



## Lynnwood Convention Center Expansion Analysis

Submitted to:

Grant Dull

Executive Director

Lynnwood Public Facilities District

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Lynnwood, WA 98036

November 26, 2019



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Grant Dull  
Executive Director  
Lynnwood Public Facilities Director  
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Dear Mr. Dull,

The Lynnwood Public Facilities District hired Hunden Strategic Partners (HSP) to conduct a market and feasibility analysis for a potential expansion of the Lynnwood Convention Center (Project) to recommend the optimal physical program and assess the Project's impact on the local community. This is the report of our findings.

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

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

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

Sincerely,

Hunden Strategic Partners

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## EXECUTIVE SUMMARY

Hunden Strategic Partners (HSP) was engaged by the Lynnwood Public Facilities District (PFD) to determine the feasibility and impact of an expansion for the Lynnwood Convention Center (LCC) within the **PFD's property in Lynnwood, Washington (Project)**. HSP also assessed the campus and other needs of an expanded facility, including hotel, retail, restaurant and parking.

As part of the analysis, HSP analyzed the market supply and demand of convention/meeting facilities locally and regionally, as well as the local hotel market to determine the feasibility of an expansion of the LCC and addition of a headquarters **hotel**. HSP also assessed the Project's need of or benefit from other onsite amenities such as structured parking and mixed-use commercial development.

### Project Description

Located one block west of Interstate 5, the Lynnwood Convention Center is a two-story meeting facility located in Lynnwood, Washington. LCC opened on April 30, 2005, and is owned by the City of Lynnwood, funded by the Lynnwood Public Facilities District (PFD) and operated by SMG. The PFD is considering implementing a renovation of the LCC within the next few years in order to modernize the **LCC's amenities** and add other features frequently requested by user groups.

The following figure shows the current LCC within the Lynnwood PFD, which is shaded and has a solid red border. The area surrounding the PFD with the dotted border is the walkable area, which in this case means within 1,500 linear feet from the LCC. The walkable area includes hotels, retail and restaurants.

Figure 1



Understanding how to best utilize the additional land in the PFD is a critical part of this project.

The positioning of the LCC just off of I-5 and on a site offering free parking for attendees is a strong asset for the LCC, which competes with many urban meeting facilities. While these factors will be discussed in more detail in Chapter 4, it is important to note that the difficulty and time-consuming nature of travel around and across the Seattle metro area is a considerable and sometimes deciding factor of where groups decide to host their events. LCC is a convenient and accessible option for most groups north of downtown Seattle, west of Lake Washington and in the region north and east of Lynnwood.

The following figure shows the Lynnwood Convention Center.

Figure 2



The LCC offers 34,000 square feet of rentable meeting space, which includes pre-function areas, mostly comprised of a single ballroom (Room 2DE). Currently, the LCC is able to host groups up to approximately 750 for a seated banquet. This space is also complemented by nine other meeting rooms on the first and second floors of the facility.

The following table provides a breakdown of the meeting spaces available at LCC.

Table 1

Lynnwood Convention Center Function Space			
Facilities	Total (SF)	By Division (SF)	Divisions
<b>Ballroom Facilities</b>			
Room 2DE	11,748	5,874	2
	<u>11,748</u>	<u>5,874</u>	<u>2</u>
<b>Meeting Room Facilities</b>			
Room 1A	780	780	1
Room 1B	550	550	1
Room 1C	572	572	1
Room 1D	1,980	1,980	1
Room 1E	1,980	1,980	1
Room 1F	1,980	1,980	1
Room 2A	780	780	1
Room 2B	550	550	1
Room 2C	572	572	1
	<u>9,744</u>	<u>1,083</u>	<u>9</u>
Walkable Hotel Rooms*	329		
Total Exhibit Space	-- / Guest Room		--
Total Ballroom Space	11,748		36
Total Meeting Space	<u>9,744</u>		<u>30</u>
Total Function Space	21,492		65
Ballroom Divisions	2 / 100 Guest Rooms		0.6
Meeting Room Divisions	<u>9</u>		<u>2.7</u>
Total Divisions (including Ballroom)	11		3.3

\* Including Hilton Garden Inn (U/C)  
Source: Lynnwood Convention Center, STR

While the LCC does not formally offer exhibit space, Room 2DE and the concourses on the first and second floor act as exhibit space for booths, depending on the event. Larger groups often use the concourses for booths when the ballroom and other meeting rooms are being used for breakouts or other purposes. This need for additional space presents itself relatively frequently based upon conversations with key stakeholders, LCC clients and meeting planners.

