to provide guidance as to how this space can be developed and marketed.
- Developing a more event production focused outdoor space between the North and West buildings. In response to growing interest and demand by meeting planners for unique outdoor event spaces, the PCC has developed a robust outdoor concept, branded as Canyon on Third. This concept should be expanded on and could include capabilities for temporary covered structures, electrical hook-ups, enhanced landscaping and public art installations. Longer term investments to consider include a permanent tenting structure above Third, and sound and light features. Cities with successful examples of outdoor spaces cited by event planners include Honolulu, San Francisco, Anaheim and Denver.
- Incorporating the technology and space needs to accommodate emerging augmented/virtual reality functions. Only 19 percent of planners surveyed by CSL in a recent analysis had used AR/VR technology for their event in the past, however 54 percent stated that they expected to use this technology in the future.

Convention District Enhancements

Between Chase Field, Talking Stick Arena (soon to undergo a \$230 million renovation) and the PCC, approximately six million attendees at over 700 events are attracted to the downtown Phoenix area. Even with this attendee base, the analysis indicates that the density of walkable restaurants near the PCC is lacking somewhat relative to competitive destinations. Building on this convergence of convention, sports and entertainment venues, the City should undertake a convention/entertainment district planning effort to identify opportunities for public/private partnerships, programs and investments that could further establish the walkability and hospitality density of the area within several blocks of the PCC.

This effort should focus on the PCC, Chase Field, Talking Stick Resort Arena, Arizona Science Center, and other proximate assets, and how they can be part of an increasingly vibrant convention/entertainment district.

7.2 Mid to Long Term Priorities - Initiatives Supported in Years Six to Ten

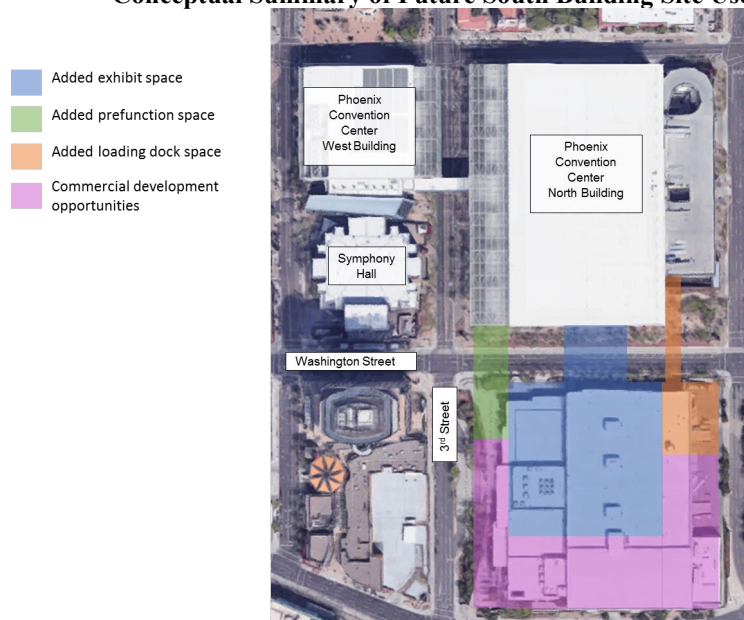
Added PCC Space

As noted above, added PCC space should be viewed as more of a longer term project. However, our analysis clearly indicates that the location for any future PCC expansion will have to be adjacent to the existing North Building, ideally contiguous/connected to the existing PCC space.

We also note that a contiguous expansion of the lower level exhibit hall may not be possible with the development of the new shearing wall adjacent to Washington Street. Future PCC planning should therefore consider the possibility of expanding the upper hall across Washington Street, incorporating portions of the South Building site.

The future PCC exhibit space inventory could then include the existing lower level hall at 312,500 square feet of contiguous space, plus an added 110,000 to 150,000 square feet to the upper level hall to provide between 300,000 and 340,000 contiguous upper level square feet. With this investment, both the upper and lower level halls could accommodate slightly over 90 percent of the overall national convention and tradeshow market with an interest in Phoenix as a destination, allowing for hosting two large overlapping events. This overlapping pattern of event activity can maximize room night generation and PCC economic impact. A preliminary site layout for long term addition of PCC space is presented below.

Conceptual Summary of Future South Building Site Use



As noted in the image, the PCC expansion space would reach across Washington Street and encompass approximately 5.0 acres of the South Building site. Significant land (approximately 4.0 to 5.0 acres) fronting 3rd Street, East Jefferson Street and 5th Street would be available for future commercial development, ideally including at least one added headquarter hotel. Alternatively, the hotel component of the project could potentially be constructed over portions of the added PCC space. However, given the near term need for the hotel inventory, this option could require advancing the timing of PCC expansion.

We also note that space at the ground floor under the added exhibit hall on the South Building site could be used for added restaurant, retail, entertainment and other private sector development.

Construction costs for convention center investment range nationally and with respect to specific project type. For high level planning purposes, it is useful to assume hard construction costs of between \$500 and \$600 per square foot. Assuming an added 110,000 to 150,000 square feet of exhibit, plus 30,000 to 40,000 square feet of meeting space, total added sellable space would range between 140,000 and 190,000 square feet. We can also assume an equal amount of support space for circulation, loading, lobby, exiting, storage and other areas, resulting in a built square foot total of between 280,000 and 380,000 square feet.

At \$500 to \$700 per-square-foot and an assumed 30 percent soft cost factor (fees, financing, permitting, etc.), project costs would range between \$182 million and \$296 million in current year dollars. Obviously, these estimates are highly conceptual, and will require extensive architectural, engineering and cost estimating work to verify.

In markets across the country, investment in convention industry assets are taking place. The current expansion project in Seattle is largely funded through bond issuances supported by hotel tax revenues. Planned projects in San Diego, Boston, New Orleans and Austin will also largely be funded with hotel tax revenue. The large majority of convention facilities nationally are funded with revenue sources derived from visitor supported expenditures on hotels, and in some cases restaurants, attractions and event ticket sales.

Transition South Building Event Activity

There are significant challenges that will have to be addressed as the South Building site is redeveloped. Important community events are housed in the South Building, including consumer shows, banquets and tradeshow. As the site is redeveloped, a transition plan will have to be prepared to ensure these events are retained in the community.

If demolition of the South Building takes place prior to the development of expanded PCC exhibit space, relocation of events would have to take place. While some of these events could relocate to the upper and lower level PCC exhibit space, PCC management

estimates that as much as 50 percent of South Building events would have to relocate to other venues, including venues in Phoenix, Glendale, Mesa, Scottsdale and other metro area communities.

7.3 Summary of Future PCC and Phoenix Convention Industry Development Initiatives

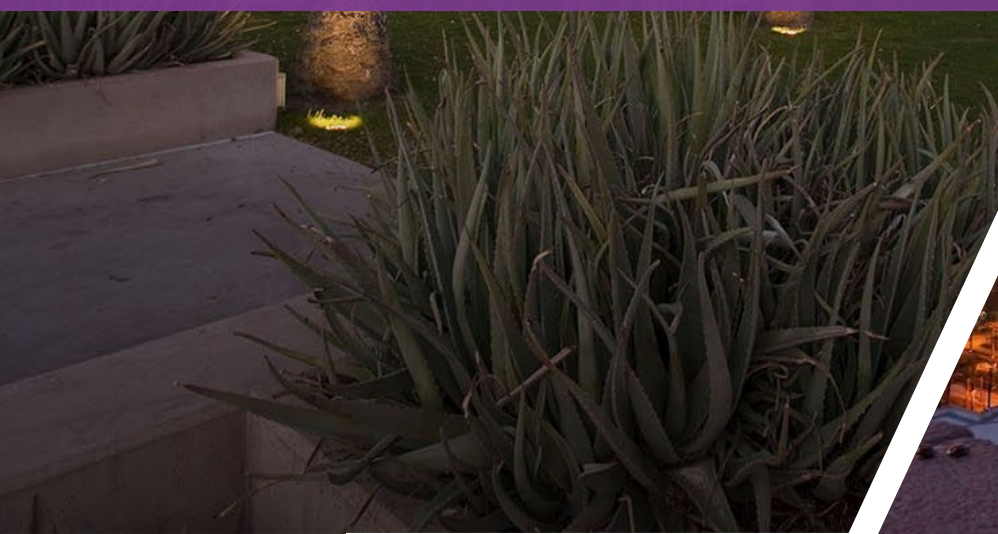
The following exhibit presents a consolidated summary of each of the recommended development initiatives and general timing.

Development Initiative Description and Timing

Development Initiative	Development Description	Development Timing
Market-Supportable Projects for the Next Five Years		
Hotel Inventory	Hotel Inventory supporting PCC is lacking. Target addition of 800 to 1,200 rooms in adjacent hotel. This could include expanding an existing property and/or developing a new property.	Near term priority. Create public/private partnership strategies. Location adjacent to PCC is important.
Trend Forward PCC Investment	Investment in open space learning, augmented/virtual reality and enhanced outdoor space.	Near term priority.
Surrounding Hospitality Assets	Undertake planning efforts and prepare strategies to advance the development of restaurant, retail and entertainment within walking distance of PCC.	Strategy development a near term priority. Successful development takes place over time.
Market-Supportable Projects for Years Six to Ten		
Exhibit Space	Hotel limitations and seasonality patterns result in current PCC occupancy levels that are not sufficient to support immediate expansion. Target the ability to offer two contiguous spaces of 300,000 to 340,000 square feet to accommodate multiple overlapping events. Expansion of upper level hall across Washington Street by approximately 110,000 to 150,000 square feet should be considered.	Retain architects in near term to create conceptual plans. Space development should take place after new headquarter hotel is developed and PCC occupancy levels increase.
Meeting and Ballroom Space	Maintain the existing high ratio of meeting and ballroom to exhibit space.	Space should be developed in conjunction with future addition of PCC exhibit space.
Transition South Building Event Activity	As the South Building site is repurposed, events will have to be shifted to other venues, including the PCC.	This initiative will be timed with the demolition of the South Building.



Appendix A INDUSTRY TRENDS



Convention Industry Trends

RE-INVENTION OF THE CONCOURSE



OUTDOOR SPACE



SUSTAINABILITY



FLEXIBLE EXHIBIT SPACE



TECHNOLOGY TRENDS – AR/VR



ICONIC PUBLIC ART



Simply maintaining the amenities, space types, technology and other aspects of a convention center will, over time result in a competitive disadvantage when competing for events. As investment in convention product takes place in markets throughout North America, numerous trend forward investments are being made or considered.

- Open space learning environments, particularly in lobby/prefunction areas. This requires furniture and technology investments.
- Areas on and just off the exhibit floor to host presentations, product demonstrations, sales presentations and other functions, designed to keep attendees on the floor.
- Outdoor space suitable for hosting functions for up to several thousand attendees.
- Numerous sustainability investments, including on-site areas for food production, green roofs, waste disposal investments and energy efficiency.
- Technology features and building spaces that will accommodate virtual/augmented reality productions.
- Iconic public art installations that reflect the unique local culture, history and industry.

Each of these types of trends are explored in detail as part of the full report.

Convention Industry Trends: Interior Flexibility

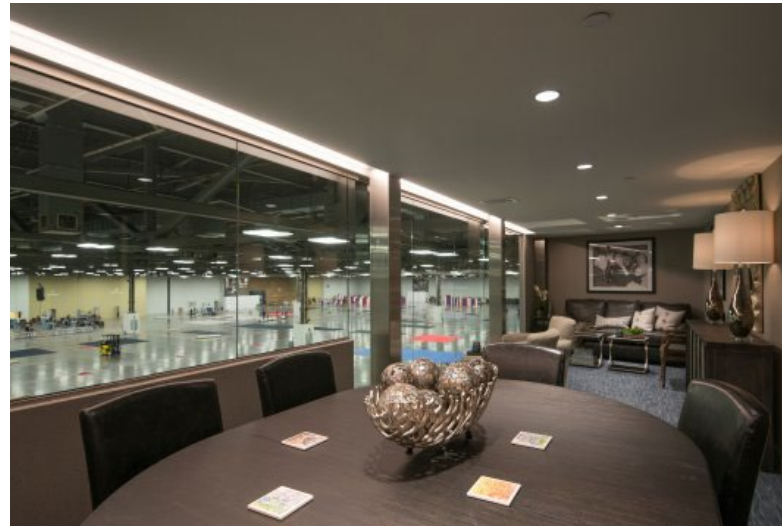
Generic convention center space is quickly being replaced by flexible and adaptive spaces that allow users to customize their event experience. Interior flexibility refers to space within the convention center that is easily adaptable to serve multiple types of events. Organizations are willing to pay for flexible spaces that facilitate and foster networking, create more interactive and collaborative work, and provide learning environments that are reflective of the unique destination. One example of this trend can be found in the emerging open-space learning (OSL) environments. This concept challenges the traditional lecture or seminar-based formats that tend to draw attendees off the main show floor during events and instead provides unique and creative learning environments that can be constructed in lobbies, pre-function areas, exhibit halls, ballrooms, etc. The Grand Wayne Convention Center in Fort Wayne, Indiana has invested in different types of portable furniture that allow for movement throughout lobby/pre-function areas, transforming these spaces for a multitude of function needs. Examples of the different types of setups and furniture are provided below.



Convention Industry Trends: Exhibit Hall Flexibility

Event planners are increasingly viewing the exhibit hall as a “village”, creating spaces and experiences that keep attendees on the exhibit hall floor for extended periods of time. This has led to significant experimentation with hall layout and space creation for presentations, sales meetings, breakout sessions and other functions. Specific development initiatives that should be considered for the PCC (both current and potential future space) include the following.

- Increased sub-divisibility – similar to recently developed space in Anaheim, allowing for maximum room configuration within large footprint multi-use spaces.
- Exhibit space enhancements – creating micro breakout spaces adjacent and connected to the exhibit floor. These spaces can accommodate eventual adoption of AR/VR capabilities.
- Ability to accommodate pop-up spaces on the hall floor, providing power, AV, sound, acoustics, lighting, Internet and other capabilities within areas of the hall.



Anaheim Convention Center

ACC NORTH 100 LEVEL

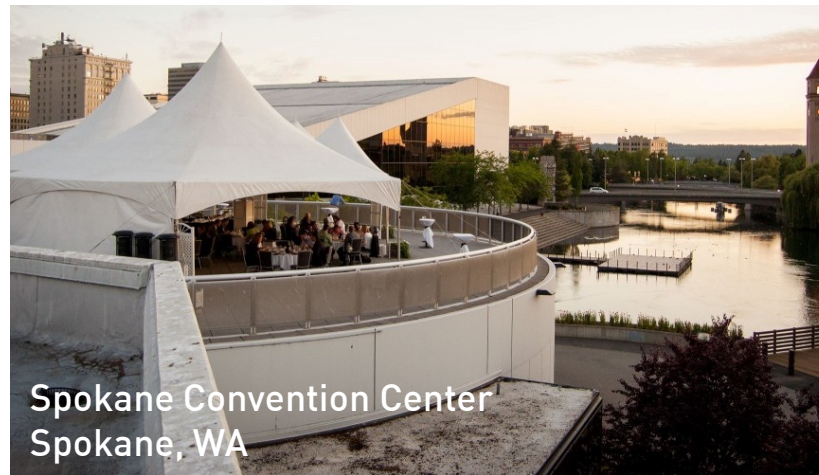
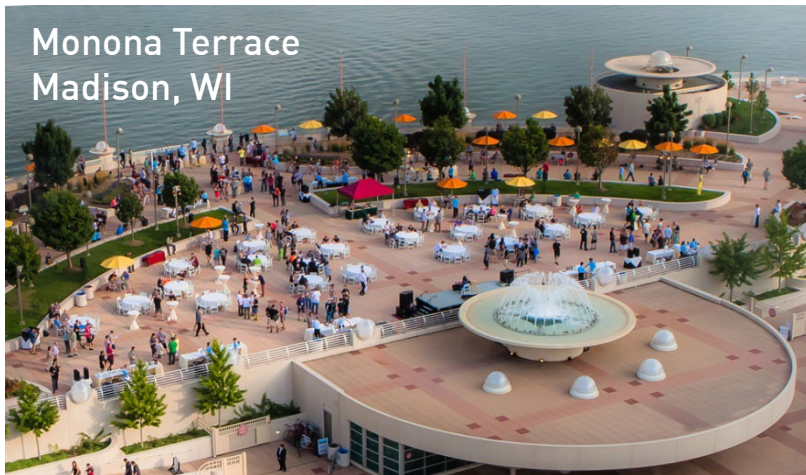


Convention Industry Trends: Exterior Flexibility

When selecting a convention center for their events, two important factors considered by planners are event space and the character of the destination. In an attempt to create a unique differentiation, convention center owners are combining these two important considerations by integrating functional outdoor space into their facility complex.

Outdoor event space provides attendees with the opportunity to connect with the culture and feeling of a destination in a unique event setting while creating an additional selling point and source of revenue for centers. Additionally, outdoor space provides a way for a convention center and its visitors to activate the surrounding area. As convention centers are increasingly becoming more integrated into the community in which they exist, the use of adjacent or elevated outdoor event space is increasing in importance.

Several examples of outdoor convention center space use are pictured in the images below. The outdoor space in a convention environment can include ground level, rooftop or terrace areas. The space can be used for both informal gatherings and formal receptions. Permanent and temporary coverings can be installed to support the event, and various elements of landscaping and features unique to the destination can be included.



Convention Industry Trends: Iconic Differentiators and Public Art

In past decades, convention centers were primarily designed around utility – providing sufficient exhibit space, with support space for meetings and banquets. Today, communities are increasingly viewing their convention center (typically the largest footprint in the downtown) as an opportunity for first class architecture and art. Planners of expansion and renovation projects often times view the notion of public art as a desired component rather than a potential add-on. Ideally, the aesthetics of convention centers become storytellers of the destination, reflective of the history, culture and community in which they exist.

Large, iconic and interactive pieces of art can also create a sense of place. For example, the “As We Are” installation at the Columbus Convention Center contains a photobooth and recreates a person’s portrait 17 times the size of the person represented (shown below). The “Big Blue Bear” has become an iconic symbol not just for the Colorado Convention Center, but for the City of Denver. The Drop outside the Vancouver Convention Center creates a large scale, iconic reflection that is unique to the destination. Convention center and overall destination planning nationally is considering the value of large iconic public art installations.



As We Are – Columbus Convention Center
Columbus, Ohio



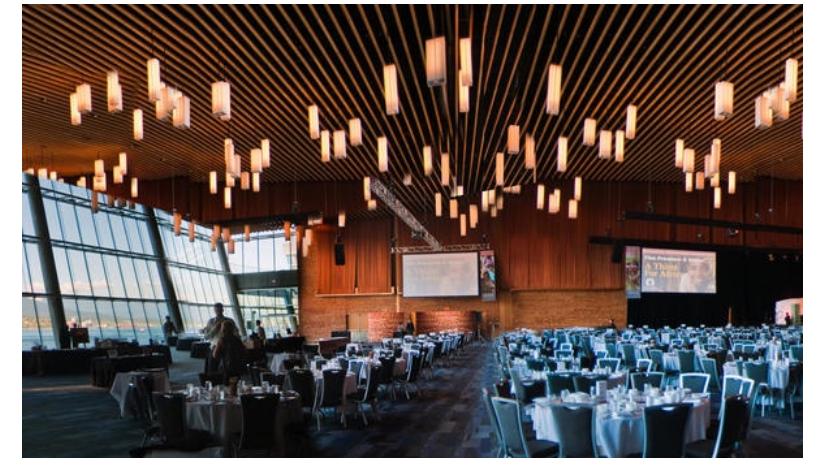
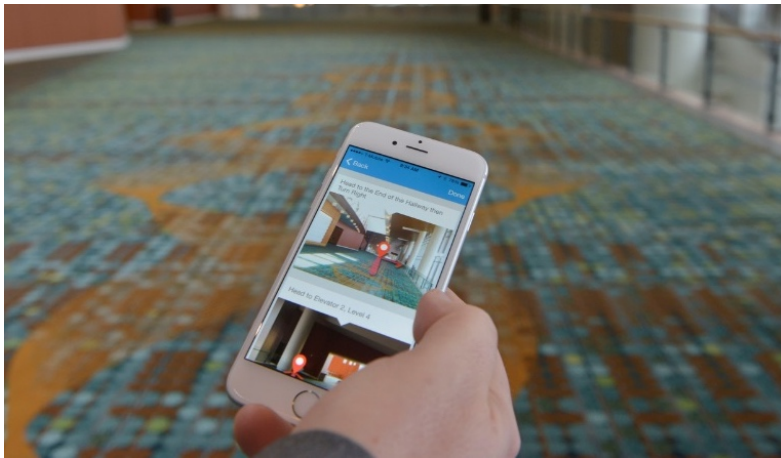
Big Blue Bear – Colorado Convention Center
Denver, Colorado



The Drop – Vancouver Convention Center
Vancouver, BC

Convention Industry Trends: Technology

While not typically at the cutting-edge of emerging technology, the convention industry has incorporated various mainstream technology into overall building development and operations. Wireless technology is common, with various experimentation as to bandwidth, accessibility and pricing. Local area networking and broadcasting capabilities, Internet cafés, digital signage and other technology aspects are now common in the convention industry. These investments, and overall trends in the industry reflect a process of advancement and adoption of technology within the convention industry. A decade ago, WiFi was considered an emerging amenity, and now convention centers are spending millions of dollars to continually upgrade their bandwidth and access points to allow significant and reliable access throughout the entire facility. Summaries of forward looking trends and examples of how convention facilities have adapted these technologies are provided below.



Cell Phone and Beacon Technology: Used for event apps, providing a digital map of facility activity, in-facility wayfinding, real-time attendee metrics, improved networking and content delivery, among other features. Second-screen technology is also an emerging trend that creates a two-way conversation allowing attendees to ask questions of general session presenters, participate in panels and take notes on slides to improve presentation engagement.

Video Streaming: As hybrid meetings continue to grow in importance, facilities are investing in technologies to accommodate virtual attendees. The redeveloped Cobo Center in Detroit includes a 5,000 square foot broadcast studio that offers all of the technologies and services needed to create programming, live event webcasting, and large-scale program distribution.

Occupancy Sensors: Center owners are installing state-of-the-art sensor technologies. The sensors are connected to both LED lighting and thermostat controllers, allowing for adjustments to be made depending on the number of people in a room.

Convention Industry Trends: Food and Beverage

The provision of food service has and is slowly changing in several ways. Food service quality has always been seen by event planners as a differentiator when considering destinations. Centers with better reputations for food service can have a competitive advantage. Recent trends in the food and beverage sector are more reflective of changing demographics and how conventions and meetings are being produced. The balance between standard sit-down banquets and more informal food options may be shifting towards the informal, and the ability of a center to offer more convenient or “pop-up” dining opportunities could become much more important in the future. Meeting and event planners are also increasingly asking for more diverse food and beverage options. This challenges convention center caterers to be more flexible and varied in their offerings. Examples of this type of food service diversity are presented below.



Food Trucks and Portable Options: With more attendees looking for local food options unique to the destination, food trucks are increasingly forging partnerships with convention centers throughout the country. The Anaheim Convention Center has had great success with incorporating food trucks into their event production.

Locally Sourced/Natural Offerings: As part of their recent renovation, Cobo Center opened Go Natural, their new grab-and-go style outlet, offering quick made fresh daily options with natural ingredients that are locally sourced. Additionally, many convention centers such as Denver, Orlando and Cleveland have started producing their own ingredients on campus.

“Crafted” Beverage Experience: The desire for locally sourced options extends beyond meats and produce. With the rise of microbreweries, distilleries and vineyards, among others, attendees are looking for an all-around “crafted” experience. From locally grown and ground coffee to craft beer, convention centers are finding unique ways to provide attendees with craft beverage options they can’t find anywhere else. The Owensboro (KY) Convention Center in partnership with Bulleit Bourbon & Coastal Wine and Spirits of Kentucky opened the Bulleit Bourbon Bar to showcase more than forty local bourbons.