## Implications of Market Analysis

### Overview

Based upon the information HSP gathered throughout this analysis regarding the Lynnwood Convention Center's historical performance, existing client feedback, local market dynamics, local and regional meetings market, local hotel market and significant missed opportunities, HSP determined that an expansion of the LCC is a prudent investment for the Lynnwood PFD and the community.

The LCC has been performing at essentially full capacity in recent years. The LCC has established itself as an economic engine in Lynnwood. However, based on the sentiments and constructive criticism provided by

existing clients, the LCC appears to have latent demand (events and attendance) and impact (spending and tax generation) that is currently not being captured. This is also known as potentially opportunity that cannot be currently accommodated. Existing clients are beginning to outgrow the existing facility and other prospective clients are often unable to find a gap in the calendar, large enough space or any available room. The existing groups are the baseline of demand the LCC can expect to continue to capture if an expansion were to materialize, as well as new events and expanded existing events.

One of the challenges and realities of the current LCC is that it mostly attracts localized business, which does not generate much overnight hotel business or even later evening restaurant spending. So while the facility is busy, it is often just retaining existing daytrip spending in the community and not inducing significant overnight and higher spending customers. Making the LCC truly and economic driver requires the inducement of more out-of-market business.

Another element that keeps the LCC from capturing more and larger overnight-oriented business is the lack of walkable, blockable, quality hotels. Meeting planners can easily go to other large hotels with function space or other convention centers to get the package of space and hotel rooms all in one location. If the LCC is to truly optimize its expansion, it will need to mitigate the hotel issue and HSP has addressed that herein.

The current quasi-urban, yet suburban set up is currently a bit of a challenge, but with proper planning and investment can be leveraged to create a very attractive, walkable environment that will appeal to both planners and local citizens. Using visitor facilities to improve local quality of life and a sense of place is a goal that should be primary in this effort.

The Pacific Northwest, the Seattle Metro and Lynnwood are all growing, as well. Population growth has been strong during the past decade in the region, and tourism to the area has followed a very similar, if not more aggressive, trajectory. As more people come to the area for jobs or just to visit, they will generate additional demand for meeting space. The thriving market that the LCC finds itself situated in will act as a rising tide.

The rest of the regional meetings market is already investing \$2.1 billion to capture the growing demand for meeting space in and around Seattle and the Pacific Northwest. Eight of the 11 major convention centers across Washington State and neighboring metropolitan areas are expanding, renovating or otherwise investing in their facilities to better attract and accommodate groups and events. They are reacting to the exploding economy and population in the area, which is seeing record demand on an annual basis. The LCC has the ability to grow with the market in order to recapture the latent demand mentioned above and expand its offerings and thereby its target market to more impactful groups and events than what it services currently. Even with the expanded supply, HSP believes it will be prudent and in fact, important for the LCC to expand and create a true event-hosting package. If not, it will continue to be boxed in by improving competitors and will be left to manage with lower-rated localized business as others fill the supply void.

The LCC also possesses various advantages compared to its regional competitors. Many groups base the venue they use on geographic location and convenience. It is positioned geographically in a part of the Seattle Metro that is convenient to groups north of downtown Seattle and groups to the north and east of Lynnwood beyond the Seattle Metro. Downtown Seattle and Bellevue facilities are also becoming less convenient and more expensive, and in the case of Washington State Convention Center, which has outgrown its smaller clients. Lynnwood, by comparison, is already considered very convenient and has a

strong value proposition based on its facility and hotel room pricing. The changes in the market offer an opportunity to the LCC to capture groups being pushed away from downtown and those outside the Seattle Metro. HSP has seen this phenomenon play out in many markets, from St. Louis and Kansas City to the West Coast and elsewhere. Small to mid-sized groups simply do not want to deal with the headaches and costs of a major downtown event facility, hotels, expensive parking and perceptions of crime. Not to mention, the labor and work rules in these large urban convention centers can be frustrating and expensive as well. Suburban facilities like the LCC mitigate all of those issues and the market has rewarded every well-conceived example.

In addition to growing local and metro demand, there is statewide and Pacific Northwest demand that mostly cannot be accommodated at the LCC now. HSP's interviews with event planners suggested that with the right package (expanded space, hotel block, parking and walkable "things to do") the LCC will be able to capture many types of larger regional events.

As a result of the analysis, HSP is recommending investment that will move the LCC from a small conference-style facility to full-service convention facility complex, with hotel, parking and food/beverage options that will appeal to a wide range of events. The expansion was based on market needs and opportunities as well as the site and financial constraints that are the reality of any real estate expansion. If developed, HSP believes that the LCC will truly be an economic and tourism engine that generates significant impact for the city, PFD and county.

### *Economic & Demographic Analysis of Lynnwood*

Beyond the Lynnwood Convention Center's performance, Lynnwood has positive economic and demographic trends to point to when considering whether the community can support an expansion of the Lynnwood Convention Center. Population has increased by nearly ten percent in the past decade and employment is stronger in Lynnwood than Snohomish County, Washington state and the United States. Lynnwood also benefits from a high concentration of retail spending due to the Alderwood Mall, which can be leveraged to help support dining and entertainment options surrounding the current or an expanded LCC.

Regional access to Lynnwood is a valuable asset for the LCC, which is poised to continue to improve over the long term. With Paine Field being the newest commercial airport in the United States adding more direct flights to and from cities in the Pacific Northwest and the Sound Transit Light Rail station coming to Lynnwood City Center in 2024, Lynnwood stands to benefit significantly from regional infrastructure projects.

Lynnwood Convention Center has the benefit of being located in a growing metropolitan area with improving infrastructure and demographics. However, growth has come at a cost, but potential benefit. Because traffic is so heavy throughout the majority of the day, it is very difficult for people to go from one part of the metro to the other. This has resulted in people, events and businesses wanting to shrink the geography within which they prefer to travel. While an easy to access market would keep the LCC as a suburban option only for conventions and events, traffic headaches elevate the status of convention centers in Lynnwood, Bellevue and Tacoma as their own legitimate economic area anchors. As the market becomes denser, the ability to leverage a northern location will inure to the benefit of the LCC and in HSP's estimation, supports eventual expansion.

## *Convention & Meetings Market Analysis*

The regional convention and meetings facility market is very competitive between the largest convention centers (Oregon CC & WSCC), the smaller convention centers around Washington and the range of conference hotels in the Seattle Metro. Currently, the LCC competes mostly with other smaller convention centers in the Seattle Metro (Meydenbauer, Greater Tacoma), as well as the small and mid-size conference hotels. Many groups are being pushed out of places like Bellevue due to stricter booking policies, which require a room night minimum to book 12-14+ months in advance.

The market is growing rapidly with eight of the 11 identified competitive convention centers in some phase of expansion or renovation projects. Meydenbauer CC, Yakima CC and Three Rivers CC are adding event space and Three Rivers CC and Greater Tacoma CC are adding a new headquarter hotel. Many of the smaller groups currently utilizing the WSCC will be pushed out by larger, more impactful groups. With the other coming expansions around Washington, competition for this uprooted demand will increase, as well. LCC has a better position than convention centers outside the Seattle Metro to capture those groups, but a larger facility and headquarter hotel are needed.

Many of the Seattle Metro meeting facilities (Meydenbauer, Tacoma, Bellevue hotels) are targeting corporate and other high-rated demand. Lynnwood has been and could continue to capture the lower-rated association and SMERF groups that are being priced out of other areas, however there are more impactful events to be hosted if expanded properly. As Chapter 7 will show, **Lynnwood's hotels are affordable** for these types of groups, which are typically looking for hotel room rates up to \$150 per night. However, the LCC package could be improved enough to broaden the pool of demand groups attract higher rated events to Lynnwood.

Convenience, easy access, affordability and quality facilities and service are the strengths that the LCC have to offer currently. **Expanding the LCC's footprint** and improving the infrastructure (HQ hotel, parking, walkable dining/shopping) would extend the types and sizes of groups/events Lynnwood would be able to attract.

Regional meeting planners believe Lynnwood offers a strong value, but not the right hospitality/conventions package. While downtown Seattle and Bellevue meeting facilities continue to become more expensive, busier and less convenient, the suburban meeting facilities become more attractive from a convenience and cost perspective. Lynnwood is convenient from I-5 and has very attractive hotel rates and event pricing. However, the space is often too small or already booked and/or there are too few nearby hotel rooms. By correcting for at least some of these deficiencies, the LCC would be able to attract and accommodate groups that are currently going elsewhere.

Current clients are mostly satisfied with the LCC's quality and space, but many are looking for additional space and more rooms. Clients that currently utilize the entire LCC express the importance of additional exhibit space, though most (85 percent) require 10,000 square feet or less of exhibit space for their event. Further, current clients desire a larger ballroom to host banquets of approximately 1,000 guests, which would require a ballroom approximately 3,500 square feet larger than 2DE. Having three to five additional breakout rooms has also been mentioned. Again, these are the opinions and desires of events that already generally fit in the LCC.

### *Convention & Meetings Facility Case Studies*

Most convention centers typically aim to induce economic and fiscal impact through attracting visitors and generating room nights. The examples profiled here have an emphasis on operating profitably or at a breakeven, a goal matched by LCC. This is not to say that other convention centers do not also focus on operating revenues and expenses, but there is typically a trade-off between operational profit and impact outside the facility.