Convention Industry Trends: AR/VR/MR and Shared Attention

As Virtual Reality (VR), Augmented Reality (AR) and Mixed Reality (MR) products continue to evolve and become more accessible, the private sector has begun to adopt these technologies for practical applications. As summarized below, major companies such as Walmart and Ford are using VR to train their employees, while the medical industry has begun to use AR, VR and MR to simulate surgery procedures and share information dynamically in real-time.

CSL's periodic survey outreach to national event planners identified that while only 19 percent of event planners have utilized these technologies as part of their past event programming, 54 percent believe that they will be significant event components in the future. For management of convention centers, it will be important to consider the implications this trend has as it relates to future event planners' preferences of event space, lighting, capacity and internet access.

Industry experts such as Tim Merel, Founder/CEO of Menlo Park VR/AR/MR tech developer Eyetouch Reality, corporations are adopting AR/VR/MR technology in various ways.

- Walmart – Introduced VR to the retail space by using the technology to upgrade manager training at its 200 Walmart Academies.
- Ford – Using a Gamified VR Experience to Demonstrate the New Co-Pilot360 Safety Technology. Also using AR for training of 10,000 employees.
- Verizon – Used for training 22,000 employees.
- Lockheed Martin – Used for training, helping to reduce training and operations time.
- BAE Systems – Used for training, reducing overall training time and assembly worker time cycles.
- Medical/Healthcare - Medical Realities, a company that uses virtual reality and other immersive technologies for surgical training.



Convention Industry Trends: Sustainability Trends

Event planners have had a mixed view over time of the importance of sustainability efforts in convention facilities. Every year, several centers introduce various elements of sustainability, including energy efficiency, recycling, green space and other elements. Looking ahead, sustainability trends will likely continue to grow in importance. Examples within specific centers nationally are summarized below.

Green/living roof:

Reduces energy costs associated with building temperature, improves water quality due to reduced storm water runoff, improves the air quality and increases habitat promoting biodiversity (i.e. birds, bees, etc.). At the Javits Center, their living roof has become an attraction, used for community educational programs and available for tours. The on-going Javits Center expansion will also include a one-acre rooftop farm, growing produce for event food service.

Composting/waste diversion:

Through such programs as offering composting as a default option for attendees, or recycling waste to be repurposed as energy, among others. At the Huntington Convention Center in Cleveland, their Grind2Energy system takes the excess food from events, grinds it on-site with industrial strength grinder and converts the waste into a slurry. It is then transported to a local digestion facility that extracts the methane for energy production and produces a nutrient rich soil.

Solar panels:

Creates renewable energy to power facility electricity needs and reduce environmental impacts. Many convention centers such as Salt Lake City, Minneapolis, Portland and Anaheim have installed solar panels in recent years.

Water recycling:

Onsite water treatment efforts to process and reuse water for things such as toilets, irrigation, among others. Music City Center in Nashville has a 360,000 gallon rain water cistern that in 2014 collected more than three million gallons of rain water, equivalent to approximately 40 percent of the center's water use. The David L. Lawrence Convention Center in Pittsburgh has an onsite wastewater treatment plant. Less than one third of the facility's water comes from city taps as they use reclaimed and recycled water to flush toilets and urinals.

Food donation programs:

Partnerships created with local community organizations to donate extra meals to local food banks, charities and shelters.



Appendix B

CONVENTION CENTER REAL ESTATE CASE STUDIES



Expansion Projects Case Studies: A Review of Real Estate Issues

We have reviewed the expansion location and configuration for eight completed and planned major market convention center projects. This review is indented to evaluate the relative importance of expansion location within challenging urban environments. Markets reviewed are San Antonio, Seattle, Anaheim, Denver, Indianapolis, Boston, Austin and San Diego.

Key Observations

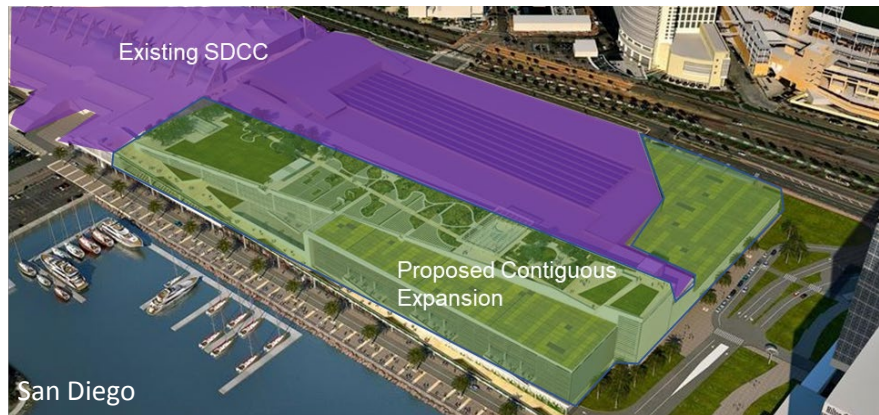
In almost all cases reviewed, major expansion of convention center space takes place on sites that are adjacent/connected to the existing venue. In many cases including Denver and Boston, long term planning taking place at the initiation of the original building construction envisioning a future contiguous expansion, with earmarked land protected until needed.

We also note that projects in Boston, Austin and Seattle allowed for some element of commercial development on/adjacent to the expansion site.

The least contiguous expansion is taking place in Seattle. The original location of the Center precluded a fully contiguous first expansion, and required a second expansion location approximately one block for the original site. The combined center will typically serve as two venues catering to separate overlapping events.

In markets such as San Antonio, Anaheim and Indianapolis, existing structures on the expansion site were demolished, creating a higher overall project cost. These costs were deemed important to incur in order to ensure contiguous and/or adjacent expansions.

Based on our review of these and other convention center projects, the need for contiguous and/or adjacent parcels to accommodate convention center expansions is very consistent in the industry nationally. Locating convention center expansion components outside an adjacent footprint is perceived by event planners as non-competitive for large events.

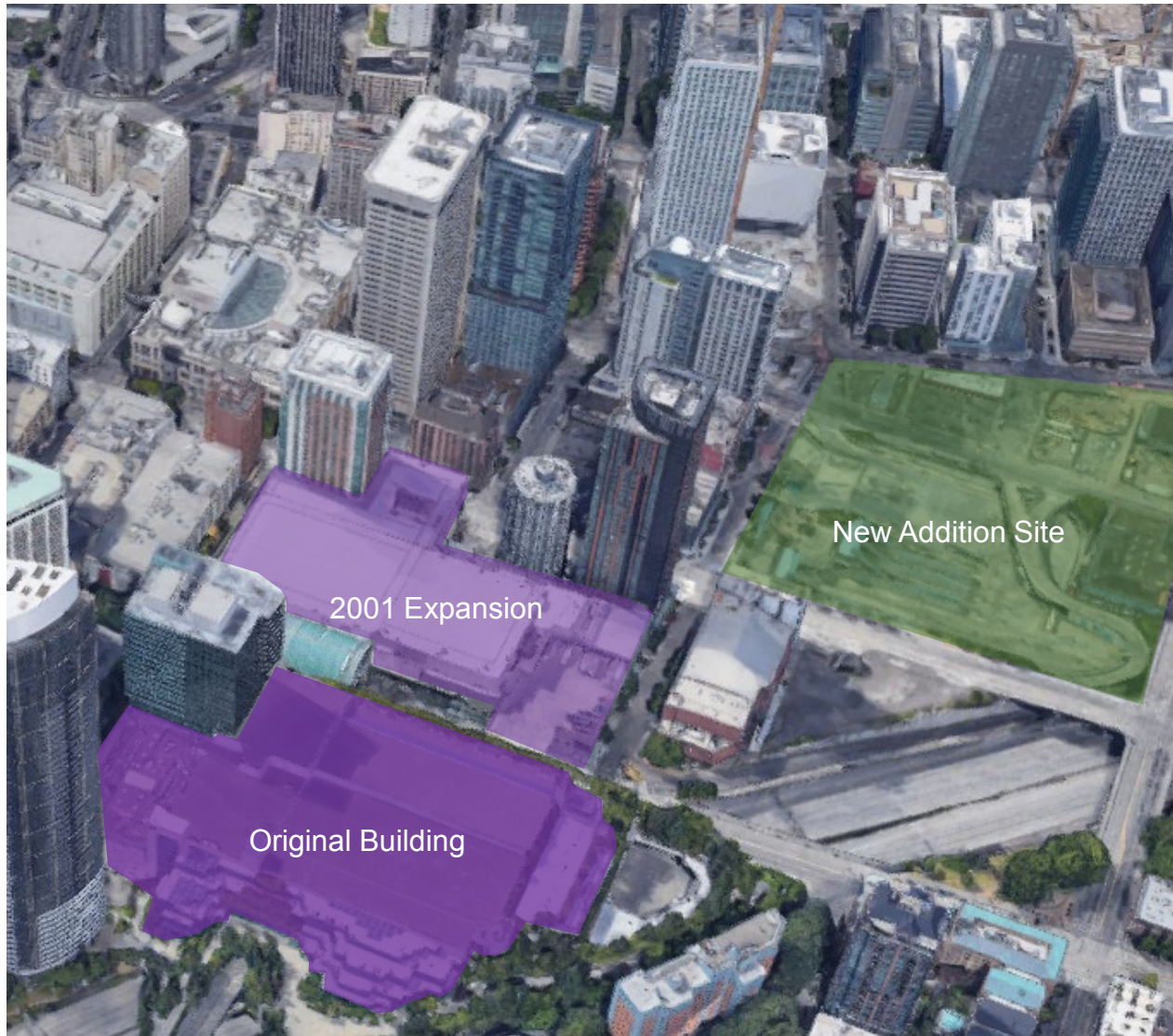


Expansion Projects Case Studies: San Antonio - HBGCC Expansion



- The San Antonio Convention Center expansion was completed in 2016. Original plans for the expansion included renovation of the original 1968 hall with a limited addition of space on the east side of the facility.
- Working with CSL and project architects, the city made the decision to significantly increase the budget for the project, allowing for the demolition of the original 1968 structure which was separated from the rest of the center by a canal. Fully new space was added to the east end of the Center, creating 513,900 square feet of contiguous exhibit space.
- In addition, the demolition of the original Center space allowed for the creation of a significant increase to Hemisfair park, providing significant benefits to residents, visitors and convention attendees.

Expansion Projects Case Studies: Seattle – WSCC Expansion



- The Washington State Convention Center was originally developed in 1988. CSL conducted a feasibility study for Center expansion in 1995. Study recommendations focused on the challenges of connecting two venues across Pike Street, recommending that any exhibit space expansion include the development of a 90 foot wide connector hall between existing and new exhibit space.
- The expansion included the connector, located four stories above Pike Street, as well as a connector for truck traffic to allow for freight access to the new space. Several levels of meeting and ballroom space were included in the project.
- Today, construction is underway on a new expansion, consisting of added space located approximately one block from the existing Center. The tight urban location of the existing WSCC and the lack of available land for expansion necessitated the current bifurcated expansion solution.

Expansion Projects Case Studies: Anaheim – ACC Expansion



- The Anaheim Convention Center offers 670,100 square feet of contiguous exhibit space. The original venue consisted of several separate exhibit halls connected by a small lobby. A major expansion project in 2000 successfully joined each hall to create the existing contiguous space. This project also created highly desired outdoor plaza space that is often used for event functions.
- CSL conducted various studies for the past and the most recent expansion project opened in 2017. The more recent expansion provided approximately 200,000 square feet of added flexible space on two levels, connected by walkway to the existing center. The space is highly divisible, allowing event planners to accommodate exhibits, food functions, general sessions, meetings and other gatherings.
- Recognizing the importance of maintaining a tight, connected campus setting, a large parking structure was demolished to make way for the recent expansion, adding costs to the project but allowing for the most desired overall connection to the existing Center.

Expansion Projects Case Studies: Denver – CCC Expansion



- The Colorado Convention Center (CCC) originally opened in 1990, adjacent to the Currigan Exhibition Hall, a 100,000 square foot exhibit venue originally constructed in 1968. The site for the 1990 center was chosen given the availability of adjacent space for future contiguous expansion.
- In effect, Currigan Hall was viewed as a contiguous land bank for future expansion of the CCC. CSL feasibility studies identified the market support for an expansion, providing 584,000 square feet of total contiguous space. The expansion was completed in 2005.
- The entire project from conception was designed as a single contiguous venue, with land planning taking place to ensure the overall functionality and contiguous nature of the space.
- Planning is underway for an additional enhancement to the Center, inclusive of added ballroom, meeting and outdoor function space.

Expansion Projects Case Studies: Indianapolis – ICC Expansion



- The original Indianapolis Convention Center opened in 1972, undergoing numerous expansions since. The most recent expansion was completed in 2011, providing for 566,600 square feet of connected exhibit space.
- The original NFL stadium (RCA Dome) was demolished to accommodate the 2011 expansion, with a new venue Lucas Oil Stadium developed to house the NFL Colts.

Expansion Projects Case Studies: Boston – BCEC Expansion



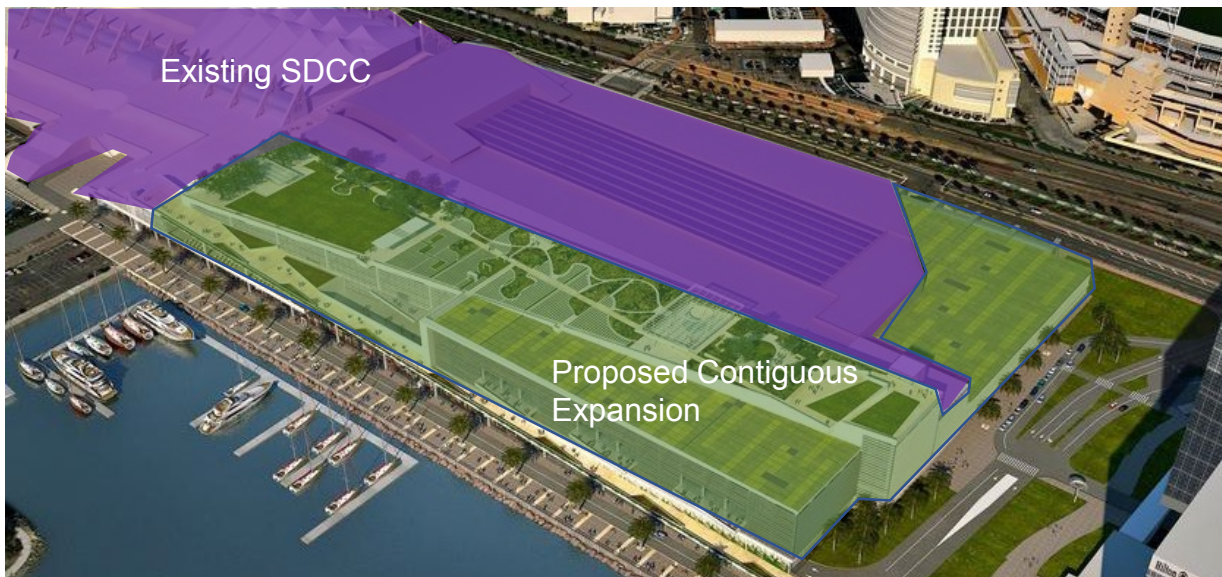
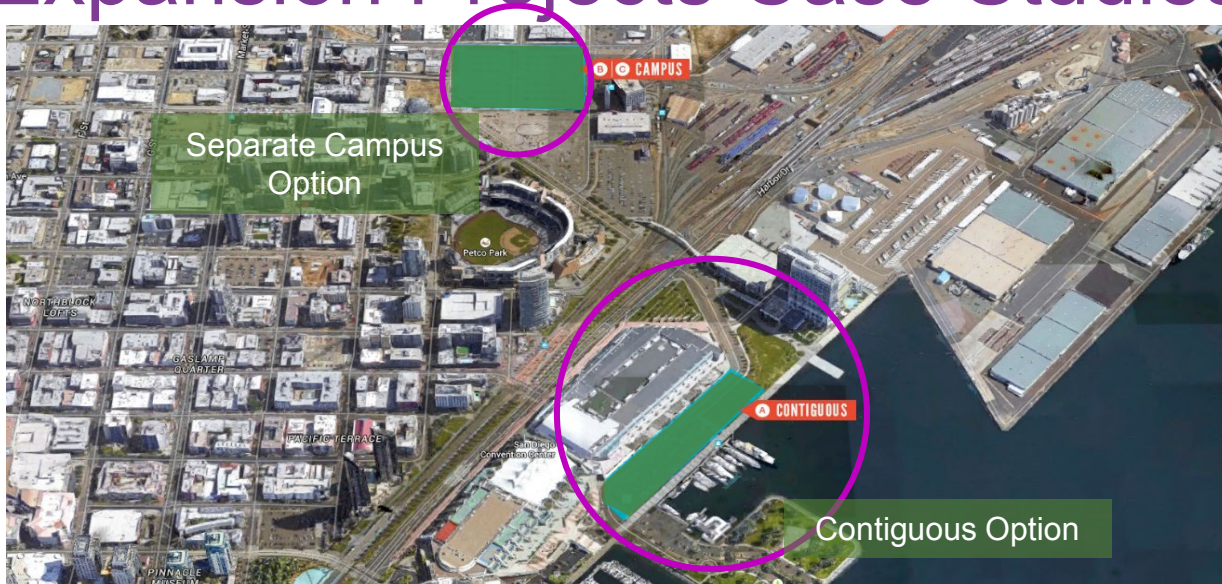
- The Boston Convention & Exhibition Center opened in 2004 with approximately 516,000 square feet of contiguous exhibit space. The outer urban location for the project allowed for retaining a 13.5 acre parcel adjacent to the Center for future expansion.
- Current expansion plans call for an additional 100,000 to 200,000 square feet of contiguous exhibit space, plus added meeting and ballroom space.
- The expansion site also allows for future commercial development, potentially including office, residential and added headquarter hotel inventory.
- Current plans also call for the sale of the Hynes Convention Center (originally opened in 1988). Proceeds from the sale will assist in funding the BCEC expansion.

Expansion Projects Case Studies: Austin – Planned ACC Expansion



- The Austin Convention Center originally opened in 1992 with approximately 125,000 square feet of contiguous exhibit space. An expansion of the Center opened in 2002, roughly doubling the facility space.
- A planned \$1.2 billion expansion has been discussed for several years, with plans focused around either a contiguous expansion requiring significant demolition of prefunction areas, or an expansion across Trinity Street that would provide up to 250,000 square feet of new exhibit space and added meeting and ballroom space.
- The evaluation of expansion options considered Center functionality, business disruption, street grid and various urban planning issues. The preliminary decision was made to keep Trinity Street open and expand on the adjacent parcel.
- The need to retain some connectivity with the existing Center necessitated the challenging expansion solution, inclusive of extensive demolition requirements.

Expansion Projects Case Studies: San Diego – Planned SDCC Expansion



- The San Diego Convention Center currently offers approximately 525,700 square feet of contiguous exhibit space. Occupancy levels for this space routinely exceed 70 percent, and market demand has been deemed sufficient for Center expansion.
- CSL evaluated various expansion options, including contiguous expansion and development of new space several blocks from the current facility.
- Extensive event planner research was conducted, including meeting planner focus group sessions in Chicago and Washington D.C. This research led to the conclusion that the non-contiguous expansion would not address customer needs, resulting in decreased market capture. Specific feedback was given as to the significant difficulties in producing a large event in two venues separated by several blocks.



FUTURES STUDY FOR THE PHOENIX CONVENTION CENTER AND SURROUNDING HOSPITALITY ASSETS

ANALYSIS SLIDES
January 21, 2020





January 21, 2020

Mr. John Chan
Director, Phoenix Convention Center & Venues
100 North Third Street
Phoenix, Arizona 85004

Dear Mr. Chan:

Conventions, Sports & Leisure International (CSL) has completed a Futures Study for the Phoenix Convention Center and Surrounding Hospitality Assets. The set of analysis slides presented in the remainder of this document summarizes the extensive research conducted to support findings and recommendations presented in the Report.

We sincerely appreciate the assistance and cooperation we have been provided in the compilation of this Report and would be pleased to be of further assistance in the interpretation and application of our findings.

Very truly yours,

CSL International

Conventions, Sports & Leisure International
520 Nicollet Mall • Suite 520 • Minneapolis, MN 55402 • Telephone 612.294.2000 • Facsimile 612.294.2045



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ANALYSIS SLIDES - TABLE OF CONTENTS



1. DOWNTOWN PHOENIX HOSPITALITY ANALYSIS



1.0 DOWNTOWN PHOENIX HOSPITALITY ANALYSIS

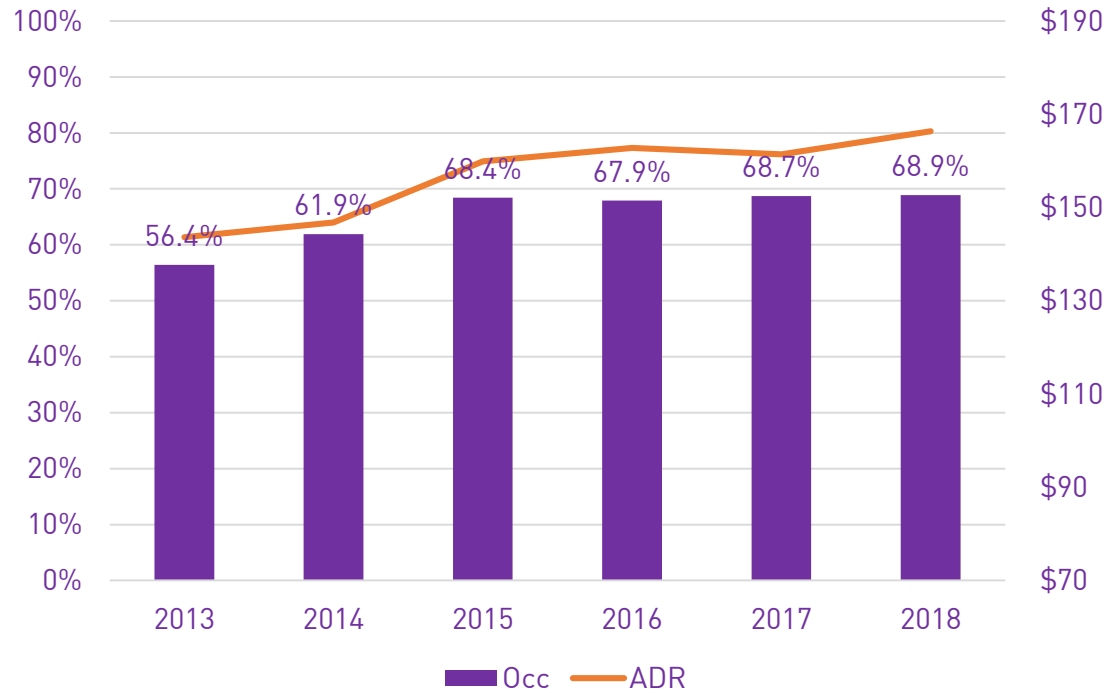
We have reviewed various measures of downtown Phoenix hotel industry performance and room availability. Data presented in the following three slides indicate the following.

- Average annual daily hotel room rates have increased steadily over the past five years, reaching approximately \$166.00 in 2018. Even with supply growth, occupancy levels have stabilized at just under 70 percent for the past four years. These data suggest a fairly strong hotel sector, evidenced by the private sector interest in developing added inventory. Much of this inventory consists of smaller select service properties that are not ideal for assembling large convention room blocks.
- Seasonality patterns are significant, with occupancy levels in the 50's during July and August, reaching nearly 90 percent in March. These data highlight the challenges in generating significant increases in occupancy on an average annual basis. Average daily room rates also follows this seasonality pattern.
- To assess the suitability of existing hotel inventory supporting the PCC, we have analyzed the number of periods of at least four consecutive days between 2016 to 2018 during which there were at least 1,500 available hotel rooms in the downtown area (the average event days for convention events held at the PCC was approximately 3.8 in 2018). In 2016, there were 15 such periods, largely occurring between July and December. In 2017, there were 10 four-day periods of 1,500 rooms, with 15 in 2018.
- These available room-block periods represent potential for adding new non-local events at the PCC. However, five of the 15 four-day periods in 2016 took place over various holidays, and an additional eight were held during the July to September period, defined as the off-season. While Visit Phoenix aggressively targets events occurring during the off-season and other need periods, there were still only two blocks of prime dates during which at least 1,500 rooms were available in 2016, and one and five blocks of dates in 2017 and 2018, respectively.

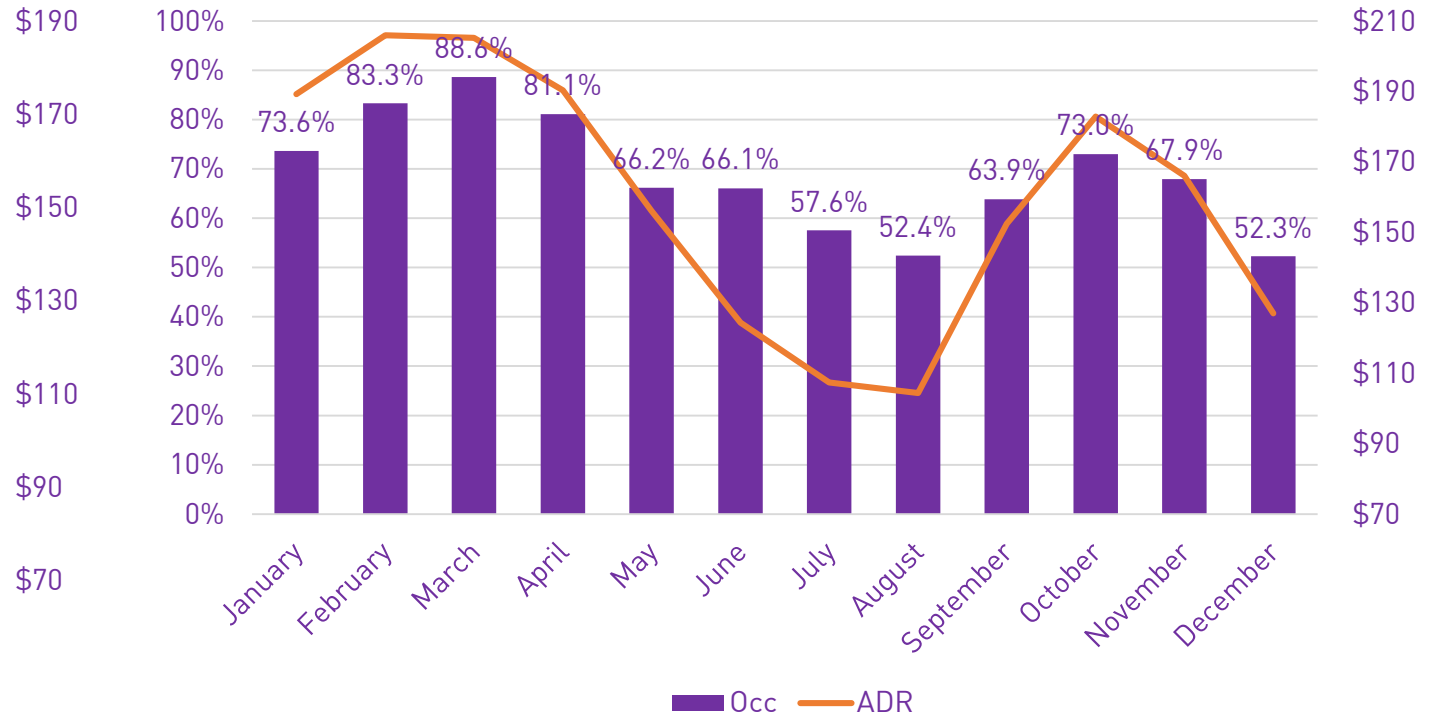


1. Phoenix Hospitality: Downtown Hotel Performance

ADR and Occupancy Rates by Calendar Year



ADR and Occupancy Rates by Month (average 2016-2018)



Source: STR, 2019.

1. Phoenix Hospitality: Downtown Daily Hotel Availability by Year

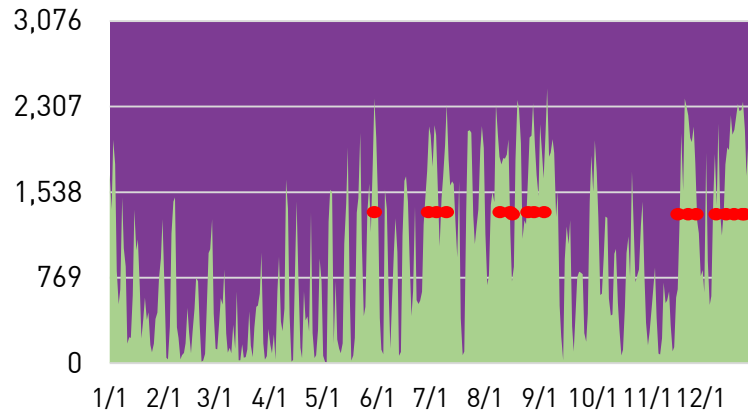
Note: charts reflect available rooms by day, represented in green

# of 4-day blocks w/ 1,500 rooms available	
Q1 (Jan – Mar)	0
Q2 (Apr – Jun)	1
Q3 (Jul – Sep)	6
Q4 (Oct – Dec)	8
TOTAL	15

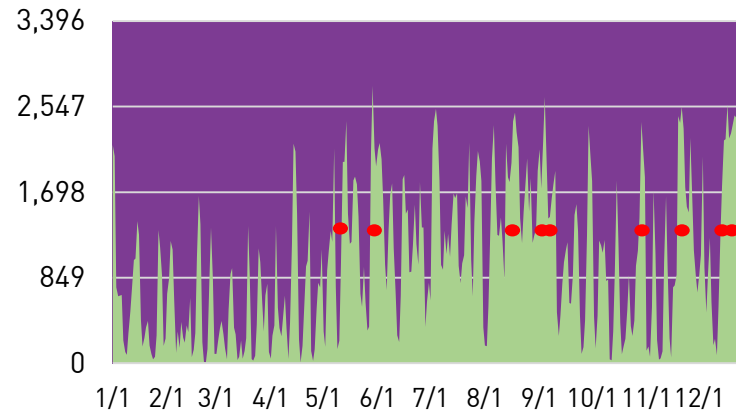
# of 4-day blocks w/ 1,500 rooms available	
Q1 (Jan – Mar)	0
Q2 (Apr – Jun)	2
Q3 (Jul – Sep)	3
Q4 (Oct – Dec)	5
TOTAL	10

# of 4-day blocks w/ 1,500 rooms available	
Q1 (Jan – Mar)	1
Q2 (Apr – Jun)	3
Q3 (Jul – Sep)	4
Q4 (Oct – Dec)	7
TOTAL	15

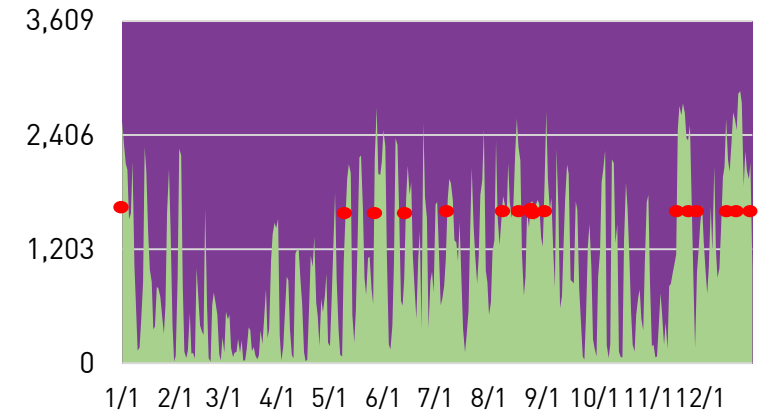
2016



2017



2018



Source: STR, 2019.

1. Phoenix Hospitality: Downtown Room Blocks by Year

	# of 4-day 1,500-room blocks in DT Phoenix by Year		
	2016	2017	2018
Total 4-day Blocks	15	10	15
(Less Holidays)	(5)	(5)	(5)
(Less Off-Season*)	(8)	(4)	(5)
<u>Prime Available Blocks</u>	<u>2</u>	<u>1</u>	<u>5</u>

* Off-season defined as July to September.

Source: STR, 2019



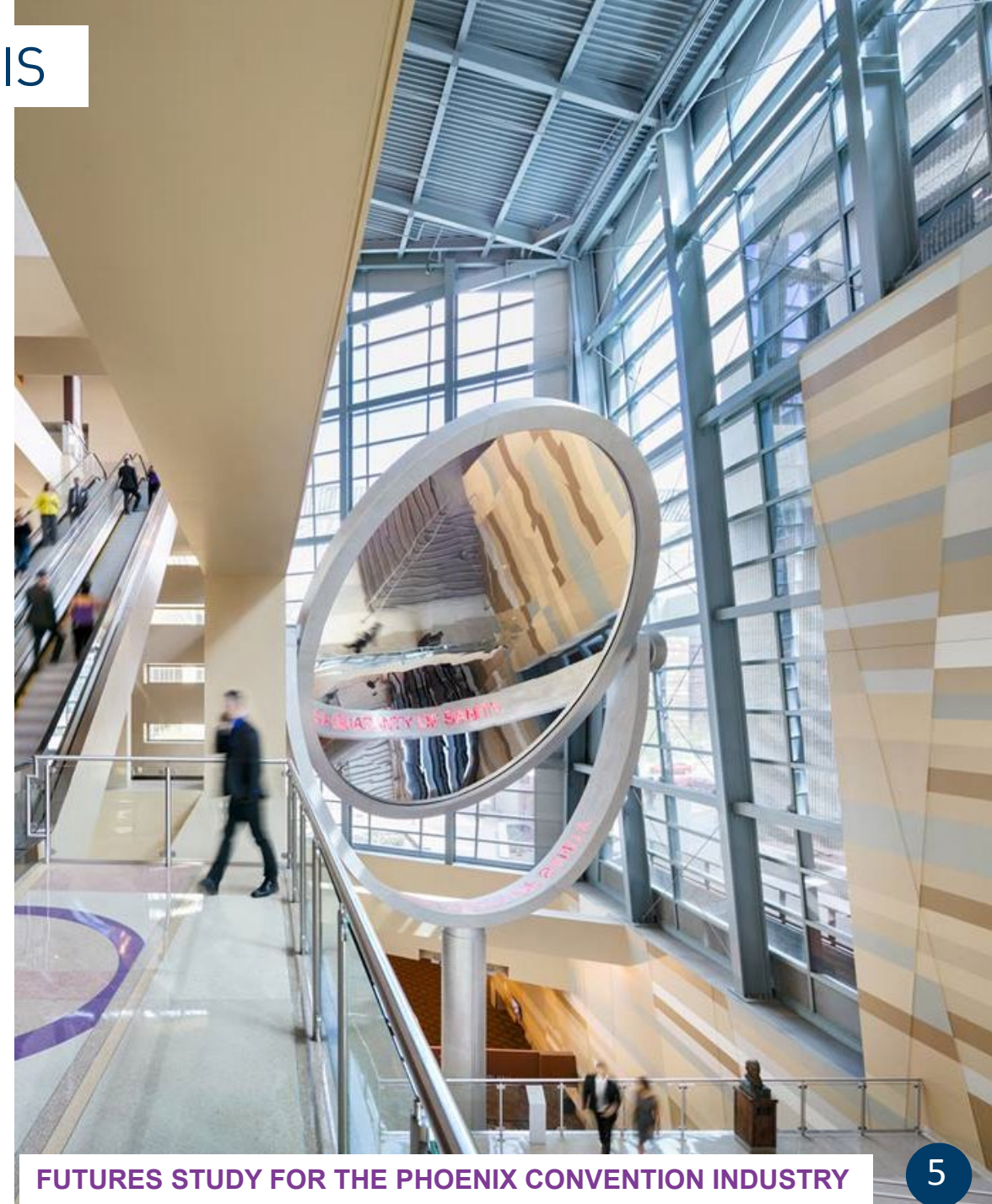
2. HISTORICAL OPERATIONS ANALYSIS



2.0 HISTORICAL PCC OPERATIONS ANALYSIS

We have reviewed PCC market performance for the past six years. Data presented in the following seven slides indicate the following.

- The PCC generates significant total attendance across a variety of events including conventions, tradeshows, consumer shows, meetings, sporting events and a variety of other functions. The convention and tradeshow sector is responsible for the large majority of room night generation.
- Convention and tradeshow event levels in the North/West Buildings have remained steady over the past six years, with some drop in low impact meetings, banquets and conferences. South Building event activity has remained generally consistent, with recent drops in meeting/banquet and conference activity.
- Exhibit hall occupancy levels for each of the PCC exhibit spaces has generally remained near or below 50 percent. These data, significantly impacted by limitations to hotel inventory discussed later in this report, do not warrant an immediate large-scale expansion of PCC space. However, as will be noted, existing PCC square footage is lower than many competitors, and potential future expansion should be considered a longer term priority.
- On a 365 day basis, there are numerous sets of dates during which the existing PCC exhibit space would be available for large event activity. Limitations to the convention hotel inventory near the PCC can negatively impact the ability to attract added non-local events.
- Ballroom occupancy levels are high, reaching at or near 70 percent for the North Ballroom. Future PCC planning should include the ability to create added ballroom capacity, potentially through the development of space that can host food functions, general sessions, poster sessions, light exhibits and other multi-purpose functions.



2. Historical PCC Operations: Summary of PCC Event Types

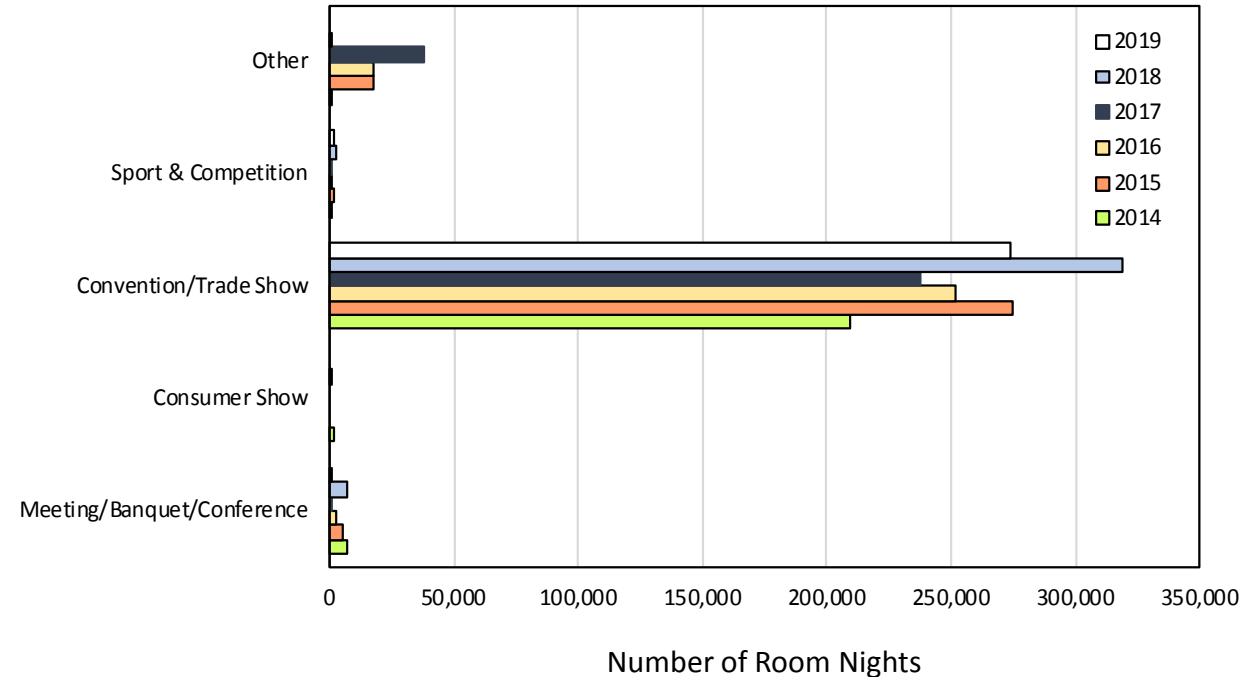
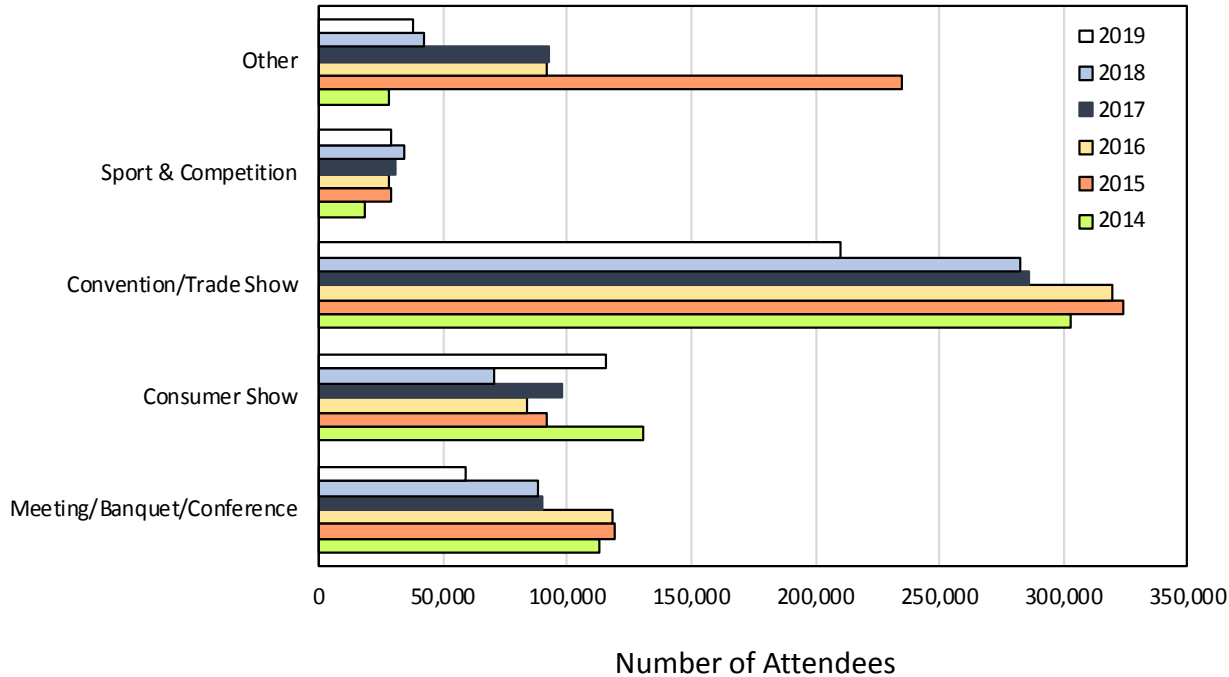
Event Type	Description	Attendance per Event	Room Nights per Event
Convention/Tradeshow	Conventions with and without exhibits, tradeshows*	3,700	3,300
Meeting/Banquet/Conference	Banquets & receptions, conferences and small meetings	800	30
Consumer Show	Flat floor consumer/public expos and shows	4,700	10
Sport and Competition	Primarily martial arts, dance, cheer events	1,600	80
Other	Ceremonies, community events, graduations, job fairs and special events	4,500	700

Note: Figures for Attendance per Event and Room Nights per Event representative of PCC event data from 2014 through August of 2019.

* - tradeshows primarily occur in South Building, while conventions occur in North and West Buildings.

Sources: PCC; CSL International, 2019

2. Historical PCC Operations: PCC Event Characteristics by Year (West, North and South Buildings)

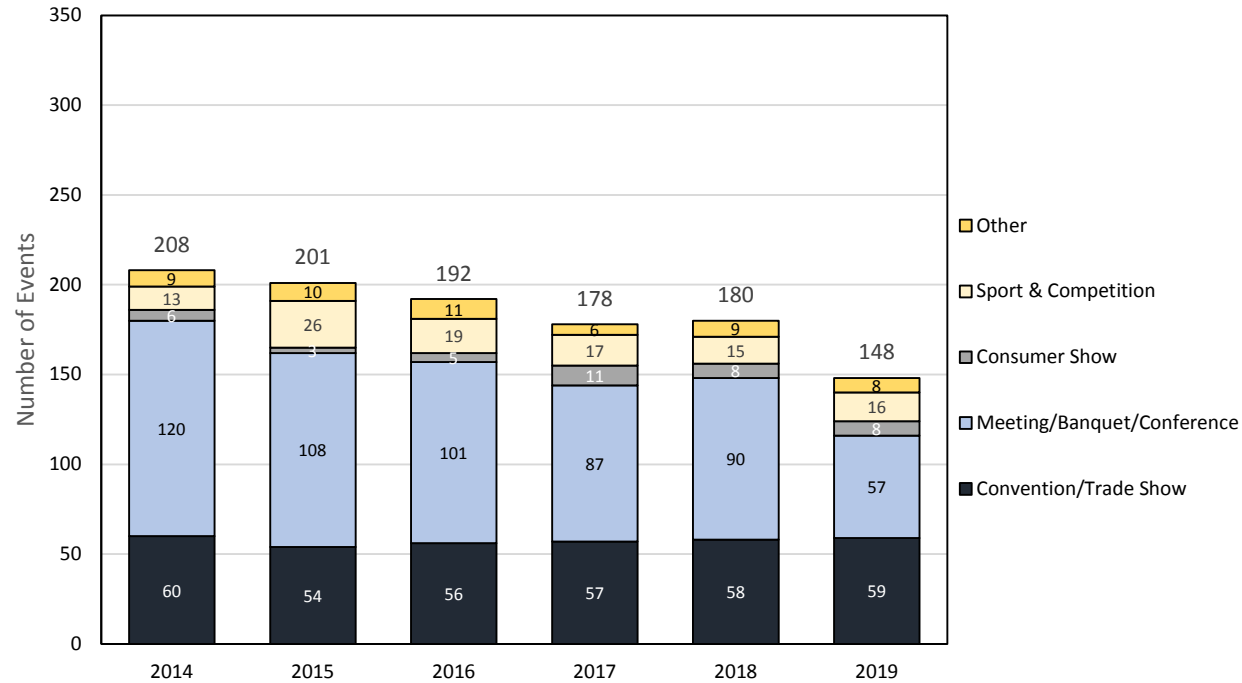


Notes: Data for 2019 include event bookings as of August 2019. The Superbowl attracted nearly 175,000 people to the PCC in 2015.