On average, the facilities profiled also have fewer walkable hotel rooms than the facilities seen across Washington, even when excluding the downtown Seattle and Bellevue meeting facilities that are located in very dense areas. Despite the lack of a headquarters hotel, the LCC has more walkable hotel rooms than each of the case studies, albeit lower quality of said rooms. This point illustrates the opportunity for LCC to capture more impactful events with the development of a headquarter hotel and partnership with other nearby properties.

Stride Bank Center and Overland Park Convention Center are examples of convention/event centers implementing flexible spaces to maximize impact per dollar invested by consciously expanding the types of events they are able to host. They accomplished this through high ceilings, mid-level finishes able to be dressed up or down as needed, and in the case of Stride Bank Center, retractable chairback seating for sporting events and concerts.

In addition to the flexible nature of these facilities and likely the ultimate LCC, the performance of these mostly suburban facilities is indicative of what an enlarged LCC could achieve in terms of higher-rated business mix. The detailed performance data is helpful as HSP considers future projections.

### *Headquarter Hotel Realities*

HSP has tracked 35 public-private headquarter hotel projects in the United States that were developed since 1997, extending through future projects expected to open in 2023. These hotels are needed because meeting planners want to have a large block of rooms connected or adjacent to the meeting facility, with full-service amenities.

Headquarter hotels need to have their own function space to host groups when the convention center is not full. The added facilities and restaurants add cost. As a result, on average, the developments cost \$250k/room (not inflated) and are 36% funded by the public sector and 64% by the developer/ private sector.

### *Local Hotel Market Analysis*

While the walkable hotel room count for the Lynnwood Convention Center is comparable to other centers on at first glance, the Best Western Alderwood **and America's Best Value Inn are not at the level** of quality that regional meeting planners require. The Hilton Garden Inn, once completed, will help with this issue, but even the walking distance between it and the LCC is a concern, especially considering the width of 196<sup>th</sup> Street. Meeting planners are requesting that something of similar quality to a Hilton Garden Inn or a full-service property like the Embassy Suites be added adjacent or connected to the LCC.

There is, however, a balancing act between the price point of the hotel that would be acceptable to lower-rated clients and the quality of the hotel, which should be able to satisfy the expectations of higher-rated groups. HSP expects that an upper upscale brand, such as Marriott, Hyatt, Westin or similar, would be most appropriate as part of the LCC expansion. A headquarter hotel should push the ceiling of the market a half or full step in quality, so as to induce additional demand, yet not over-improving the Project.

## Recommendations

Based on the implications shown above and throughout this report, HSP determined a recommended expansion scenario for the LCC. With help from LMN, a site plan and estimated construction budget was created for the recommended scenario.

**The following table highlights HSP's** recommendation for the expanded Lynnwood Convention Center and the associated cost estimates from LMN.

Table 2

Lynnwood Convention Center Expansion Scenario & Estimated Construction Cost				
Project Element	Expansion	Unit	Low	High
LCC Expansion & Renovation				
Ballroom	18,000	SF	--	--
Meeting Rooms	10,000	SF	--	--
Prefunction and Back of House	30,000	SF	--	--
Total	58,000	SF	\$22,068,125	\$30,962,349
Renovation	--	SF	\$2,081,574	\$2,920,521
Total LCC Expansion (incl. Renovation)	58,000	SF	\$24,149,699	\$33,882,870
HQ Hotel Funding Gap (public funds)	250	Keys	\$29,200,000	\$29,200,000
Total Hotel Construction Cost	250	Keys	\$78,920,706	\$78,920,706
Parking	700	Spaces	\$15,750,000	\$22,097,798
Site Work			\$4,089,842	\$5,738,191
Subtotal			\$122,910,247	\$140,639,565
Cost Escalation to 1Q2022	10%		\$12,291,025	\$14,063,957
Estimated Construction Cost			\$135,201,272	\$154,703,522
Estimated Public Investment			\$85,480,566	\$104,982,816

Source: Hunden Strategic Partners, Rider Levett Bucknall

Overall, the recommended scenario would more than double the size of the LCC, as well as renovate the existing spaces, add a connected 250-room hotel with its own function space and a parking structure and expand walkable amenities for event attendees. The entire package is estimated to cost between \$135 million and \$155 million. The portion that is expected to be paid for by public investment, including a subsidy to fill the gap for the headquarter hotel, is expected to be between \$85 million and \$105 million. It is important to note that these construction costs *do not* include soft costs. While currently undetermined, soft costs generally add 20 – 30 percent to the construction costs.