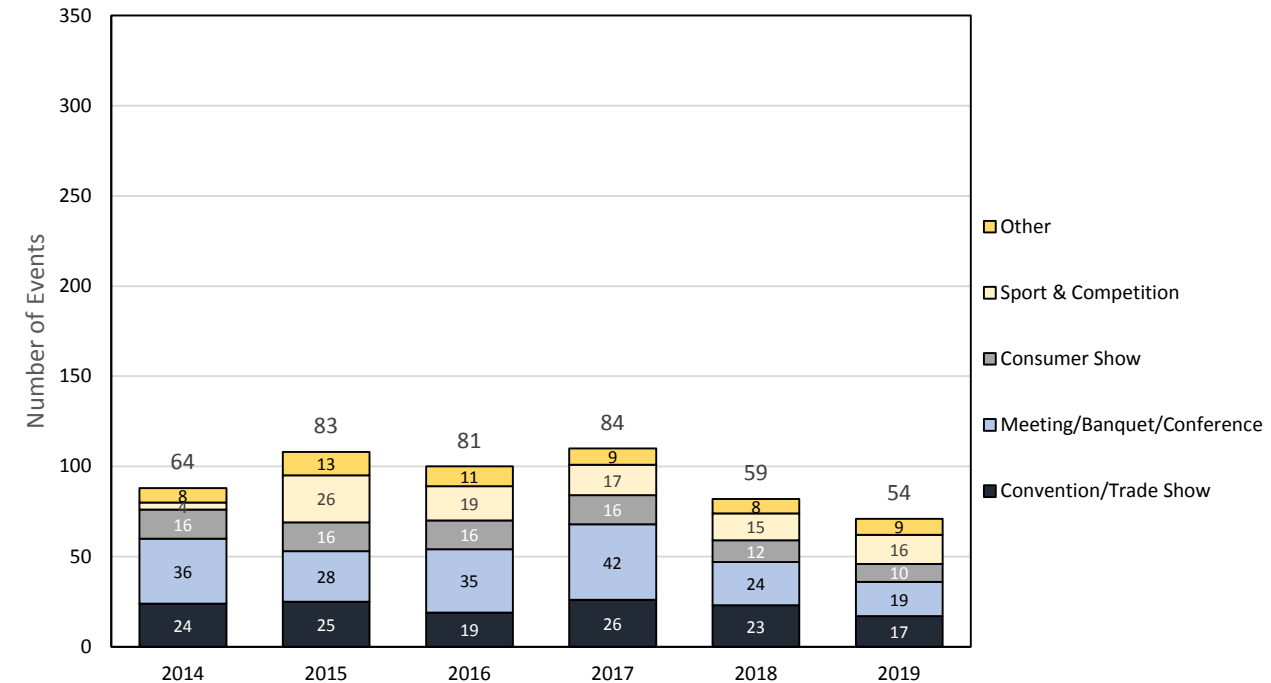
Sources: PCC; CSL International, 2019

2. Historical PCC Operations: PCC Event Levels by Type by Hall

North/West Buildings



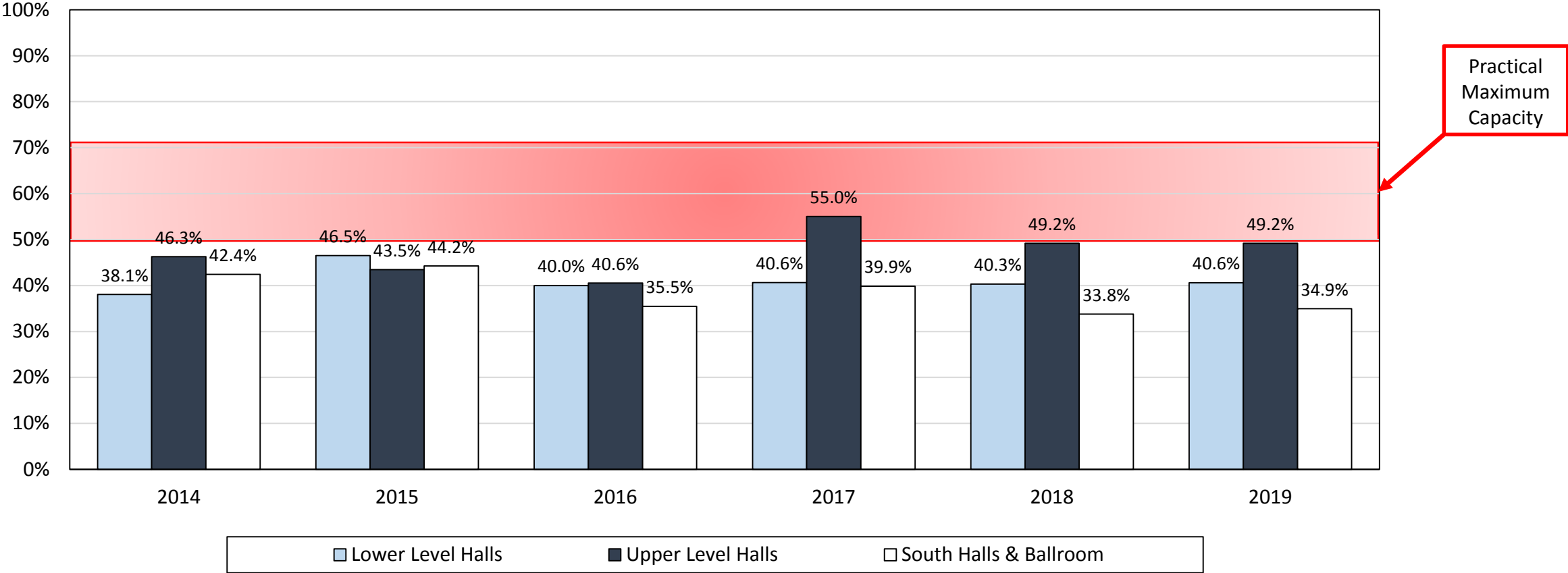
South Building



Notes: Data for 2019 include event bookings as of August 2019.

Sources: PCC; CSL International, 2019

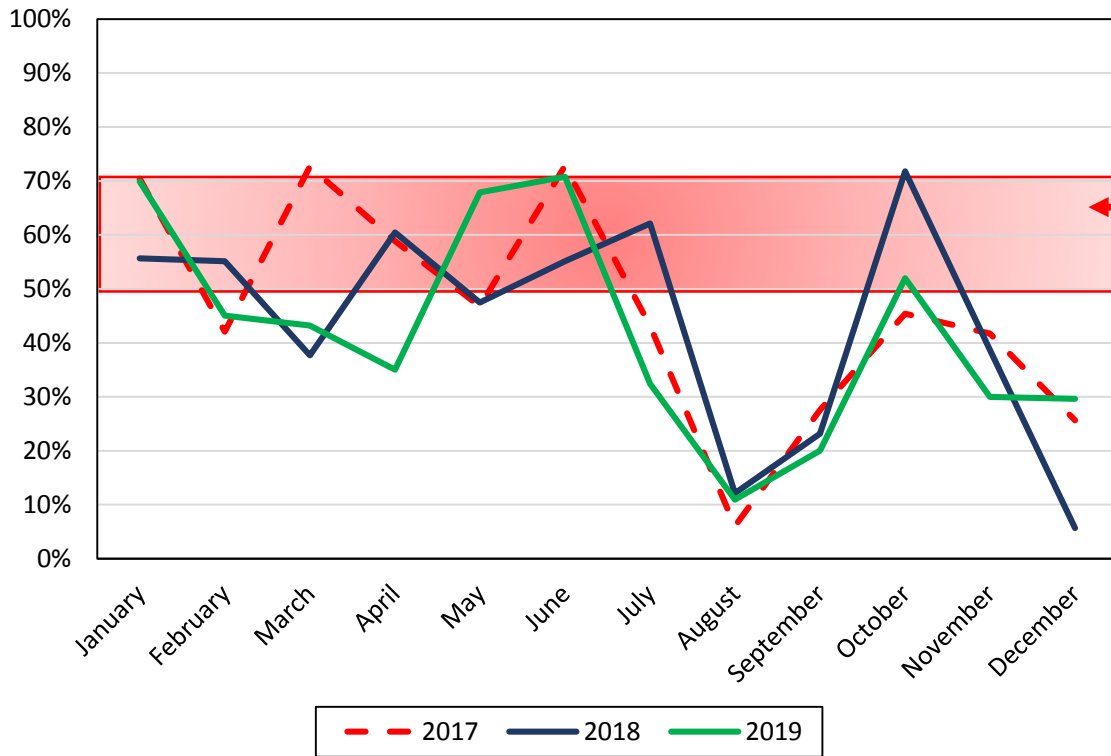
2. Historical PCC Operations: Exhibit Space Occupancy by Hall



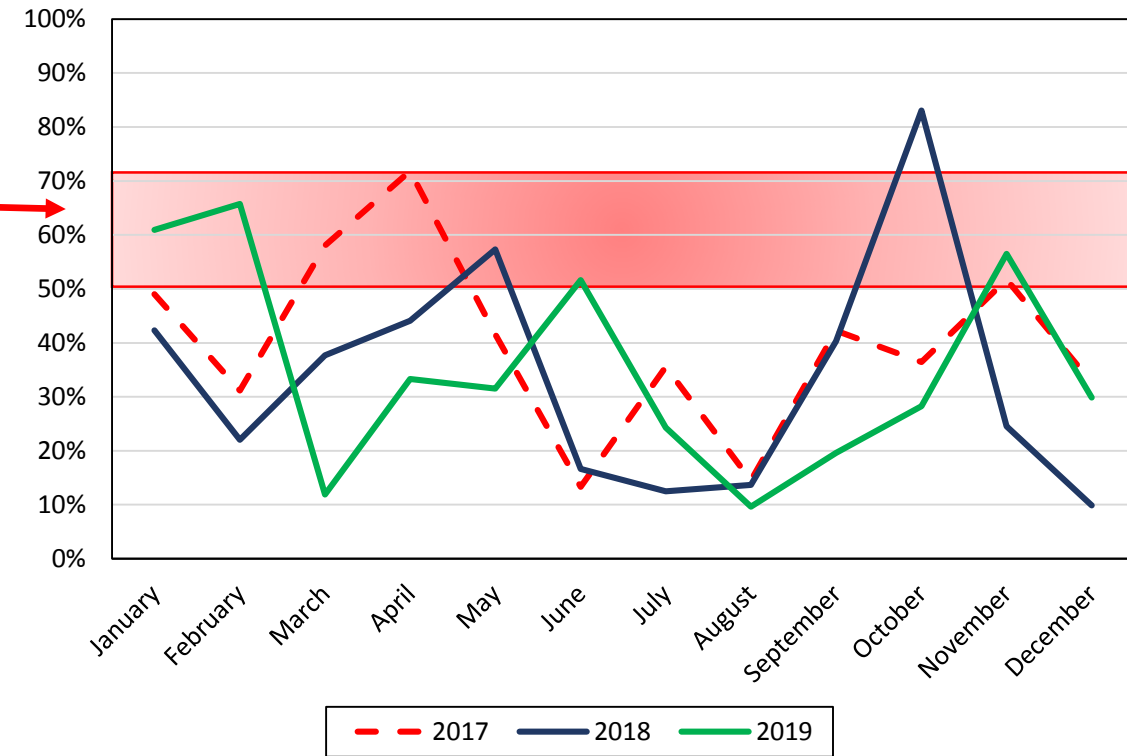
Notes: Data for 2019 include event bookings as of August 2019.
 Sources: PCC; CSL International, 2019

2. Historical PCC Operations: Exhibit Space Occupancy by Month by Building

North/West Buildings



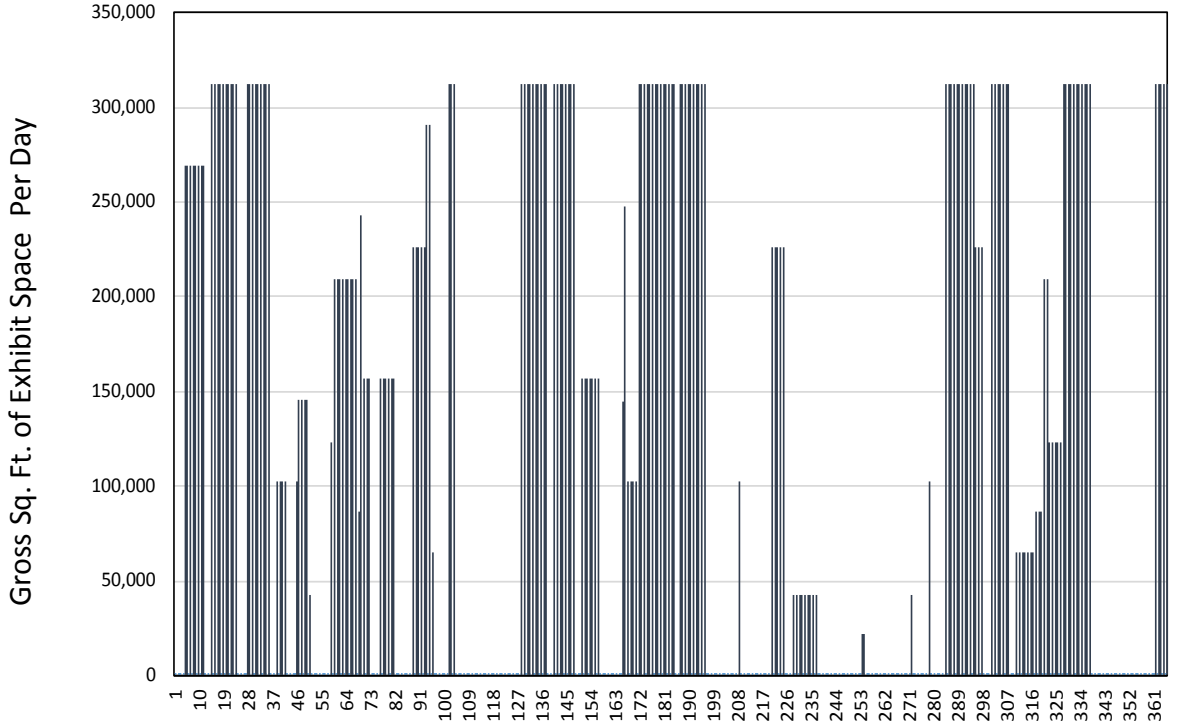
South Building



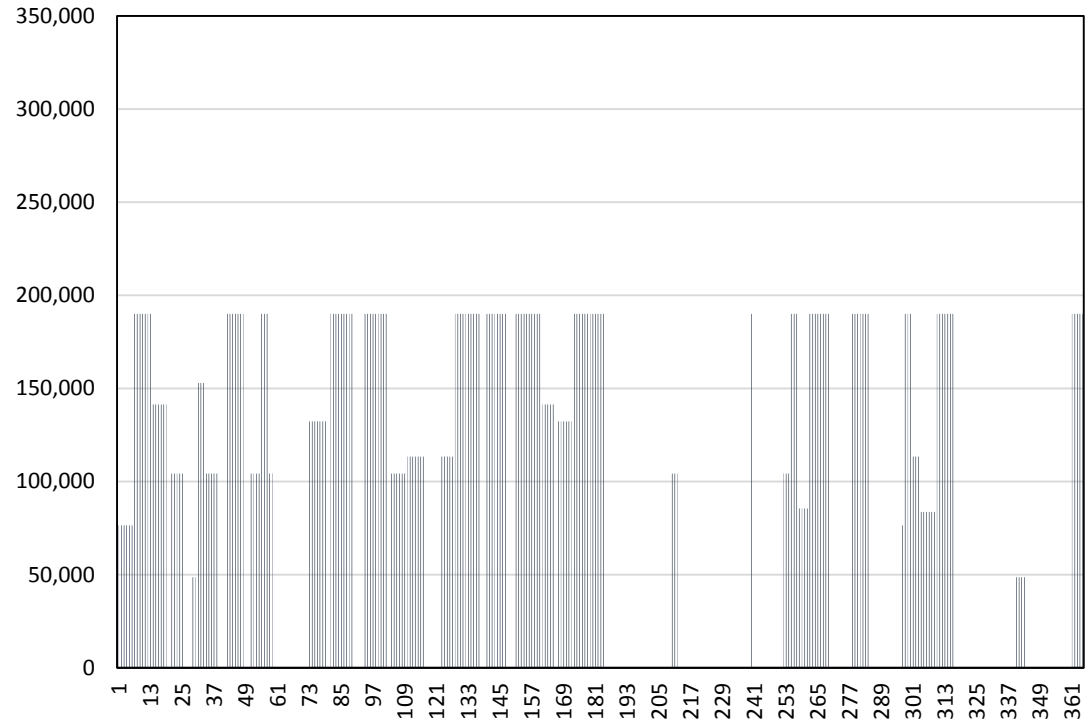
Notes: Data for 2019 include event bookings as of August 2019.
Sources: PCC; CSL International, 2019

2. Historical PCC Operations: North Exhibit Halls Daily Usage (2019)

Lower Level

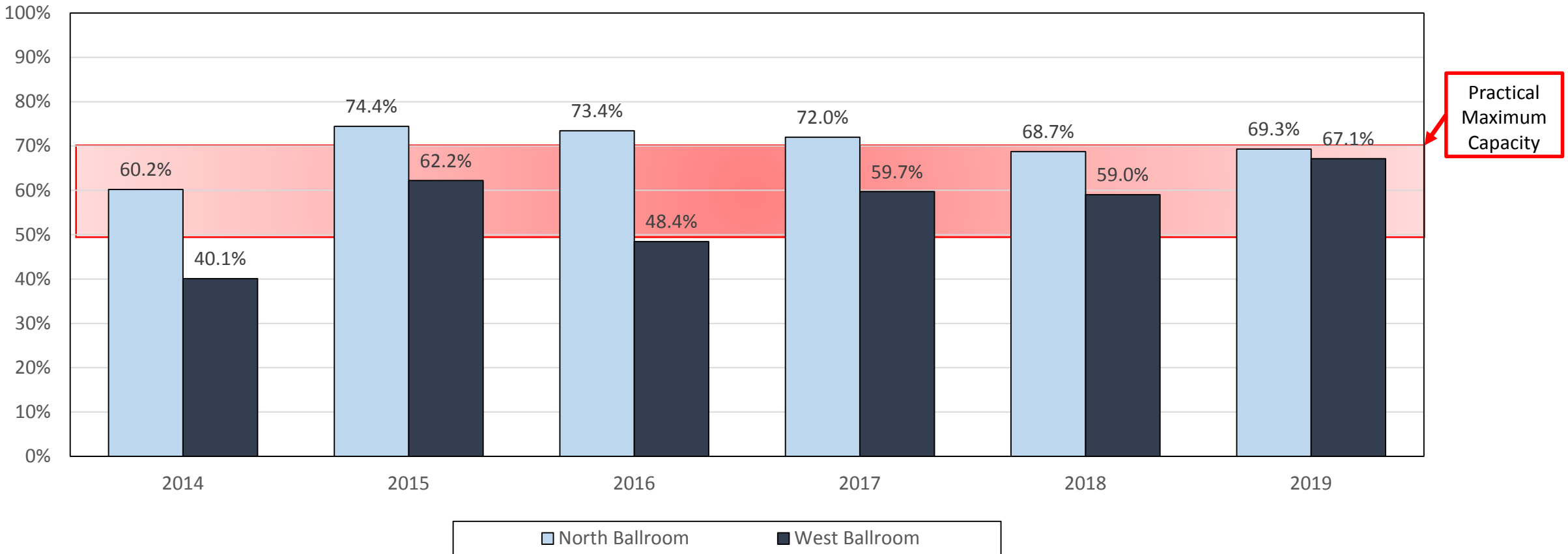


Upper Level



Note: Data shown represent the total gross square feet of exhibit space occupied per day during the 2019 calendar year, as of August 2019.
 Sources: PCC; CSL International, 2019

2. Historical PCC Operations: Ballroom Space Occupancy by Hall



Notes: Data for 2019 include event bookings as of August 2019.
 Sources: PCC; CSL International, 2019



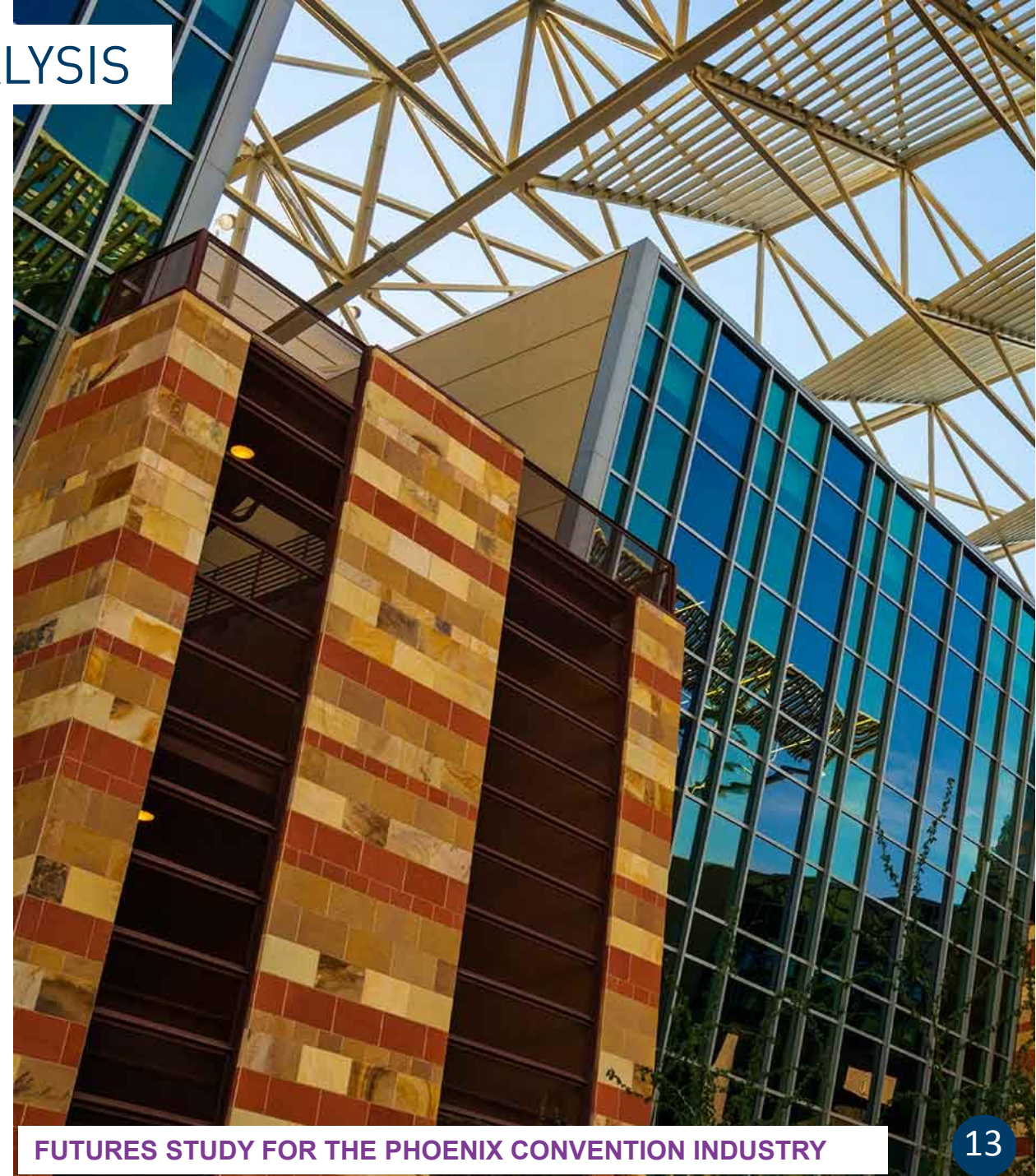
3. COMPETITIVE/COMPARABLE FACILITY ANALYSIS



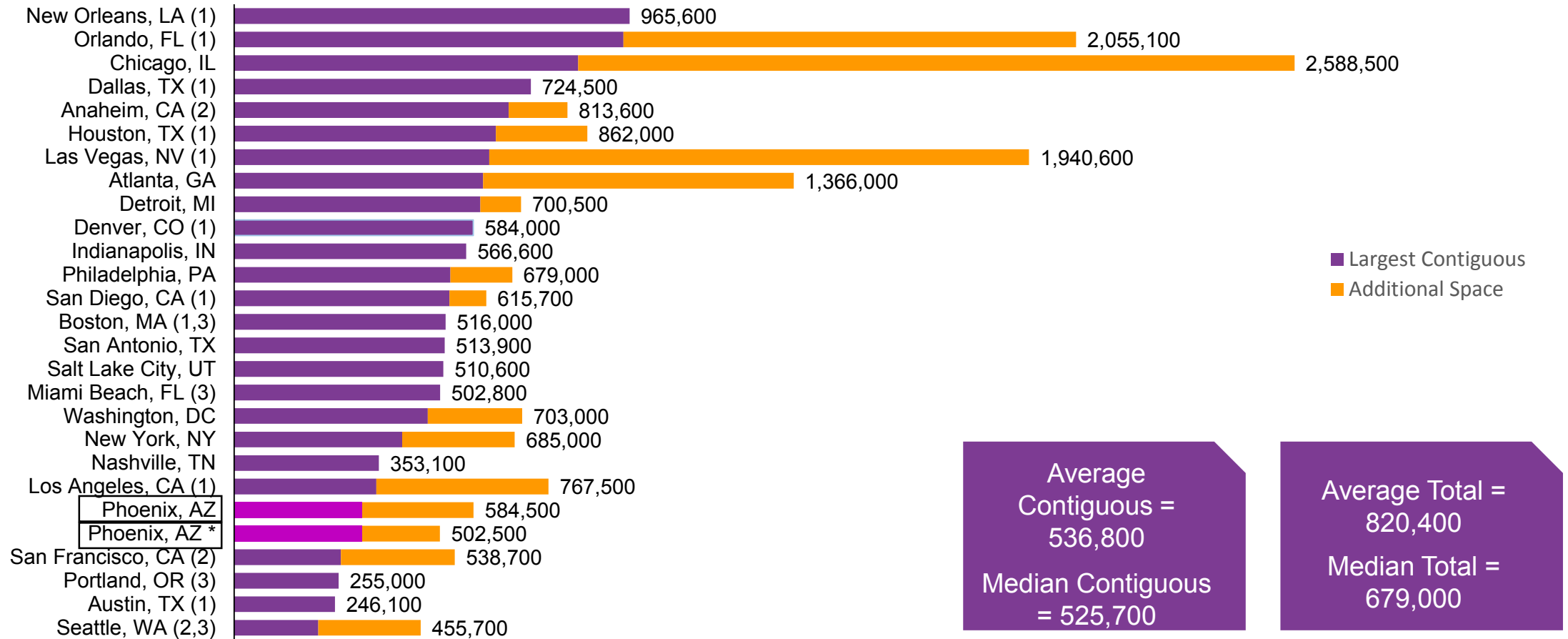
COMPETITIVE/COMPARABLE FACILITY ANALYSIS

We have reviewed the exhibit space totals at facilities that are competitive and/or comparable to the PCC. Data presented in the following eight slides indicate the following.

- The 312,500 square feet of contiguous exhibit space at the PCC ranks 22nd among the 26 major market North American convention centers reviewed as part of this analysis. The 502,500 square feet of total exhibit space (excluding the South Building) also ranks 22nd among the comparable and competitive venue set.
- The ratio of meeting to exhibit space at the PCC ranks 5th among the 26 venues reviewed, with the ballroom to exhibit space ratio ranking 7th. These data highlight a relatively high level of PCC meeting/ballroom space, and represent a competitive strength of the PCC in an industry with increasing demand for meeting and ballroom space. Any future addition of exhibit space should be paired with added meeting and ballroom space.
- Several markets are considering expansion and/or improvement to their convention product, including New Orleans, Orlando, Dallas, Denver, San Diego, Boston, Los Angeles and Austin. Seattle is underway with a \$1.5 billion convention facility development. Investment in competitive venues will include both space and amenity additions that are designed to address emerging industry trends.
- New headquarter hotel development is planned or underway in Boston, Miami Beach, Portland and Seattle.
- As the competitive landscape develops, the inventory of space and amenities associated with the PCC may be challenged to maintain market capture into the future.



3. Competitive/Comparable: Contiguous & Total Exhibit Space



1 – Currently planning convention center/hotel expansion.

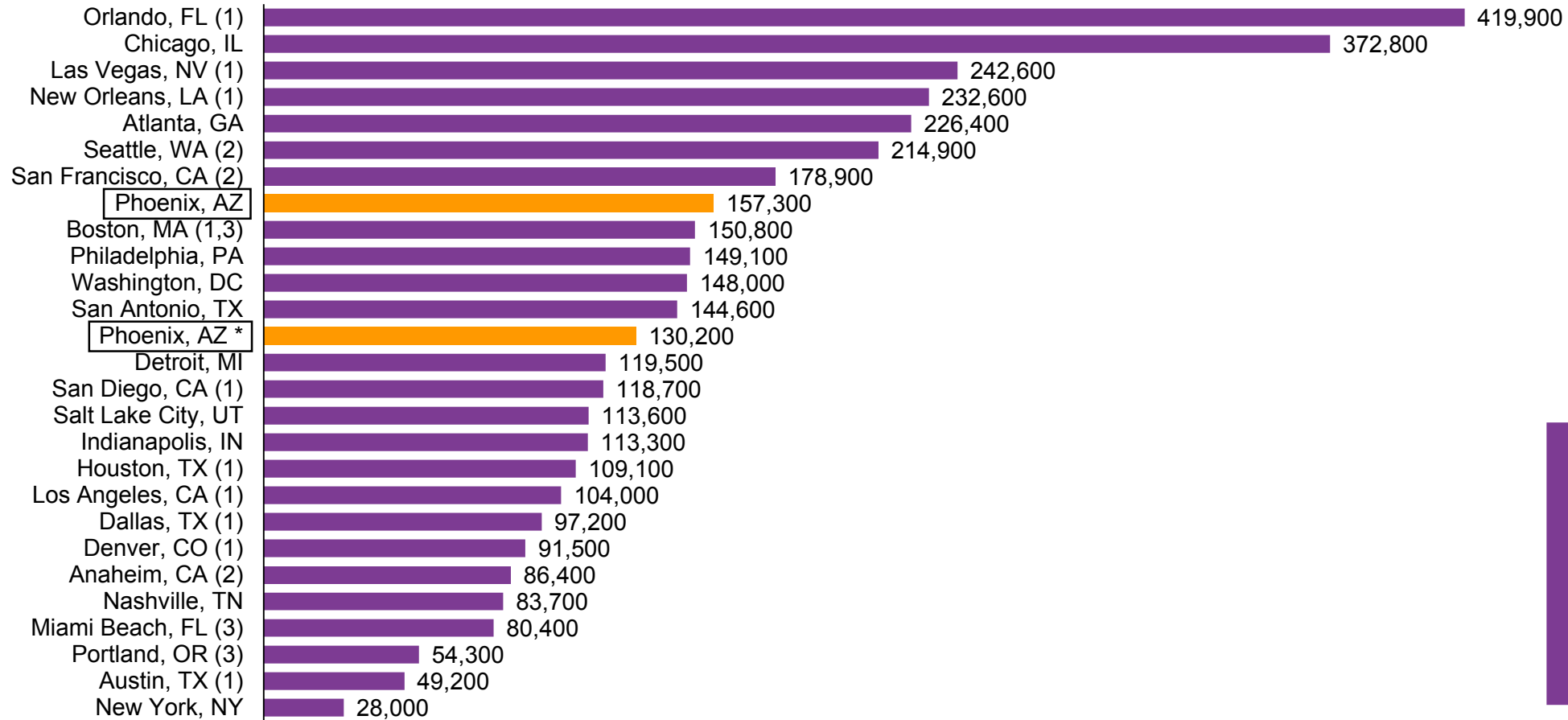
2 – Figure includes space that is planned, under construction, or recently constructed.

3 – Planning/constructing a new headquarter hotel property.

Source: facility management, 2019.

* - Denotes Phoenix Convention Center totals without the inclusion of square footage in the South Building.

3. Competitive/Comparable: Total Meeting Space



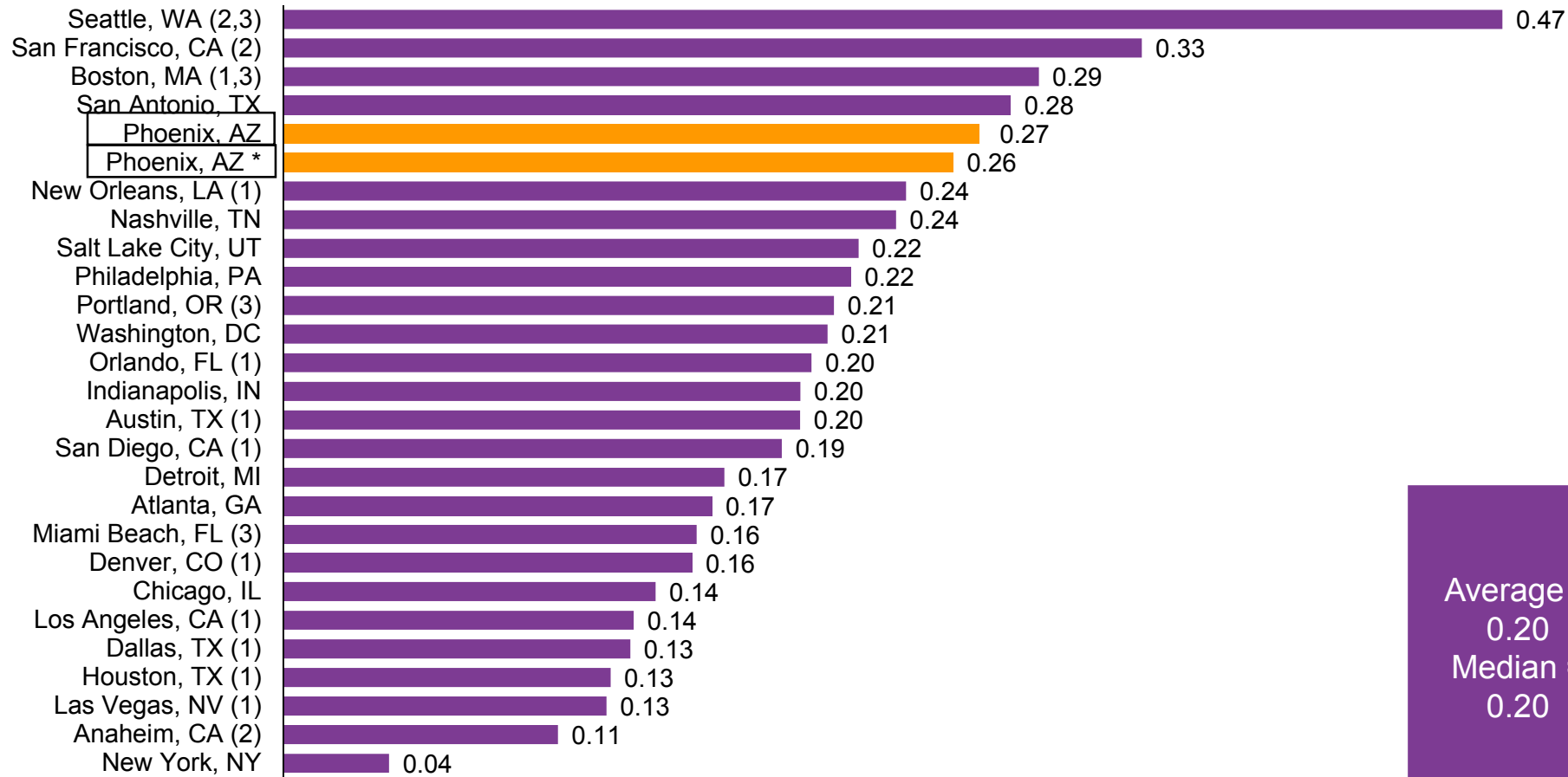
Average =
149,200

Median =
118,700

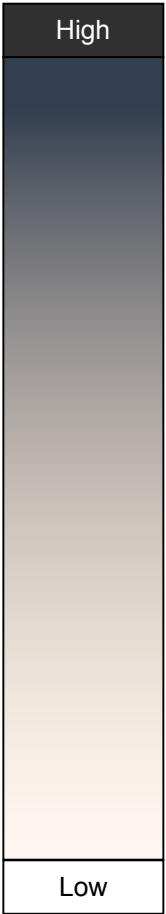
1 – Currently planning convention center/hotel expansion.
 2 – Figure includes space that is planned, under construction, or recently constructed.
 3 – Planning/constructing a new headquarter hotel property.
 Source: facility management, 2019.

* - Denotes Phoenix Convention Center totals without the inclusion of square footage in the South Building.

3. Competitive/Comparable: Ratio of Exhibit/Meeting

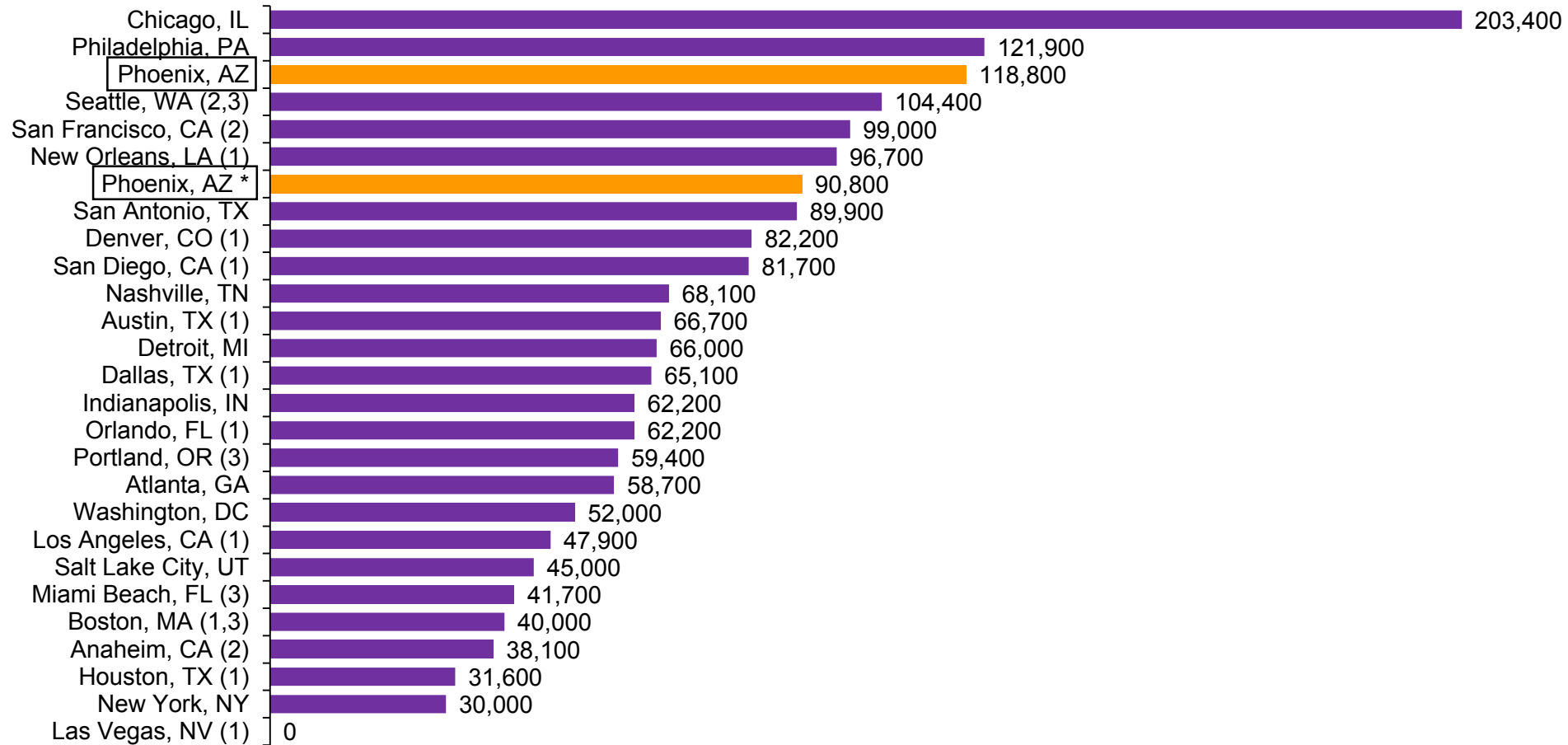


Average = 0.20
Median = 0.20



1 – Currently planning convention center/hotel expansion.
 2 – Figure includes space that is planned, under construction, or recently constructed. * - Denotes Phoenix Convention Center totals without the inclusion of square footage in the South Building.
 3 – Planning/constructing a new headquarter hotel property.
 Source: facility management, 2019.

3. Competitive/Comparable: Total Ballroom Space



Average = 68,600
Median = 62,200

1 – Currently planning convention center/hotel expansion.

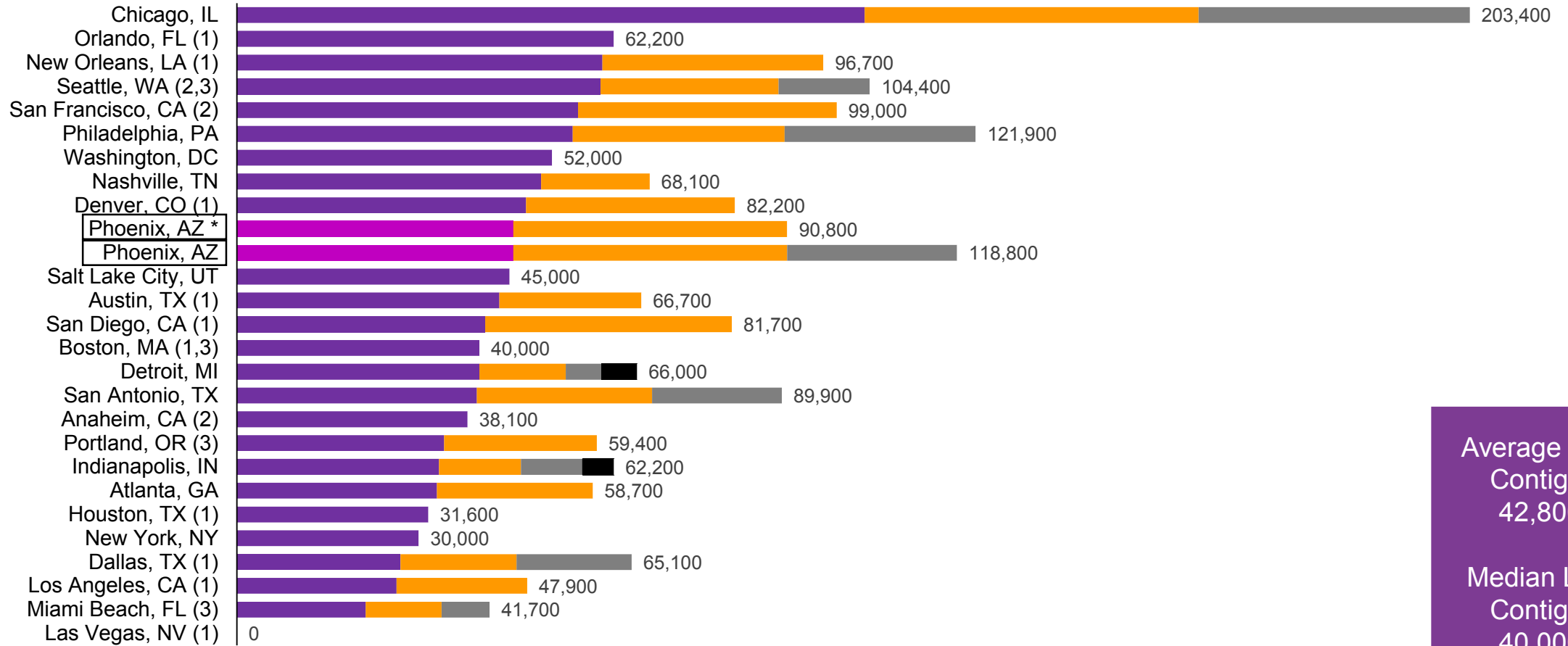
2 – Figure includes space that is planned, under construction, or recently constructed.

3 – Planning/constructing a new headquarter hotel property.

* - Denotes Phoenix Convention Center totals without the inclusion of square footage in the South Building.

Source: facility management, 2019.

3. Competitive/Comparable: Ballroom Space per Room



1 – Currently planning convention center/hotel expansion.

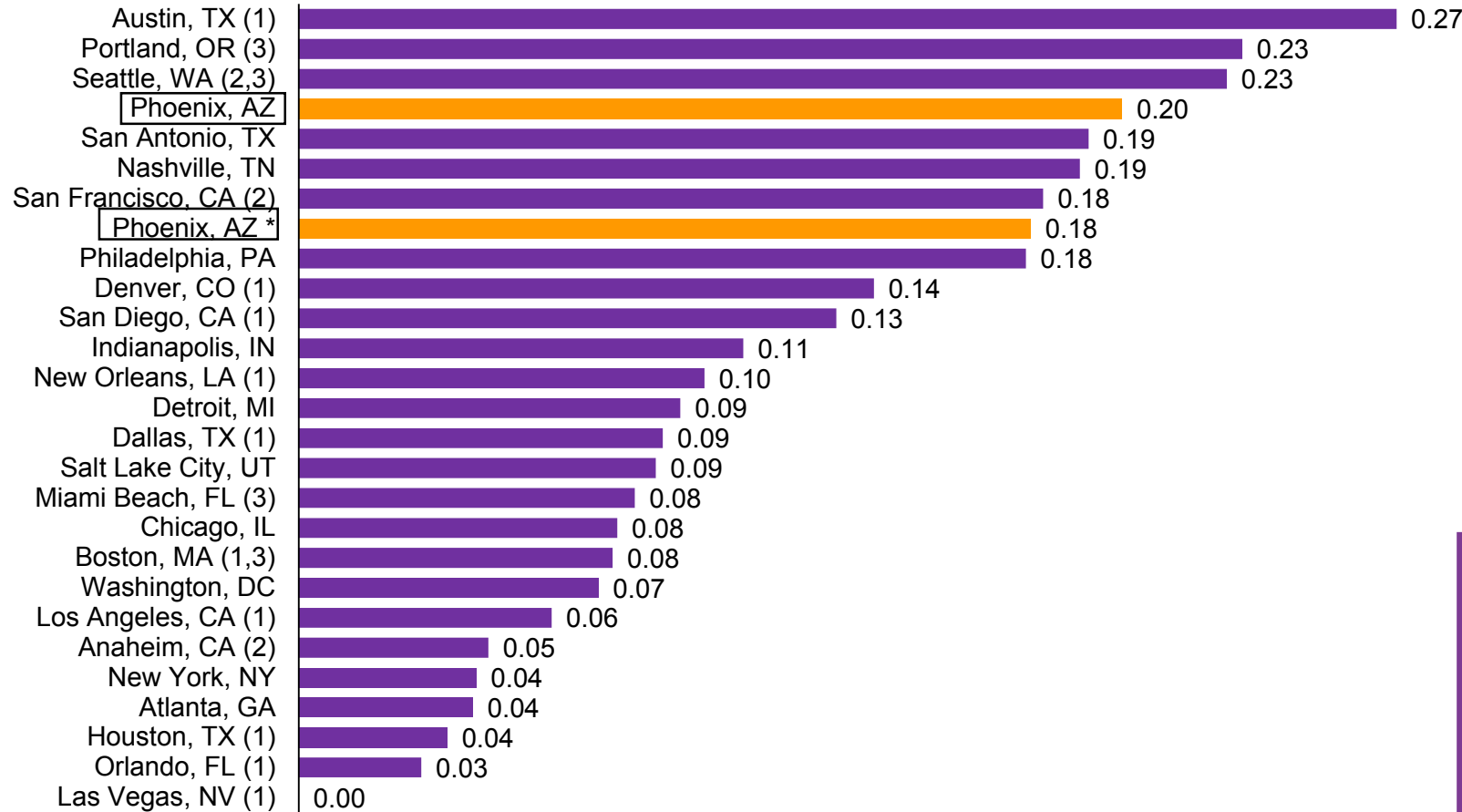
2 – Figure includes space that is planned, under construction, or recently constructed.