Considering the large total cost of the recommended scenario, it is possible and may be necessary to phase the development of the Project. HSP suggests that the headquarter hotel be the project element held to a later phase, if any. Without the demand generation from the expanded LCC, the headquarter hotel would struggle to fill as many rooms as projected in the following chapter. Lower performance would in turn increase the level of public subsidy needed to incentivize a developer to construct the headquarter hotel. On the other hand, the expansion itself and parking to accommodate the larger groups is highly recommended to be constructed and opened simultaneously. Parking is already considered an issue by many LCC clients, so it would be best to alleviate not exacerbate the issue by slightly frontloading the development of additional parking.

*Note: The expansion scenario detailed below is HSP's most recommended scenario. However, HSP also created an alternate scenario, requiring less public investment, which is detailed in Appendix B at the end of this report.*

Expansion. Based on the market opportunity and budget, HSP recommends 58,000 square feet of total expansion via the following items:

- 18,000-square foot Ballroom (with high ceiling that can flex to accommodate exhibit style events, but is still dressier than the current largest flex space)
- 10,000 square feet of Meeting Room space (10-12 divisions)
- 30,000 square feet of Pre-function and Back of House space

Hotel Onsite, Connected. The hotel should be “full-service” or “full-service lite” and offer 250 rooms with its own function space (7,500-square foot ballroom; 4,000-square foot meeting rooms). The hotel will likely require substantial subsidy. More analysis of the expected subsidy is presented in the following chapter.

Parking. Expansion and the addition of a new onsite hotel will require additional new parking as well as replacement of any current parking that is displaced from the proposed program. The expansion of LCC will require an additional 500 spaces just for convention center programming. Parking for a standard hotel without a function space component is one space per room. However, with the additional function space, HSP suggests additional 200 new parking spaces to accommodate large ballroom events. A minimal number of spaces should be added for restaurant/bar tenants. In total, HSP suggests that there are at least 700 parking spaces, although that number may be able to be reduced slightly given the shared use.

Retail/Restaurant. HSP recommends that an additional five to six restaurant/bar tenant spaces (20,000 to 24,000 square feet) be added. These will act as amenities to event attendees, especially non-local ones, that want to experience Lynnwood as well as the activities planned inside the LCC.

Green Space/Public Event Plaza. Public space in mild climate is a great way to create a sense of place and encourage civic usage. Such space can increase event options.

## Conceptual LCC Site and Facility Plan

The following figure is a conceptual drawing from LMN that shows an overall view of the proposed expansion programming within the existing PFD site.

Figure 3

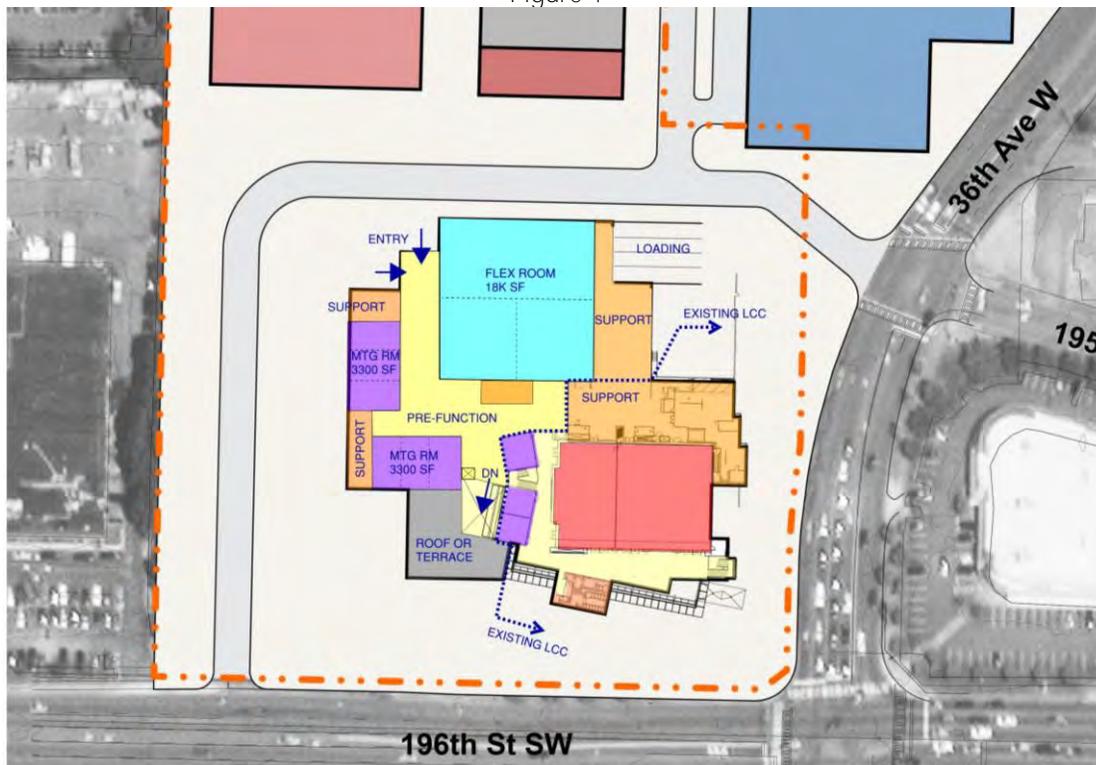


As the image above demonstrates, the expanded LCC will have the additional function space and back-of-house space added to the western and northern sides of the existing facility. The headquarter hotel is planned to be developed between the LCC and the existing Best Western Alderwood hotel. The parking garage is situated in the center of the site to offer proximity to the expanded LCC, headquarter hotel and existing and future retail/restaurant space. The LCC campus will open/green space throughout the site to enhance the civic use of the space and bring nature to event attendees. LCC will have direct access from 196<sup>th</sup> Street SW, 36<sup>th</sup> Avenue West and the future 194<sup>th</sup> Street Extension. There will also be a parcel available for future development, which could be used to add another hotel, additional parking and/or retail or other uses not studied in this report.

The lower level of the LCC is expected to remain mostly unchanged, though it will be part of the renovation project that is being conducted separate from this analysis.

The drawing below from LMN is the expanded upper level of the LCC.

Figure 4



The additional 58,000 square feet of function, pre-function and back-of-house space is shown to be added to the existing upper level of the LCC. As mentioned previously, this includes a new 18,000-square foot flex space and nearly 10,000 square feet of meeting space.

HSP also projected the performance of the expanded Lynnwood Convention Center, as well as the headquarter hotel, informed by the market analyses in this report. These projections were then used to estimate the economic, employment and fiscal impact of the overall Project on the local community. This information is presented in the next two chapters.

## Demand and Financial Projections

### *Lynnwood Convention Center*

The following table shows the projected number of events at the expanded LCC.

Table 3

Projection of Events by Type - Expanded Lynnwood Convention Center					
Event Type	Year 1	Year 2	Year 3	Year 4	Year 5
Banquet	90	101	108	113	116
Conference	10	13	15	17	18
Consumer Show	22	24	26	27	27
Convention	30	34	37	38	39
Meeting	295	319	334	344	349
Special Event	40	43	45	47	47
Trade Show	8	10	12	13	13
<b>Total</b>	<b>495</b>	<b>544</b>	<b>576</b>	<b>597</b>	<b>610</b>

Source: Hunden Strategic Partners

Overall, HSP expects the expanded LCC to be able to operate similar to a two-piston engine, hosting simultaneous events with the use of two ballrooms and individual pods of supporting breakout rooms. The LCC is expected to host between 495 and 610 events per year during the first ten years of operation post-expansion. Essentially 35 percent of events are expected to utilize ballroom space, while the majority of the remaining events are small meetings. For Years 6 – 10, HSP projected forward Year 5 performance with the same number of total events and of each type.

The LCC is also expected to book between 70 and 98 exhibit events per year during the period, most of which will be conventions and consumer shows. Conferences are also expected to more than triple compared to the average in recent years.

The following table shows the projected annual attendance by event type at the LCC once expanded.

Table 4

Projection of Attendance - Expanded Lynnwood Convention Center					
Event Type	Year 1	Year 2	Year 3	Year 4	Year 5
Banquet	20,000	25,000	28,000	31,000	32,000
Conference	3,000	5,000	6,000	7,000	8,000
Consumer Show	28,000	35,000	41,000	45,000	47,000
Convention	15,000	19,000	22,000	24,000	25,000
Meeting	30,000	35,000	39,000	41,000	43,000
Special Event	20,000	24,000	27,000	29,000	30,000
Trade Show	2,000	3,000	4,000	5,000	5,000
<b>Total</b>	<b>118,000</b>	<b>146,000</b>	<b>167,000</b>	<b>182,000</b>	<b>190,000</b>

Source: Hunden Strategic Partners

HSP projects that the expanded LCC will attract approximately 190,000 attendees once the expansion stabilizes in Year 5. The majority of these attendees will come from consumer shows, followed by meetings and banquets. This level of attendance would be nearly double that of the average annual attendance at the LCC in the past five years.

The following table shows the pro forma for the expanded LCC.