3 – Planning/constructing a new headquarter hotel property.

Source: facility management, 2019.

* - Denotes Phoenix Convention Center totals without the inclusion of square footage in the South Building.

3. Competitive/Comparable: Ratio Exhibit/Ballroom



Average =
0.11

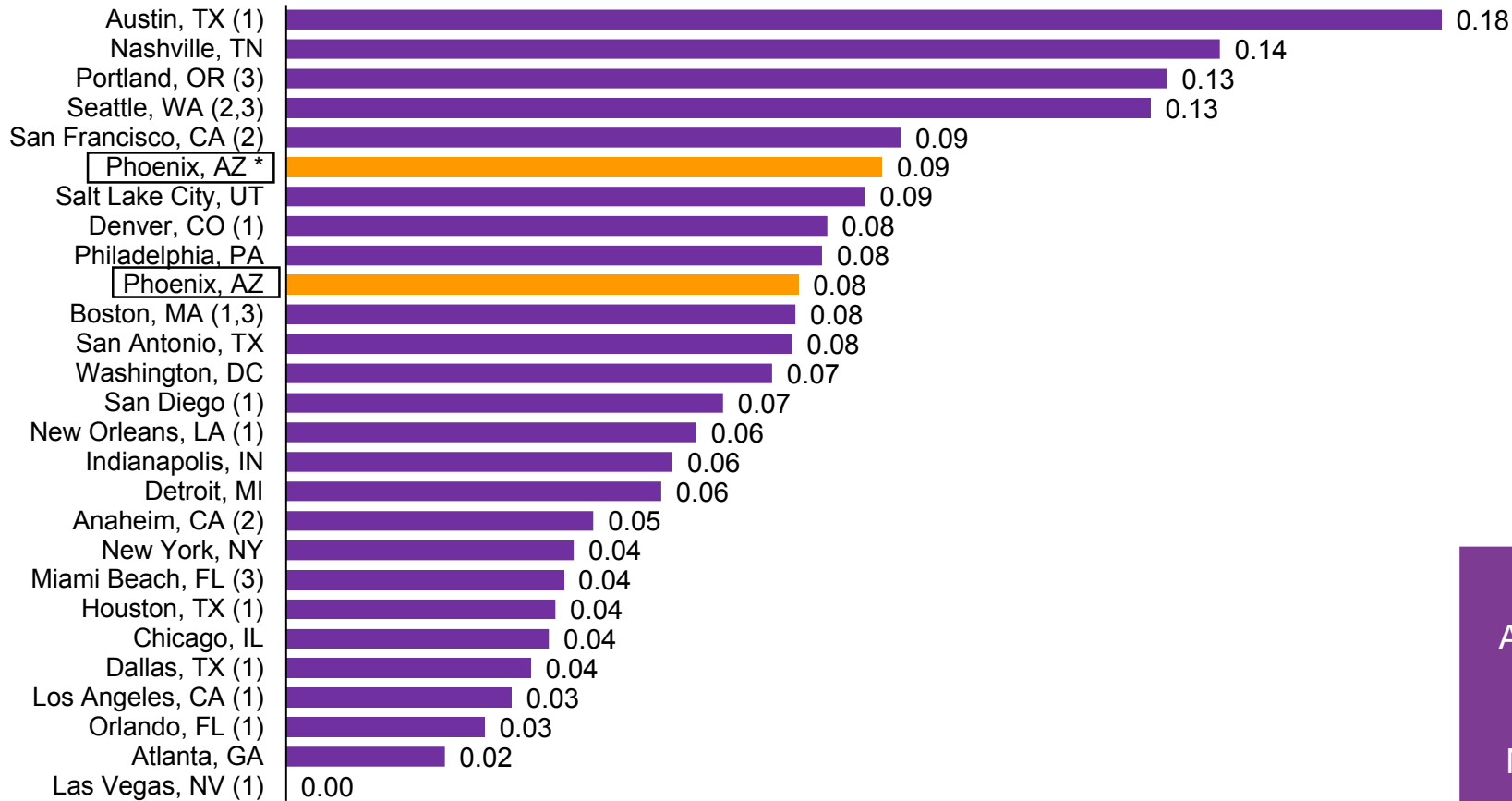
Median =
0.09



1 – Currently planning convention center/hotel expansion.
 2 – Figure includes space that is planned, under construction, or recently constructed.
 3 – Planning/constructing a new headquarter hotel property.
 Source: facility management, 2019.

* - Denotes Phoenix Convention Center totals without the inclusion of square footage in the South Building.

3. Competitive/Comparable: Ratio Exhibit/Largest BR



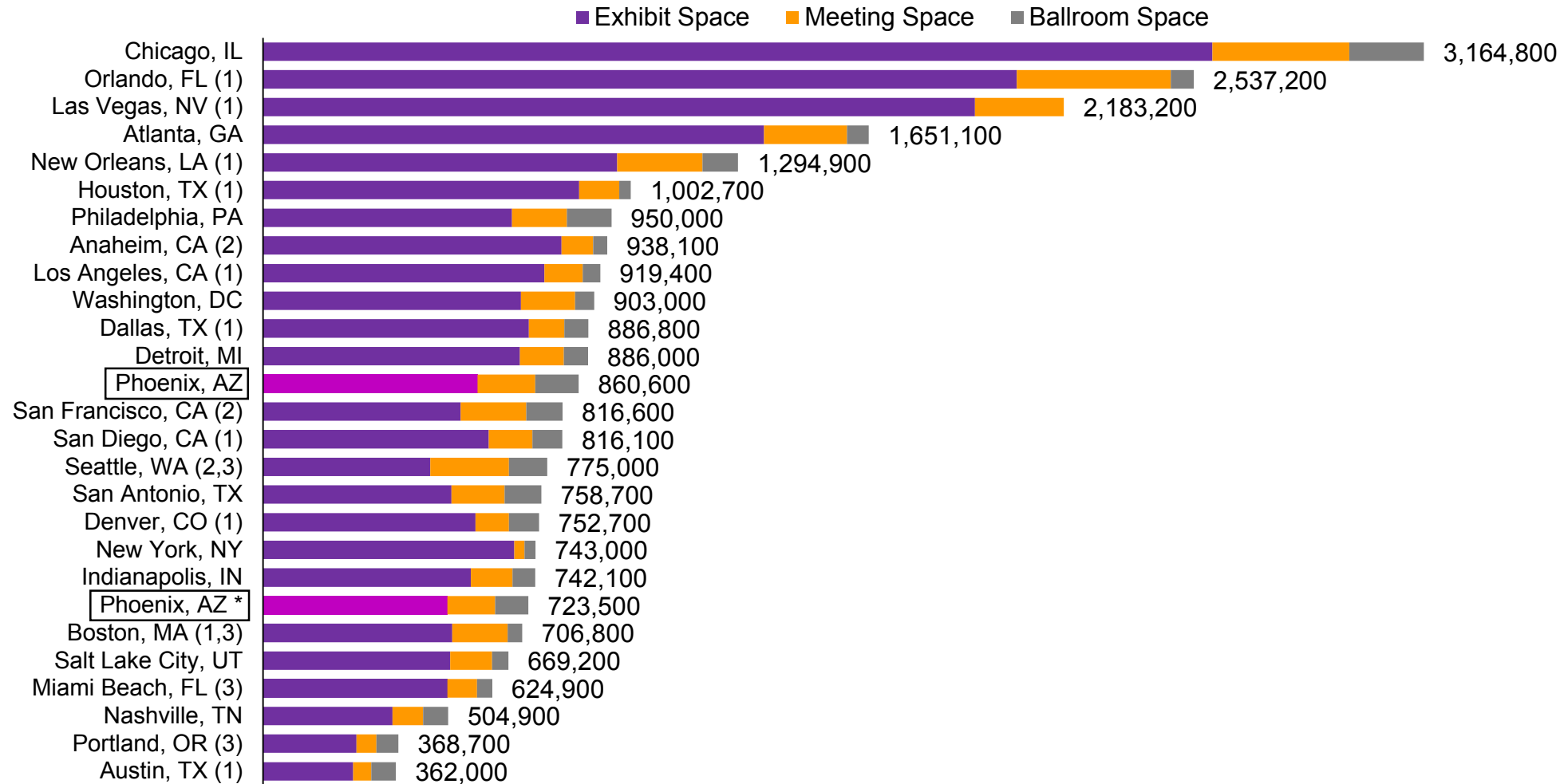
Average = 0.07
Median = 0.06



1 – Currently planning convention center/hotel expansion.
2 – Figure includes space that is planned, under construction, or recently constructed.
3 – Planning/constructing a new headquarter hotel property.
Source: facility management, 2019.

* - Denotes Phoenix Convention Center totals without the inclusion of square footage in the South Building.

3. Competitive/Comparable: Total Sellable Space



Average =
1,038,300

Median =
816,600

1 – Currently planning convention center/hotel expansion.

2 – Figure includes space that is planned, under construction, or recently constructed.

3 – Planning/constructing a new headquarter hotel property.

Source: facility management, 2019.

* - Denotes Phoenix Convention Center totals without the inclusion of square footage in the South Building.



4. CONVENTION DISTRICT BENCHMARKING ANALYSIS



4. CONVENTION DISTRICT BENCHMARKING ANALYSIS

We have analyzed the hotel and hospitality amenities in districts surrounding the comparable and competitive market set. Data presented in the following five slides indicate the following.

- Event planners prefer destinations that can offer a large block of hotel rooms near a convention center, in as few properties as possible. Offering large, headquarter-type properties (500 to 1000+ hotel rooms) near a center is therefore important to accommodating event planner needs.
- When considering Phoenix headquarter hotels and hotels adjacent to a center, the 2,516 combined total rooms in the Sheraton, Hyatt and Renaissance rank 4th among the 13 markets considered. However, the 3,838 rooms within one-half mile of the PCC ranks 11th.
- These data suggest that the ability to assemble a room block for large non-local conventions and tradeshow in Phoenix is challenging. Combined with the general lack of availability of downtown hotel rooms as defined earlier in this summary, the hotel inventory in Phoenix within one-half mile of the PCC should be considered a competitive disadvantage.
- We have also developed an analysis of hotel properties needed to assemble a hotel room block of 2,500 room within reviewed markets. The analysis also assumes that 60 percent of room inventory would be committed to a room block. 2,500 rooms can be assembled in most markets, using between three and ten properties. Three markets, including Phoenix, do not have sufficiently large hotel inventory within one-half mile of the convention center to assemble a 2,500 room block.
- According to Visit Phoenix, the Cambria recently opened with 127 rooms, and the AC Hotel is projected to open in 2021 with 199 rooms. Several other hotels are in the planning or final planning stages with potential opening in 2021 or 2022. However, all properties either under construction or planned for opening by 2022 will offer less than 200 rooms.

- These smaller, typically limited service properties are not a prominent component of non-local event room blocks, with planners preferring large convention/group oriented properties located in the vicinity of a convention center.

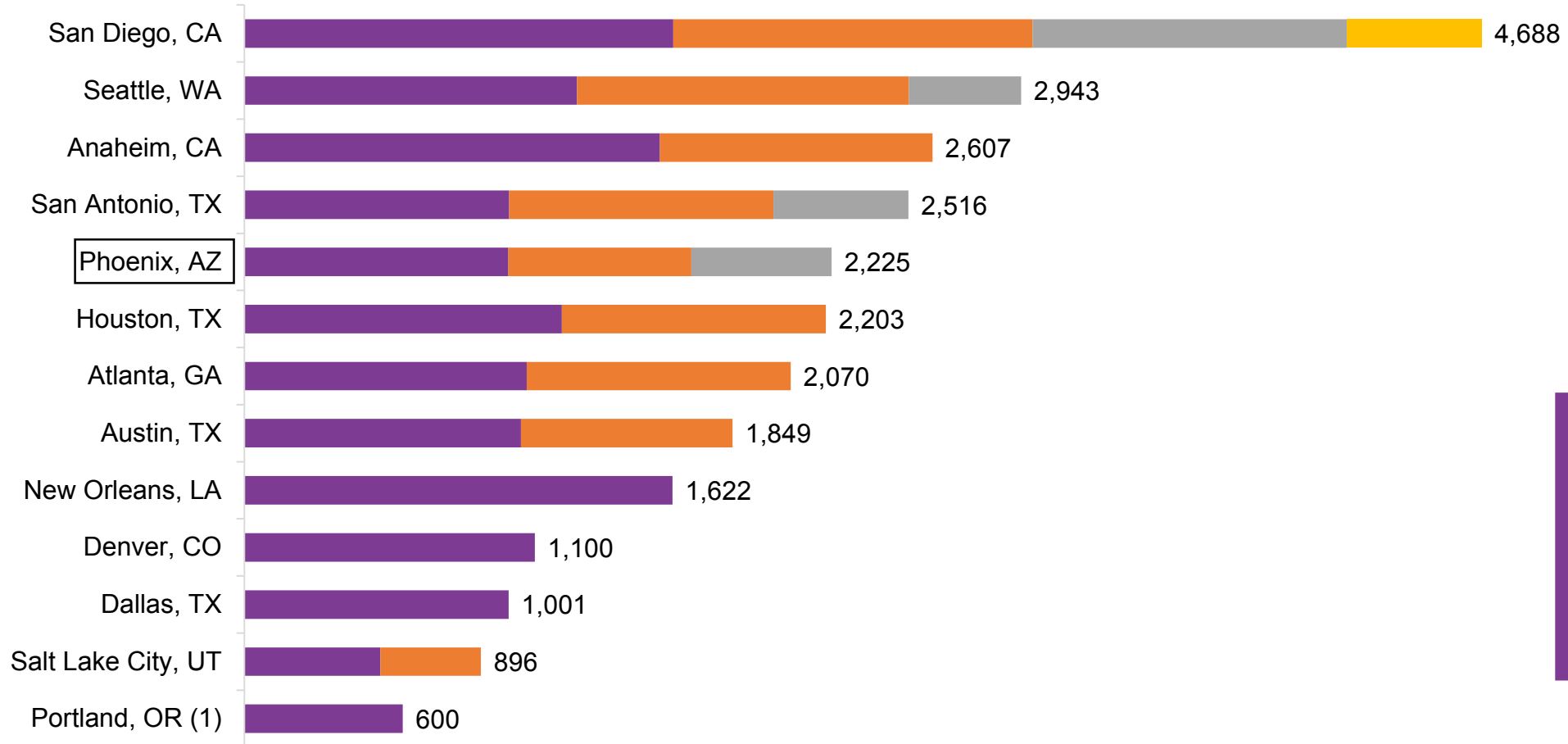
The hotel inventory analysis clearly indicates a negative effect on the ability to attract large non-local events to the PCC, and helps explain the PCC occupancy patterns over the analysis period reviewed.

We have also reviewed the number of dining establishments within one-half mile of convention centers in the 13 markets reviewed. The 125 restaurants within one-half mile of the PCC ranks 6th, below the average of 146. In addition, the inventory and density of adjacent or very nearby restaurants is somewhat less than desired.

These data demonstrate that creating a highly desirable convention destination will require not just PCC and headquarter hotel investment, but a strategy, building on existing efforts to grow a critical mass of walkable restaurant, retail and hospitality density within close proximity of the PCC.

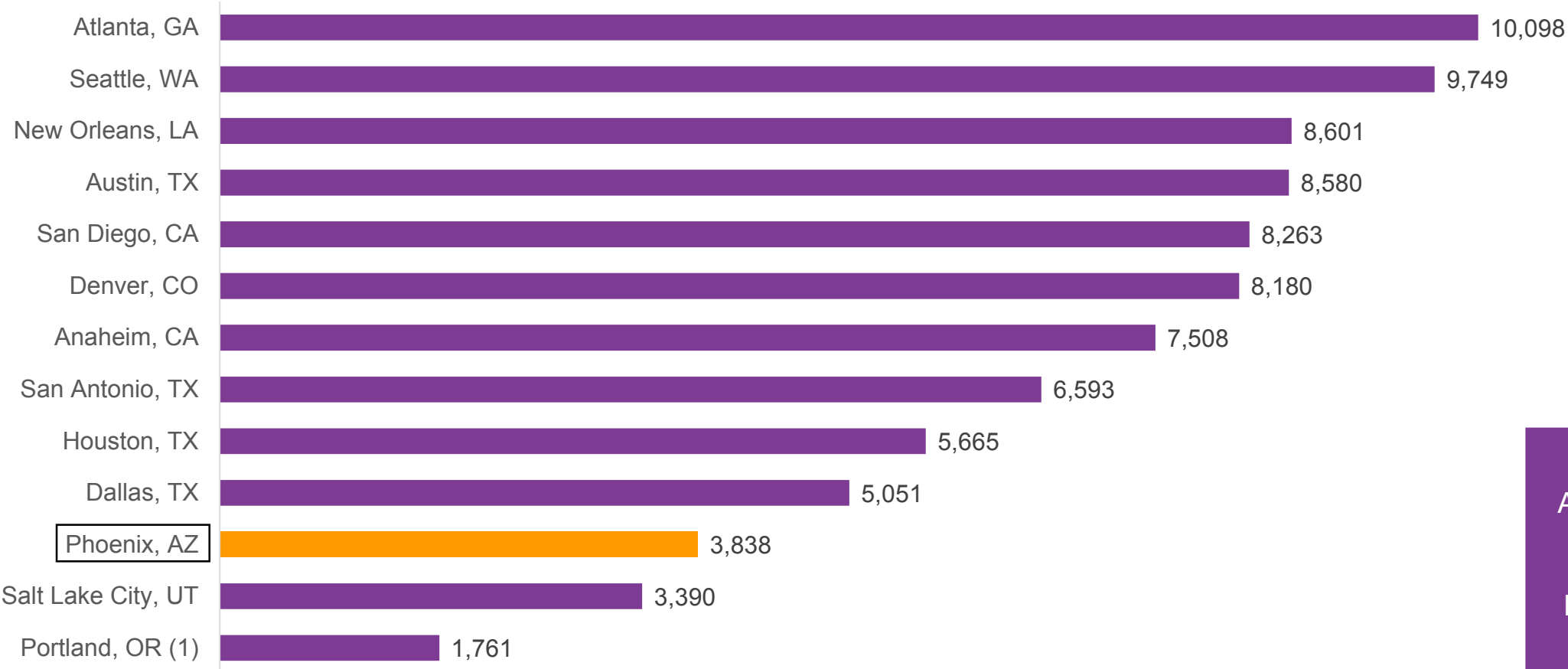


4. Convention Districts: HQ/Adjacent Hotel Analysis



1 – Figure includes incoming headquarter hotel property that is either planned or under construction.
Source: facility management, 2019.

4. Convention Districts: Hotels w/in 1/2-mile

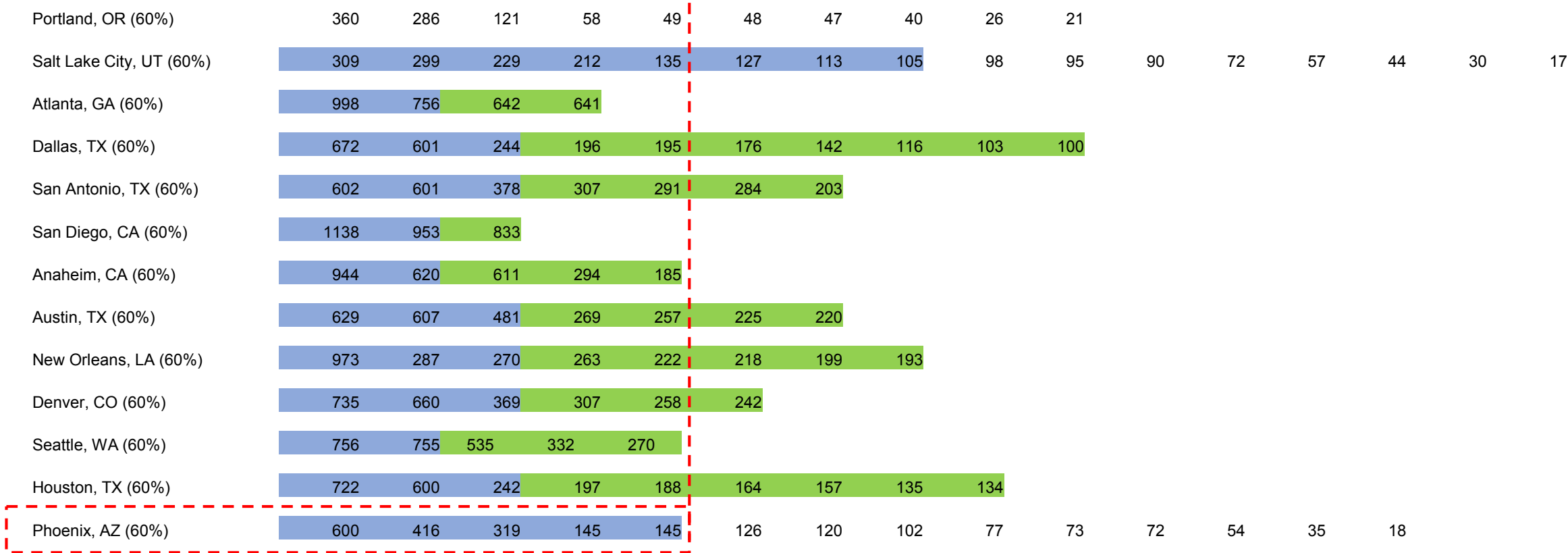


Average = 7,000
 Median = 7,800

1 – Figure includes incoming headquarter hotel property that is either planned or under construction.
 Source: facility management, 2019.



4. Convention Districts: # of Hotel Properties for Room Blocks

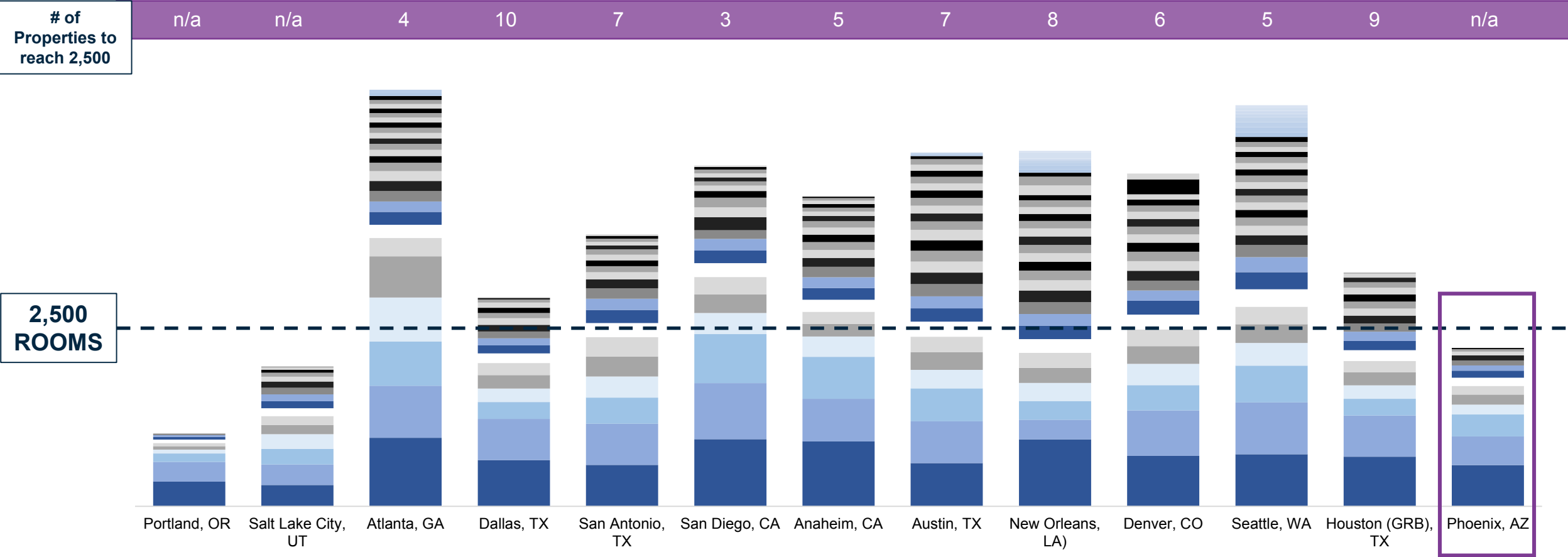


1,500 peak rooms
2,500 peak rooms



(1) – Figure includes incoming headquarter hotel property that is either planned or under construction.
Source: area CVB's, 2019.