Table 5

Projection of Revenue & Expense - Expanded Lynnwood Convention Center					
Revenue by Event Type	Year 1	Year 2	Year 3	Year 4	Year 5
Banquet	\$1,400,000	\$1,760,000	\$2,040,000	\$2,260,000	\$2,420,000
Conference	\$210,000	\$320,000	\$420,000	\$490,000	\$550,000
Consumer Show	\$390,000	\$500,000	\$600,000	\$670,000	\$720,000
Convention	\$1,200,000	\$1,550,000	\$1,830,000	\$2,050,000	\$2,210,000
Meeting	\$1,030,000	\$1,250,000	\$1,420,000	\$1,550,000	\$1,650,000
Special Event	\$220,000	\$270,000	\$310,000	\$340,000	\$370,000
Trade Show	\$90,000	\$140,000	\$190,000	\$230,000	\$250,000
<b>Total</b>	<b>\$4,540,000</b>	<b>\$5,790,000</b>	<b>\$6,810,000</b>	<b>\$7,590,000</b>	<b>\$8,170,000</b>
Direct Event Expenses	\$1,740,000	\$2,280,000	\$2,750,000	\$3,140,000	\$3,460,000
Indirect Expenses					
Employee Wages and Benefits	\$1,640,000	\$1,722,000	\$1,808,000	\$1,898,000	\$1,993,000
Operations	\$309,000	\$394,000	\$463,000	\$516,000	\$556,000
Repairs and Maintenance	\$70,000	\$90,000	\$110,000	\$120,000	\$130,000
Supplies	\$200,000	\$250,000	\$300,000	\$330,000	\$350,000
Insurance	\$55,000	\$57,000	\$59,000	\$61,000	\$63,000
Utilities	\$222,000	\$229,000	\$236,000	\$243,000	\$250,000
General and Administration	\$163,000	\$168,000	\$173,000	\$178,000	\$183,000
FF&E	\$18,000	\$19,000	\$20,000	\$21,000	\$22,000
Management Fee	\$120,000	\$120,000	\$120,000	\$120,000	\$120,000
<b>Total</b>	<b>\$2,797,000</b>	<b>\$3,049,000</b>	<b>\$3,289,000</b>	<b>\$3,487,000</b>	<b>\$3,667,000</b>
Total Expenses	\$4,537,000	\$5,329,000	\$6,039,000	\$6,627,000	\$7,127,000
Reserve for Replacement	\$136,200	\$173,700	\$204,300	\$227,700	\$245,100
<b>LCC Net Income (Loss)</b>	<b>(\$133,200)</b>	<b>\$287,300</b>	<b>\$566,700</b>	<b>\$735,300</b>	<b>\$797,900</b>

Source: Hunden Strategic Partners

The LCC is expected to generate between \$4.5 million and \$8.2 million per year in operating revenues, 30 percent of which is expected to come from banquets, which mostly consist of food and beverage revenues. Again, these revenues for each event type are calculations of the revenue per event and number of events shown previously.

Based on data provided by LCC management, HSP projected the direct event expenses based on the average percentage of revenues represented thereby, beginning at 38 percent in Year 1. This percentage then increases marginally each year. Direct event expenses are expected to total between \$1.7 million in the first year and up to \$3.5 million in Year 5. Salaries and wages far outweigh other expenses at \$2 million or 54 percent in Year 5. The management fee is currently \$120,000 per year for SMG's services, so HSP assumed this will remain consistent post-expansion.

These figures lead to an operation deficit in the first year, however, as there is already latent demand in the market, events and attendance are expected to ramp up quickly once the expansion is opened. Starting

Year 2 the LCC is expected to become operationally profitable, generating nearly \$250,000 in net income. Net income is expected to increase to nearly \$750,000 in Year 5.

### 250-Room Headquarter Hotel

The following table shows the pro forma for the Headquarter Hotel.