4. Convention Districts: Hotel Properties Needed to Assemble Room Blocks

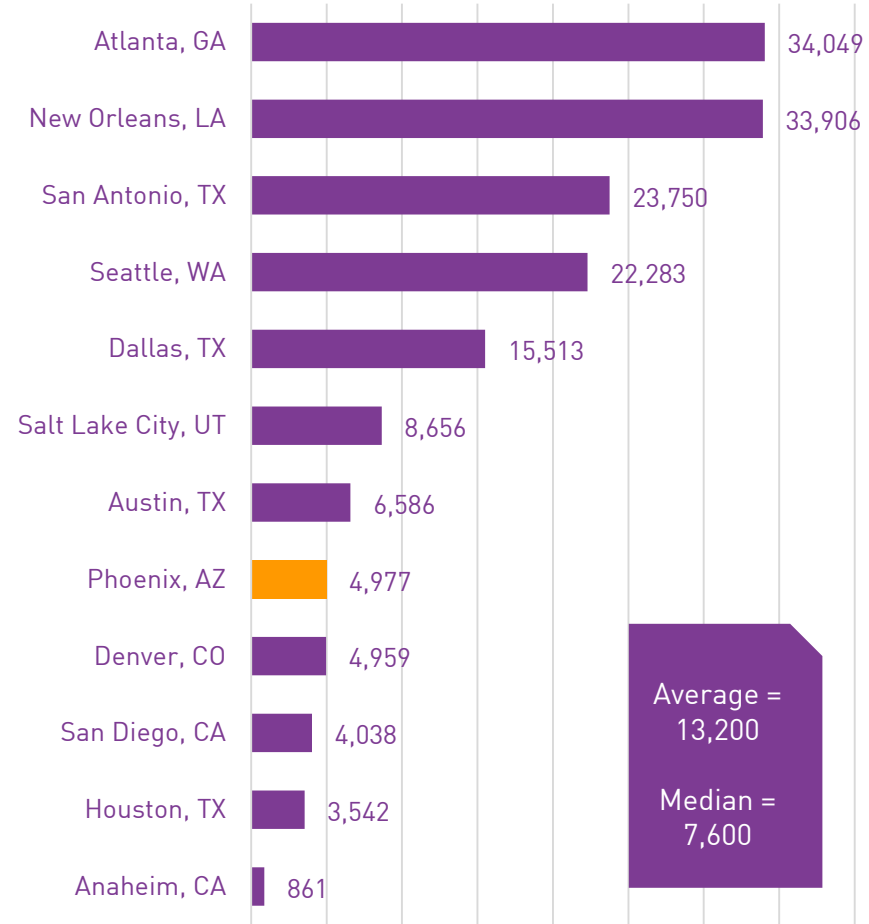
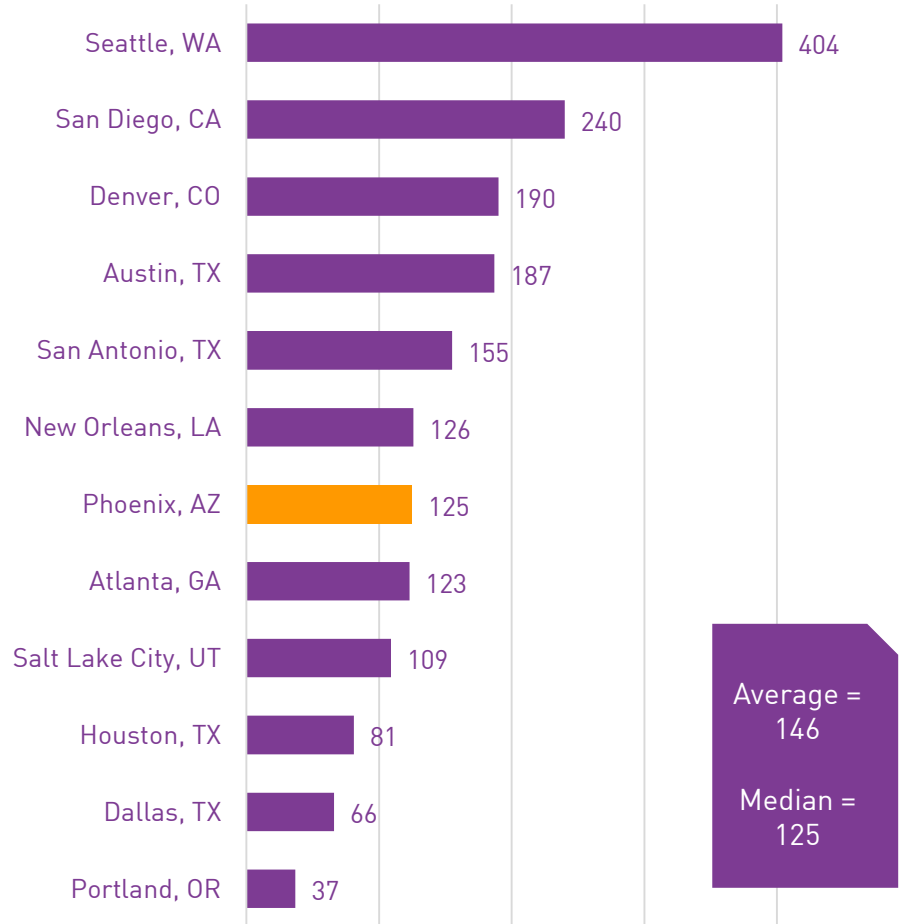


Note: 60% committability rate assumed for each market's ½-mile hotel inventory.
 Source: DMO's, 2019.

4. Convention Districts: Destination Amenities Benchmarking

of Positive TripAdvisor Attraction Reviews within 1/2 Mile

of Dining Places within 1/2 Mile



Source: TripAdvisor, Esri, 2019.



5. MARKET DEMAND ANALYSIS



5.0 MARKET DEMAND ANALYSIS

We have conducted extensive research into event planner opinions as to the PCC and the Phoenix market as an event destination. Research included over 100 interviews with current, past, lost and potential future PCC clients. Data presented in the following eight slides indicate the following.

- Telephone interviews of national conventions and tradeshow were conducted to help assess market demand for convention space in Phoenix, facility space needs, hotel requirements, seasonality patterns and related factors. Nineteen percent of planners surveyed would definitely book Phoenix for an event. An additional 21 percent would likely and 31 percent possibly book Phoenix. Positive response rates tend to be highest for events requiring between 200,000 and 300,000 square feet of exhibit space.
- The combined 71 percent positive response rate compares similarly to past CSL survey results in markets such as San Diego, New Orleans and Boston, and somewhat ahead of Seattle, Toronto and San Jose. These results indicate a relatively strong opportunity to maintain and potentially increase market capture, and increase overall PCC occupancy over time provided hotel and other limitations in the market are addressed.
- Primary reasons for not considering Phoenix as an event destination focused on lack of association members and potential event attendees in the area, geographical rotational issues, limitations of large hotels and committable room blocks, and temperature conditions during the summer months.
- A majority of event planners surveyed (59 percent) require contiguous exhibit space, with an additional 16 percent strongly preferring contiguous space. When combined with the 10 percent preferring contiguous space, a total of 85 percent of planners surveyed would require or prefer contiguous exhibit space. These data are important to consider when developing future PCC expansion scenarios.

- The 312,500 square feet of lower level exhibit space beneath the North/West buildings can accommodate approximately 92 percent of the planners surveyed with an interest in hosting an event in Phoenix. The 190,000 square feet of upper level exhibit space can accommodate approximately 65 percent of the event market specific to Phoenix.
- The 2,300 committable hotels rooms within one-half mile of the PCC (assuming 60 percent committability) can only accommodate 63 percent of this event market, impacting the ability to increase market share. Essentially, the downtown Phoenix hotel inventory has difficulty supporting the full inventory of PCC upper and lower level exhibit space.



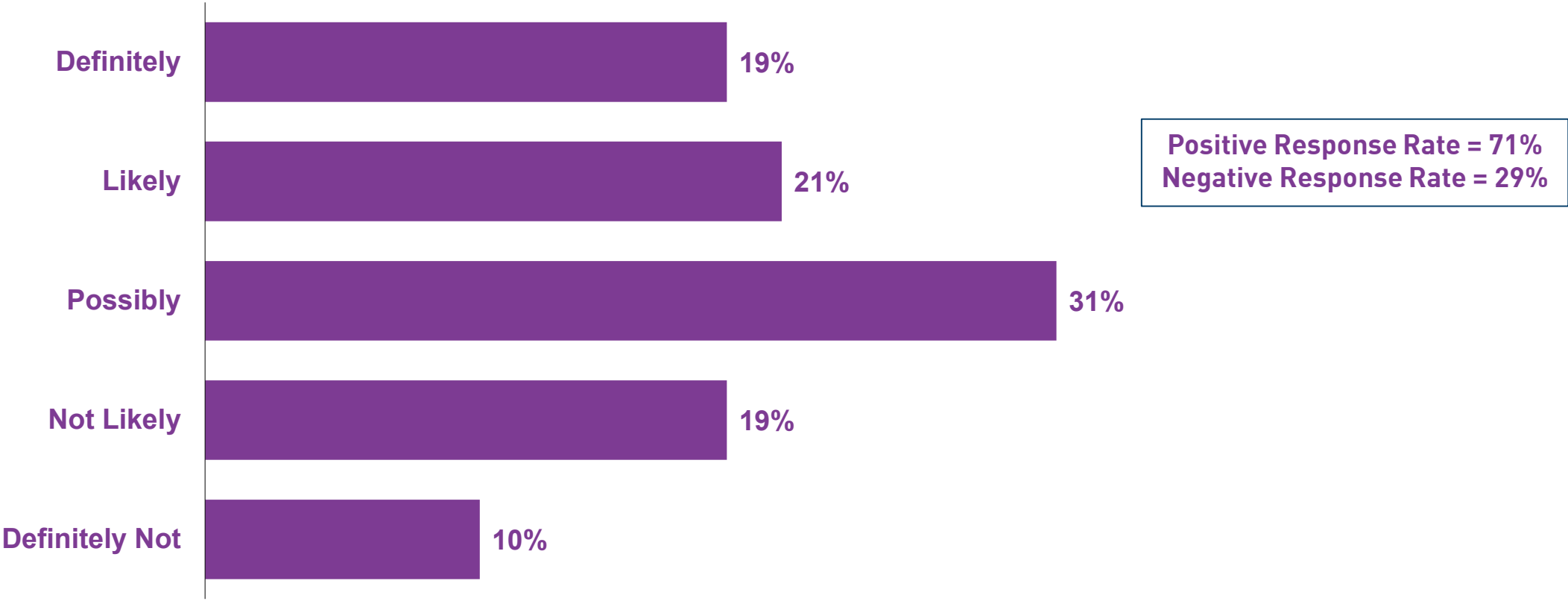
5. Market Demand: Event Planner Survey Outreach

- **100** completed telephone interviews with event planners representing potential rotating events, including:

5Net4 Productions	American Public Health Association	Conference for the Advancement of Mathematics Teaching	National Association of Independent Schools
Aglow International	American Public Transportation Association	Congress of Neurological Surgeons	National Association of Pediatric Nurse Practitioners
American Academy of Allergy Asthma & Immunology	American Public Works Association	EASA, The Electro-Mechanical Authority	National Association of Tower Erectors
American Academy of Ophthalmology	American Quilter's Society	ESEA Network	National Baptist Convention, USA, Inc.
American Academy of Optometry	American Society For Cell Biology	General Conference of Seventh-day Adventist Church	National Biodiesel Board
American Academy of Orthopaedic Surgeons	American Society for Microbiology	Heart Rhythm Society	National Business Aviation Association
American Academy of Otolaryngology-Head and Neck Surgery	American Society for Nondestructive Testing	Hearth, Patio & Barbecue Association	National Electrical Contractor Association
American Angus Association	American Society for Quality	Hendon Media Group	National Funeral Directors and Morticians Association
American Association for the Advancement of Science	American Society for Reproductive Medicine	Hispanic Association of Colleges and Universities	National Kidney Foundation
American Association of Law Libraries	American Society of Gene and Cell Therapy	Hospitality Financial and Technology Professionals	National League of Cities
American Association of Pharmaceutical Scientists	American Society of Landscape Architects	Industrial Fabrics Association International	National Rural Electric Cooperative Association
American Association of Physicists in Medicine	American Society of Military Comptrollers	Institute of Scrap Recycling Industries, Inc.	National Society of Black Engineers
American Association of Woodturners	American Society of Nephrology	International Association of Fairs and Expositions	NeighborWorks America
American College of Chest Physicians	American Speech Language Hearing Association	International Baccalaureate IBAmericas	Odyssey Event, LLC
American College of Veterinary Internal Medicine	American Truck Historical Society	International Institute of Building Enclosure Consultants	Produce Marketing Association
American Council on the Teaching of Foreign Languages	Anheuser-Busch Companies Inc.	International Union of Public Transport	Scrapbook Expo
American Dental Association	Association for Computing Machinery	Irrigation Association	Servpro Industries, Inc
American Exploration and Mining Association	Association for Molecular Pathology	Job Shop Shows Inc	SiriusDecisions, Inc.
American Geophysical Union	Association for Unmanned Vehicle Systems International	League of United Latin American Citizens	Snack Food Association
American Historical Association	Association of Clinical Documentation Improvement Specialists	Lions Clubs International	Theatre Conference
American Institute of Architects	Association of Legal Administrators	Mahindra, Inc	Specialty Tools & Fasteners Distributors Association
American Institute of Chemical Engineers	Benevolent and Protective Order of Elks (BPOE)	Mecum Auctions, Inc	Taxicab, Limousine & Paratransit Association
American Meteorological Society	Berkshire Hathaway Inc.	Million Dollar Round Table	The Minerals, Metals & Materials Society (TMS)
Association of Higher Education Facilities Officers	Best Western International	National Archery in the Schools Program	The Optical Society
American Optometric Association	Central Market	National Association of Elevator Contractors	United States & Canadian Academy of Pathology, Inc

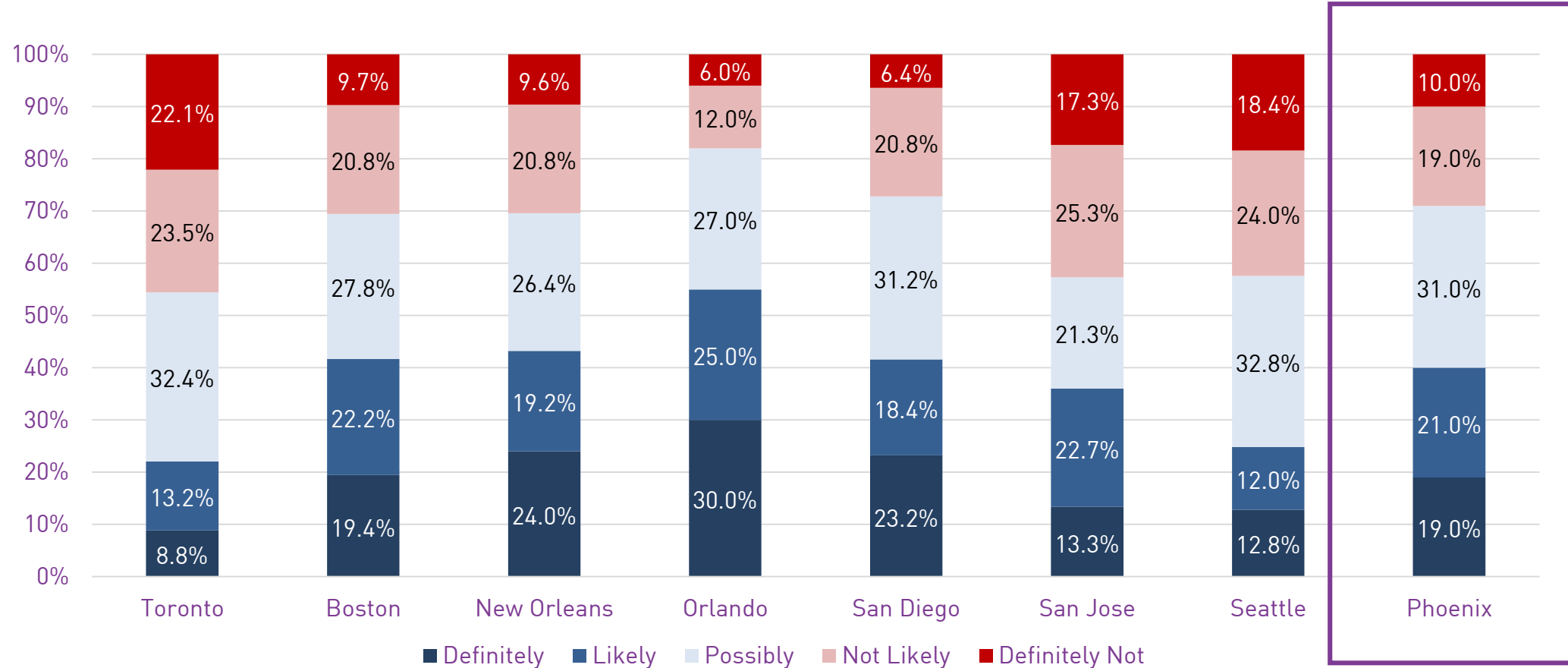
Source: CSL National Event Planner Interviews, 2019.

5. Market Demand: Likelihood of Hosting Events at the PCC



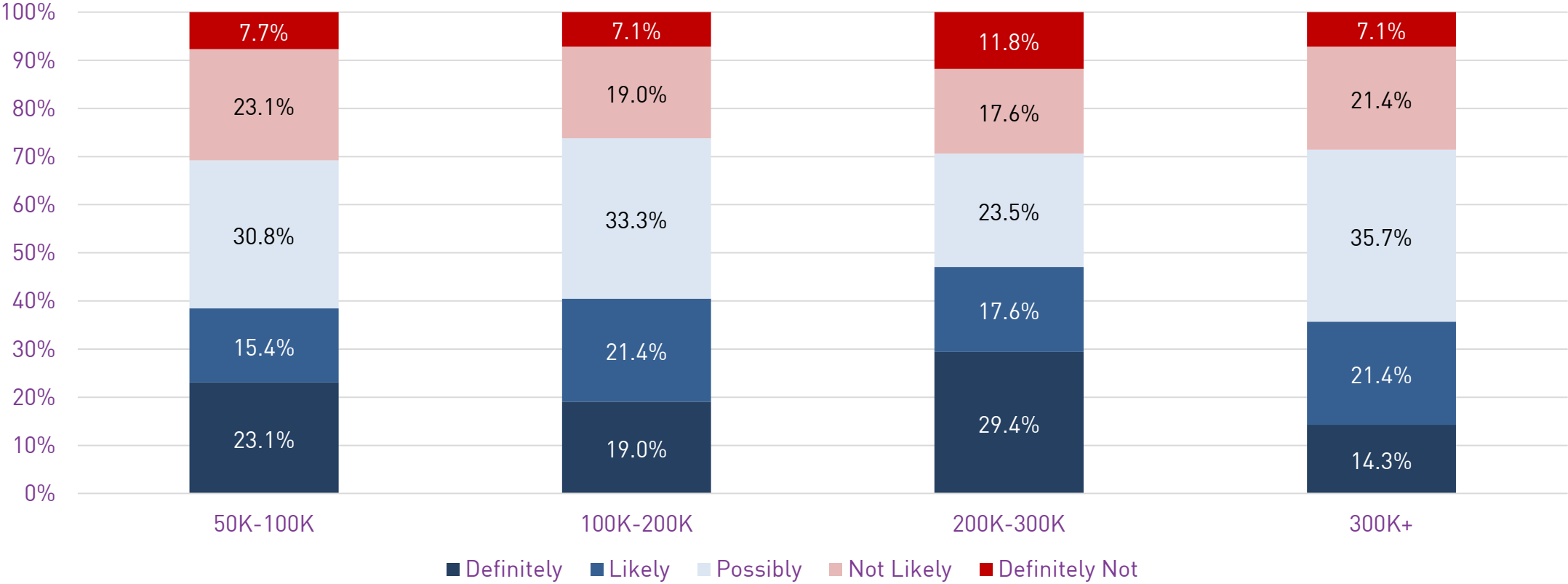
Source: CSL National Event Planner Interviews, 2019.

5. Market Demand: Comparison of Likelihood w/ Peer Facilities



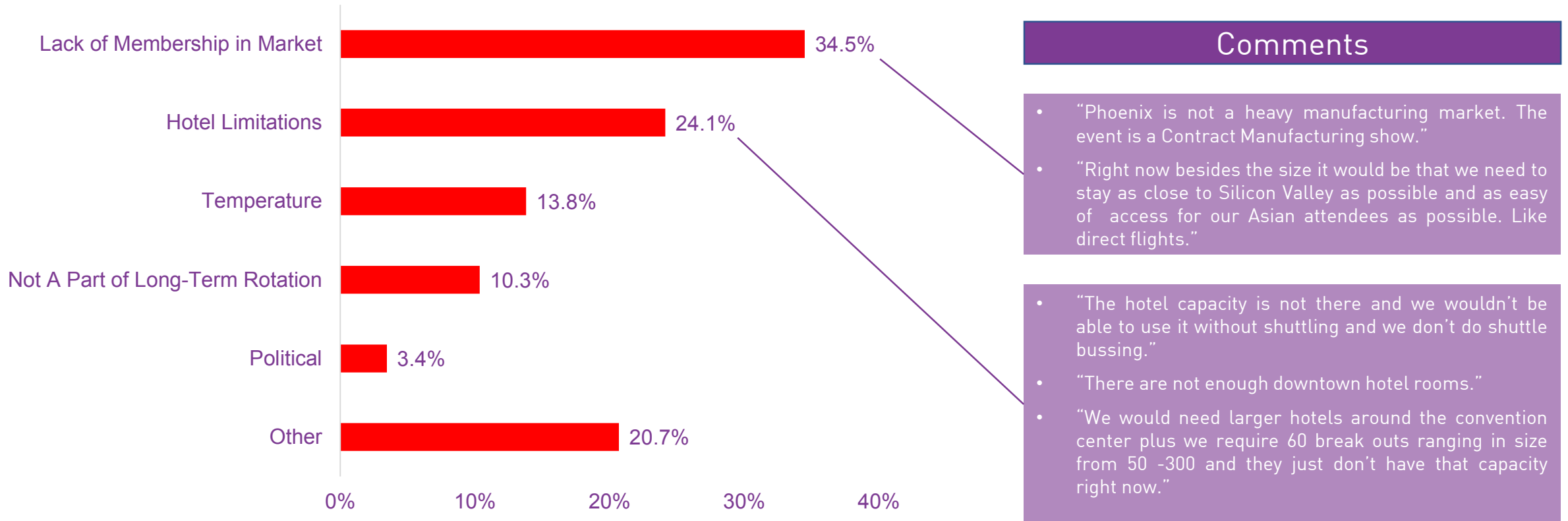
Source: CSL National Event Planner Interviews.

5. Market Demand: Likelihood of Hosting at PCC by Event Size (by square feet)



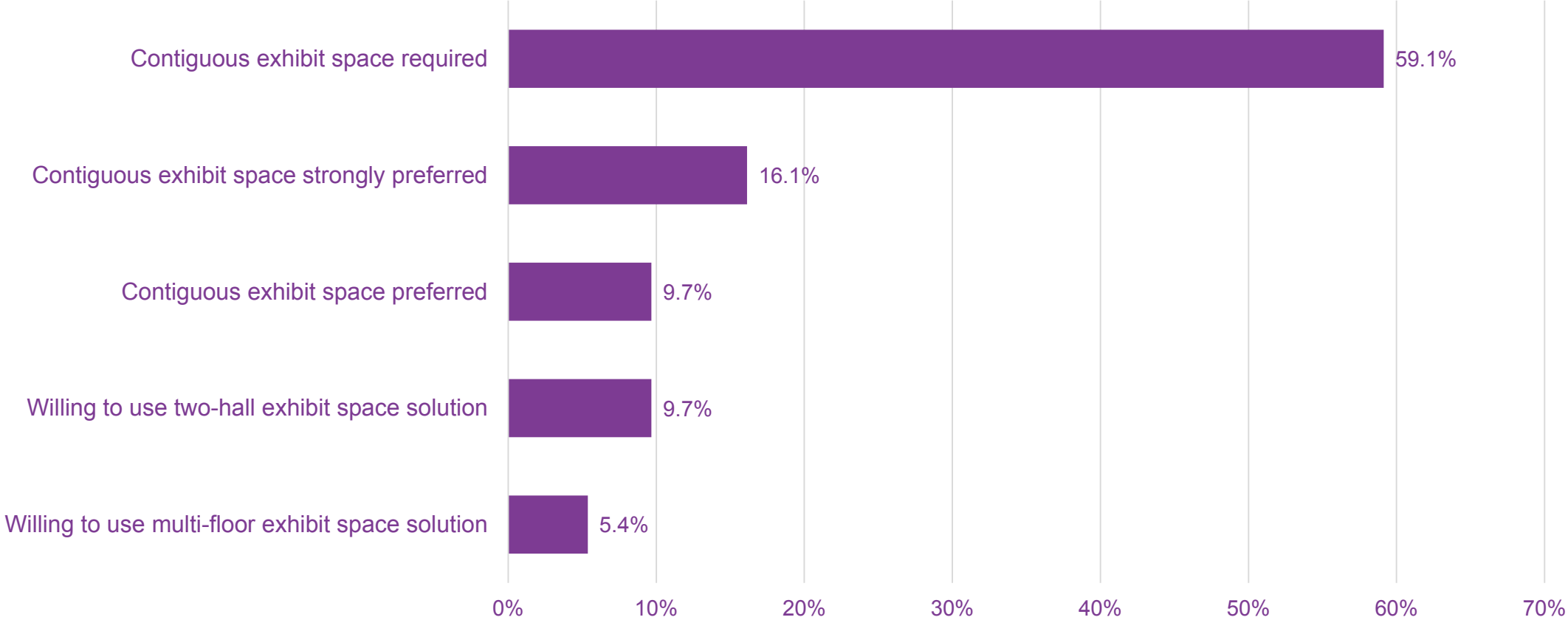
Source: CSL National Event Planner Interviews, 2019.

5. Market Demand: Reasons for Disinterest in Hosting Events at the PCC



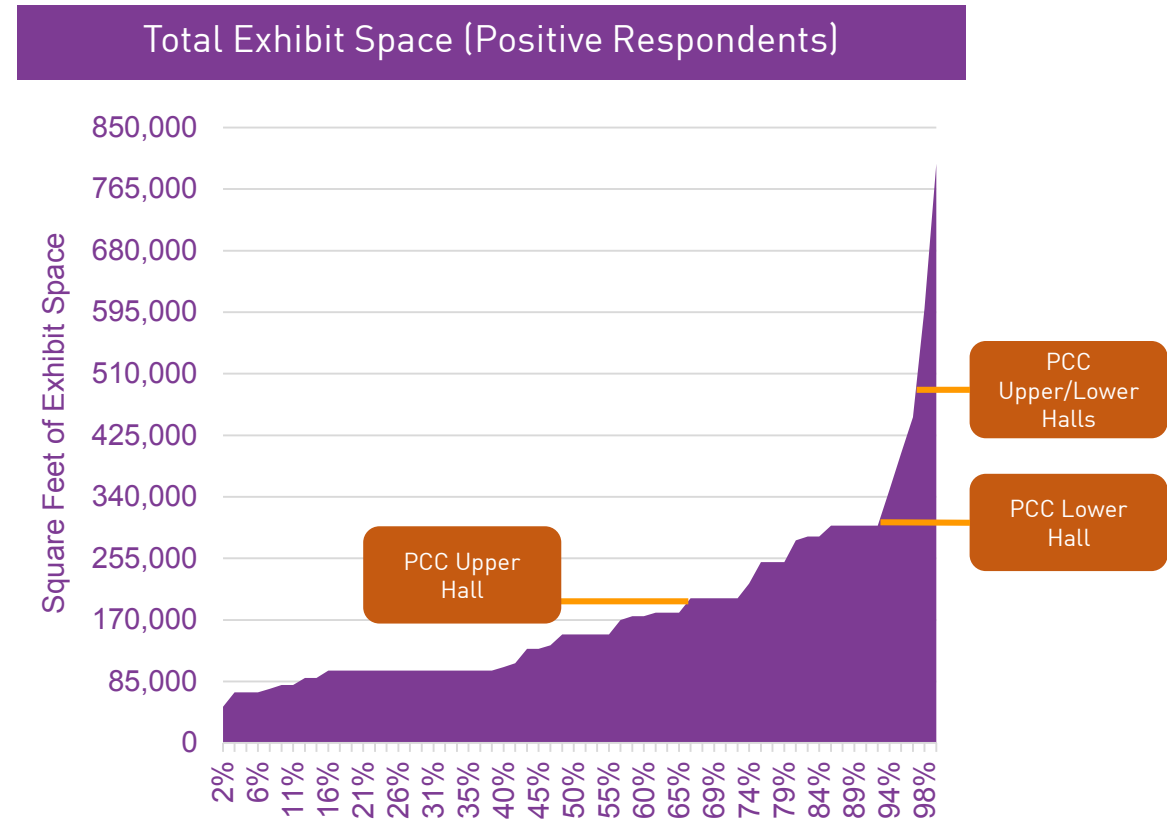
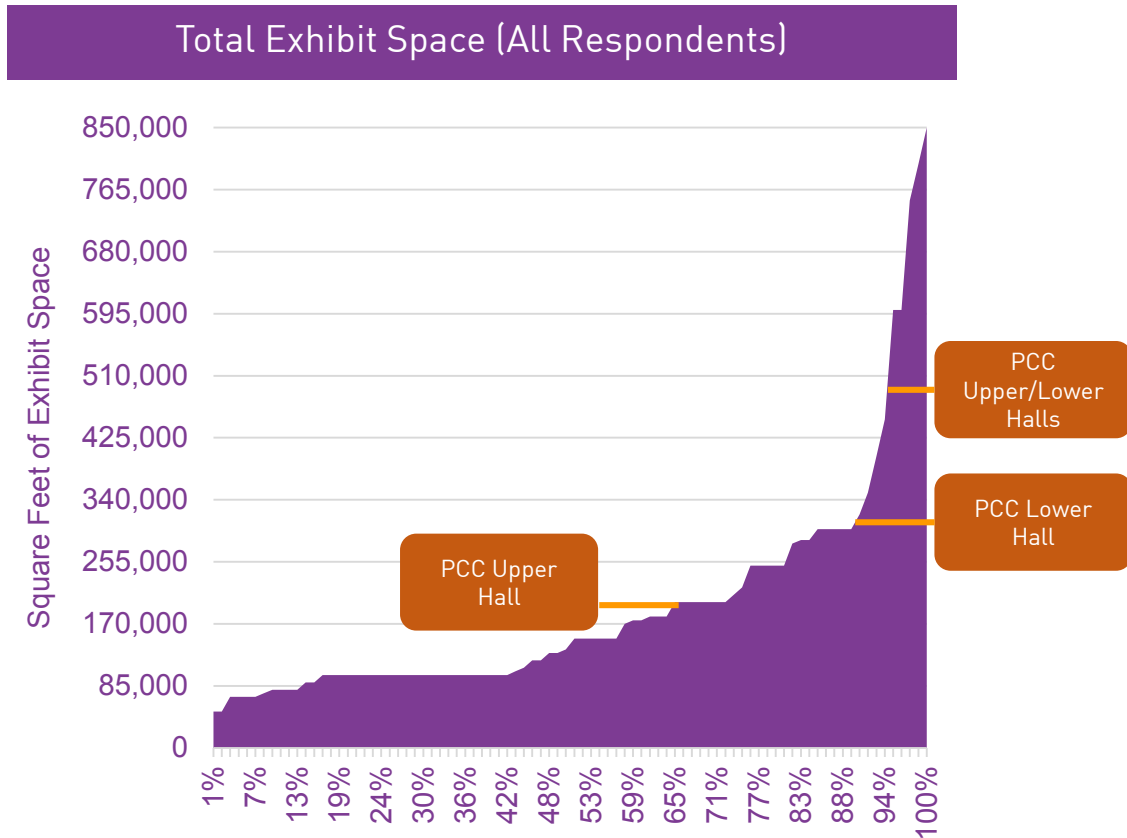
Source: CSL National Event Planner Interviews, 2019.

5. Market Demand: Exhibit Space Configuration Preferences



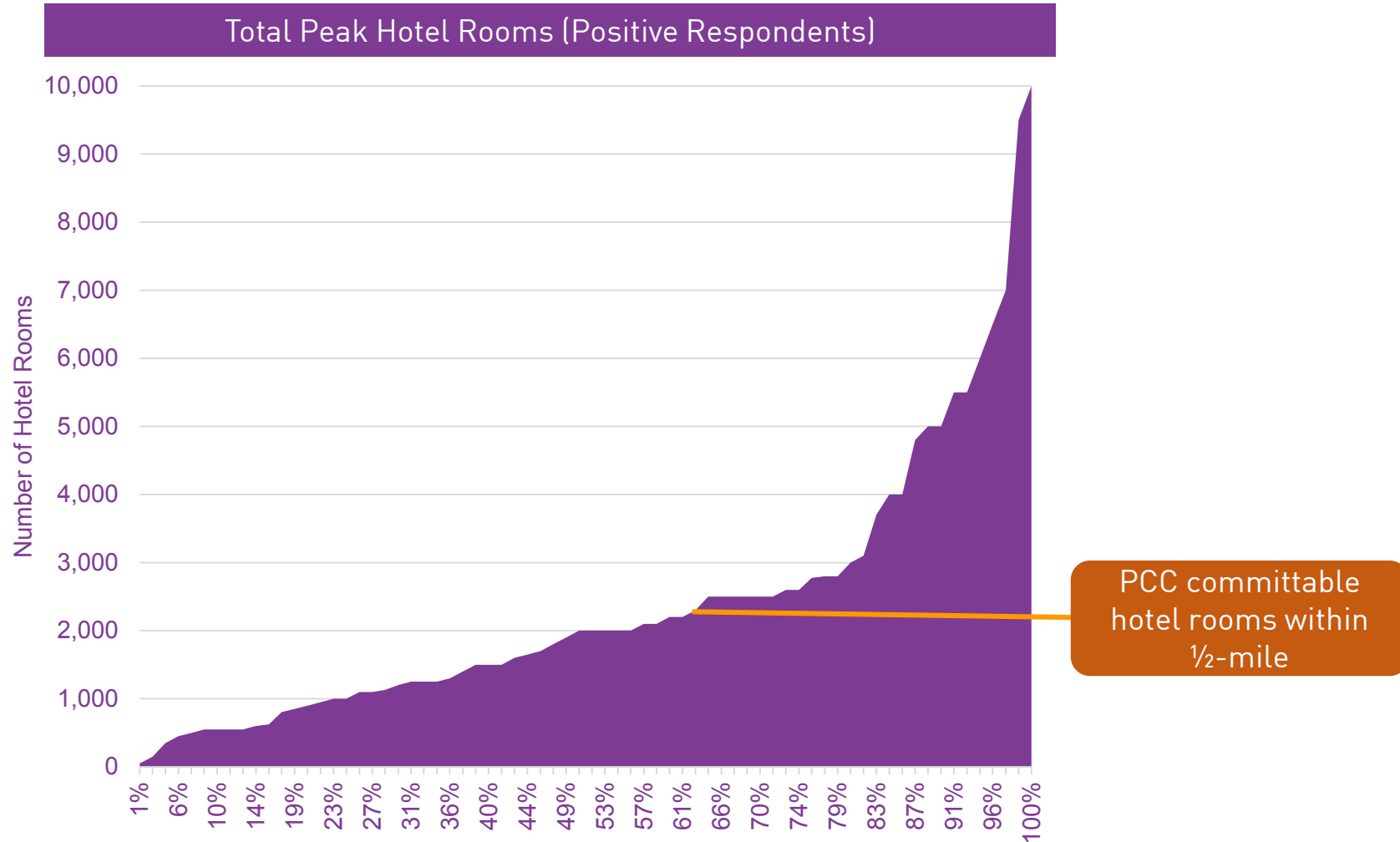
Source: CSL National Event Planner Interviews, 2019.

5. Market Demand: Exhibit Space Demand – share of market captured at various space levels



Source: CSL National Event Planner Interviews, 2019.

5. Market Demand: Peak Hotel Room Demand – share of market captured at various hotel room counts



Source: CSL National Event Planner Interviews, 2019.



6. PHOENIX CONVENTION INDUSTRY DEVELOPMENT TIMELINE



6.0 CONVENTION INDUSTRY INVESTMENT TIMELINE

Based on the analysis conducted, we have prepared a summary of key recommendations for future investment in the PCC and overall Phoenix convention industry product. The recommendations are broad, focusing on event space, hotel inventory, trend-forward facility initiatives and surrounding hospitality district development. Many of these recommendations are presented in the context of the on-going discussions regarding the future of the South Building. Findings are presented in the following five slides.

NEAR TERM INVESTMENTS

Added Hotel Inventory

- There are significant limitations to the hotel inventory supporting the ability to attract non-local conventions and tradeshow. As previously noted, between 2016 and 2018, there were a total of only eight four-day periods during which at least 1,500 hotel rooms within one-half mile of the PCC were available during desirable periods. The 3,838 rooms within one-half mile of the PCC ranks 11th among 13 comparable and competitive markets reviewed.
- To increase PCC market capture and occupancy percentages, development of added full-service convention hotels with large committable room blocks near the PCC should be considered a priority. The development of hotels should include at least one headquarter property that is (1) attached to or adjacent to the PCC; and (2) offers 800 to 1,200 rooms.
- The current site of the South Building would be an ideal location for such a property from the perspective of serving the convention industry. There are no other sites adjacent to the PCC that offer a desired location. As planning for the South Building site continues, the space needed for the recommended headquarter hotel should be accounted for.



6.0 CONVENTION INDUSTRY INVESTMENT TIMELINE

Trend-Forward Amenities

There are numerous trend-forward enhancements to the existing PCC North and West buildings that should be considered more of a near term priority. These include the following.

- Incorporating open space learning areas within the prefunction space of the PCC. Management should consider a new space plan for public areas and purchase of movable furniture and digital monitors that can be used to create informal meeting areas. Selected meeting planners should be asked to provide guidance as to how this space can be developed and marketed.
- Developing a more event production focused outdoor space between the North and West buildings. In response to growing interest and demand by meeting planners for unique outdoor event spaces, the PCC has developed a robust outdoor concept, branded as Canyon on Third. This concept should be expanded on and could include capabilities for temporary covered structures, electrical hook-ups, enhanced landscaping and public art installations. Longer term investments to consider include a permanent tenting structure above Third, and sound and light features. Cities with successful examples of outdoor spaces cited by event planners include Honolulu, San Francisco, Anaheim and Denver.
- Incorporating the technology and space needs to accommodate emerging augmented/virtual reality functions. Only 19 percent of planners surveyed by CSL in a recent analysis had used AR/VR technology for their event in the past, however 54 percent stated that they expected to use this technology in the future.



6.0 CONVENTION INDUSTRY INVESTMENT TIMELINE

Convention District Enhancements

Between Chase Field, Talking Stick Arena and the PCC, approximately six million attendees at over 700 events are attracted to the downtown Phoenix area. Even with this attendee base, the analysis indicates that the density of walkable restaurants near the PCC is lacking somewhat relative to competitive destinations. Building on this convergence of convention, sports and entertainment venues, the City should undertake a convention/entertainment district planning effort to identify opportunities for public/private partnerships, programs and investments that could further establish the walkability and hospitality density of the area within several blocks of the PCC.

This effort should focus on the PCC, Chase Field, Talking Stick Resort Arena, Arizona Science Center, and other proximate assets, and how they can be part of an increasingly vibrant convention/entertainment district.



6.0 CONVENTION INDUSTRY INVESTMENT TIMELINE

LONG TERM INVESTMENTS

Added PCC Space

As noted previously, added PCC space should be viewed as more of a longer term project. However, our analysis clearly indicates that the location for any future PCC expansion will have to be adjacent to the existing North Building, ideally contiguous/connected to the existing PCC space.

We also note that a contiguous expansion of the lower level exhibit hall may not be possible with the development of the new shearing wall adjacent to Washington Street. Future PCC planning should therefore consider the possibility of expanding the upper hall across Washington Street, incorporating portions of the South Building site.

The future PCC exhibit space inventory could then include the existing lower level hall at 312,500 square feet of contiguous space, plus an added 110,000 to 150,000 square feet to the upper level hall to provide between 300,000 and 340,000 contiguous upper level square feet. With this investment, both the upper and lower level halls could accommodate slightly over 90 percent of the overall national convention and tradeshow market with an interest in Phoenix as a destination, allowing for hosting two large overlapping events. This overlapping pattern of event activity can maximize room night generation and PCC economic impact.

A preliminary site layout for long term addition of PCC space is presented on the following page.



6.0 CONVENTION INDUSTRY INVESTMENT TIMELINE

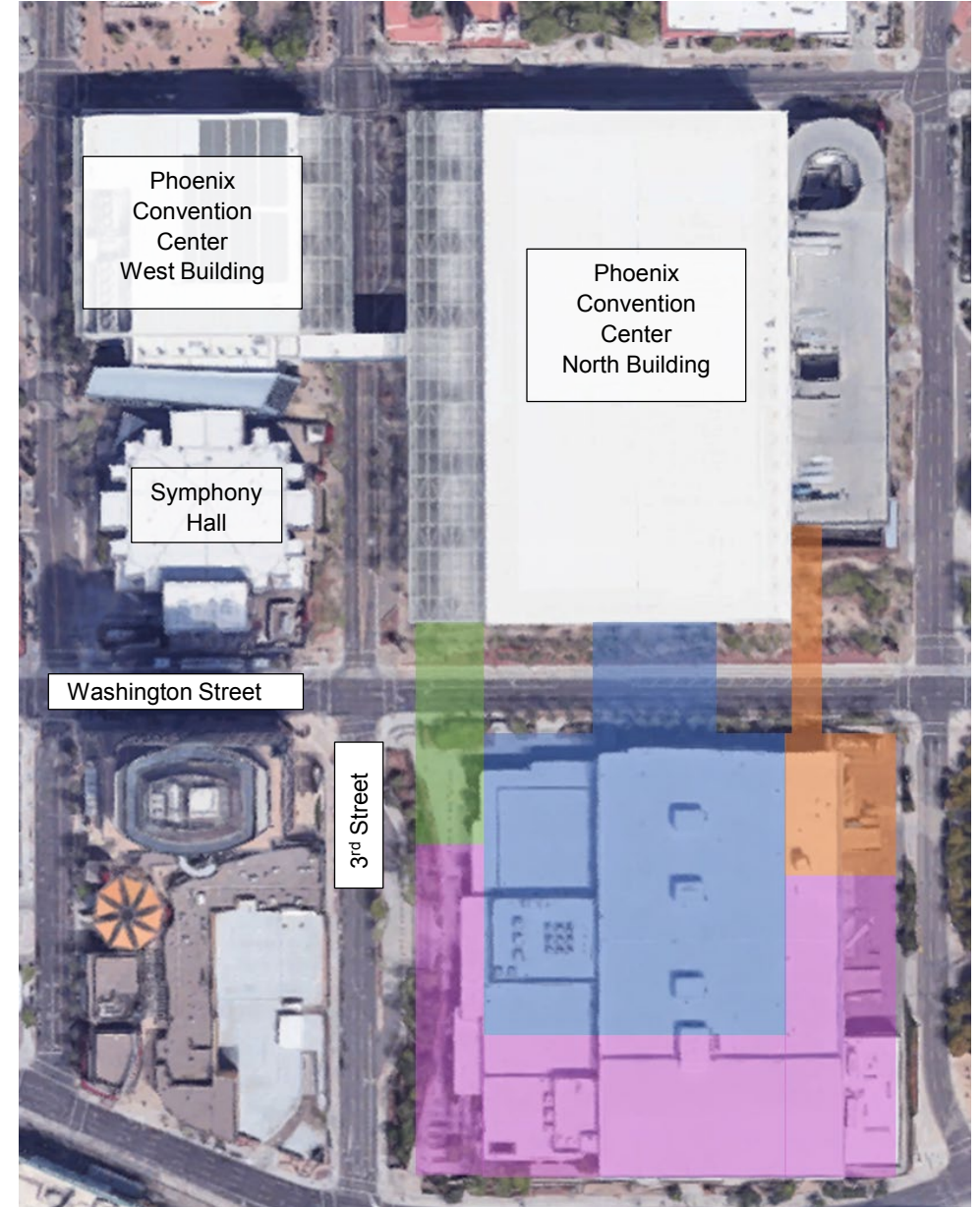
LONG TERM INVESTMENTS – PCC EXPANSION CONCEPT

Expansion would result in:

- Lower level hall at 312,500 sf;
- Upper level hall at between 300,000 and 340,000 sf.

Both halls could accommodate over 90 percent of the national market.

- Added exhibit space
- Added prefunction space
- Added loading dock space
- Commercial development opportunities



6.0 CONVENTION INDUSTRY INVESTMENT TIMELINE

LONG TERM INVESTMENTS

Added PCC Space (continued)

As noted on the previous page, the PCC expansion space would reach across Washington Street and encompass approximately 5.0 acres of the South Building site. Significant land (approximately 4.0 to 5.0 acres) fronting 3rd Street, East Jefferson Street and 5th Street would be available for future commercial development, ideally including at least one added headquarter hotel. Alternatively, the hotel component of the project could potentially be constructed over portions of the added PCC space. However, given the near term need for the hotel inventory, this option could require advancing the timing of PCC expansion.

We also note that space at the ground floor under the added exhibit hall on the South Building site could be used for added restaurant, retail, entertainment and other private sector development.

Transition South Building Event Activity

There are significant challenges that will have to be addressed as the South Building site is redeveloped. Important community events are housed in the South Building, including consumer shows, banquets and tradeshow. As the site is redeveloped, a transition plan will have to be prepared to ensure these events are retained in the community.

If demolition of the South Building takes place prior to the development of expanded PCC exhibit space, relocation of events would have to take place. While some of these events could relocate to the upper and lower level PCC exhibit space, PCC management estimates that as much as 50 percent of South Building events would have to relocate to other venues, including venues in Phoenix, Glendale, Mesa, Scottsdale and other metro area communities.