Table 6

Projection of Income & Expense (in \$000, inflated) - 250-Room Full-Service HQ Hotel									
	Year 1				Year 2	Year 3	Year 4	Year 5	Year 10
Room Count	250				250	250	250	250	250
Available Room Nights	91,250				91,250	91,250	91,250	91,250	91,250
Occupancy Rates	73%				75%	75%	75%	75%	75%
Occupied Room Nights	66,289				68,073	68,073	68,073	68,073	68,073
Average Daily Rate	\$185				\$185	\$188	\$192	\$195	\$218
RevPAR	\$134				\$138	\$141	\$143	\$146	\$163
Percent of Change from Prior Year	--				2.7%	2.0%	1.8%	1.9%	2.2%
	\$	%	PAR	POR	\$	\$	\$	\$	
<b>REVENUE</b>									
Rooms	\$12,243	68.0%	\$48,972	\$185	\$12,573	\$12,825	\$13,055	\$13,307	\$14,836
Hotel Food and Beverage/Catering	4,963	27.6%	\$19,854	\$75	5,112	5,231	5,341	5,444	6,069
Other Operated Departments	551	3.1%	\$2,206	\$8	568	581	593	605	674
Rentals and Other Income	368	2.0%	\$1,471	\$6	379	387	396	403	518
Total Revenue	\$18,015	100.0%	\$72,061	\$272	\$18,556	\$18,985	\$19,385	\$19,758	\$22,097
<b>DEPARTMENTAL EXPENSES</b>									
Rooms	\$3,110	25.4%	\$12,439	\$47	\$2,942	\$2,886	\$2,937	\$2,994	\$3,338
Hotel Food and Beverage	3,325	67.0%	\$13,302	\$50	3,374	3,452	3,472	3,538	3,945
Other Operated Departments	105	19.0%	\$419	\$2	102	105	107	109	121
Rent and Other Income	22	6.0%	\$88	\$0	19	19	20	20	26
Total Departmental Expenses	\$6,562	36.4%	\$26,248	\$99	\$6,437	\$6,462	\$6,536	\$6,661	\$7,430
Gross Operating Income	\$11,453	61.6%	\$45,813	\$173	\$12,119	\$12,523	\$12,850	\$13,097	\$14,667
<b>UNDISTRIBUTED OPERATING EXPENSES</b>									
Administrative and General	\$1,423	7.9%	\$5,693	\$21	\$1,373	\$1,386	\$1,396	\$1,423	\$1,591
Marketing	\$1,009	5.6%	\$4,035	\$15	\$946	\$949	\$950	\$968	\$1,083
Utility Costs	\$865	4.8%	\$3,459	\$13	\$798	\$797	\$814	\$830	\$928
Property Operations and Maintenance	\$937	5.2%	\$3,747	\$14	\$872	\$873	\$892	\$909	\$1,016
Total Undistributed Expenses	\$4,234	23.5%	\$16,934	\$64	\$3,990	\$4,006	\$4,052	\$4,129	\$4,618
Gross Operating Profit	\$7,220	40.1%	\$28,879	\$109	\$8,129	\$8,518	\$8,798	\$8,967	\$10,049
Franchise Fees	\$1,081	6.0%	\$4,324	\$16	\$1,113	\$1,139	\$1,163	\$1,185	\$1,326
<b>FIXED EXPENSES</b>									
Property Taxes	\$238	1.3%	\$950	\$4	475	485	494	504	557
Insurance	198	1.1%	\$793	\$3	186	171	174	178	199
Management Fee	631	3.5%	\$2,522	\$10	649	664	678	692	773
Reserve for Replacement	\$360	2.0%	\$1,441	\$5	\$371	\$570	\$678	\$692	\$773
Total Fixed Expenses	\$1,427	7.9%	\$5,706	\$22	\$1,681	\$1,889	\$2,026	\$2,065	\$2,302
Cash Flow from Operations	\$4,712	26.2%	\$18,849	\$71	\$5,335	\$5,489	\$5,609	\$5,717	\$6,421

Source: Hunden Strategic Partners

The Headquarter Hotel is expected to generate \$18 million in revenue in Year 1, with this figure increasing to \$22.1 million in Year 10. Room revenue is expected to be approximately 67 percent of total revenue with the food and beverage accounting for an additional 27 percent of revenue.

In Year 1, calculations are shown for PAR, per available room, which means the revenue, expense, etc. for each room in the Headquarter Hotel during the entire year, as well as POR, per occupied room, which shows the same items per room night that was sold.

Departmental expenses, such as for rooms and food and beverage, are projected to increase from nearly \$6.6 million in Year 1 to \$7.4 million in Year 10. Undistributed expenses add an additional \$4.2 million to \$4.6 million each year. Fixed expenses also add another \$1.4 million to \$2.3 million each year throughout the period.

The bottom line shows a profit of \$4.7 million in Year 1, increasing to more than \$6.4 million by Year 10. These profits represent a profit margin of approximately 26 percent to 30 percent per year.

The following table shows the supportable financing for the Headquarter Hotel.

Table 7

ROI and Financial Structure Assumptions - 150-Room Full Service HQ Hotel												
	Constr. Yr1	Constr. Yr2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Net Operating Income	\$0	\$0	\$4,712	\$5,335	\$5,489	\$5,609	\$5,717	\$5,885	\$6,014	\$6,147	\$6,282	\$6,421
Interest and Debt Reserve W/D	\$770	\$2,310	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Debt Service Payment	(\$770)	(\$2,310)	(\$3,776)	(\$3,776)	(\$3,776)	(\$3,503)	(\$3,503)	(\$3,503)	(\$3,503)	(\$3,503)	(\$3,503)	(\$3,503)
Net Income to Repay Equity	\$0	\$0	\$937	\$1,559	\$1,713	\$2,106	\$2,214	\$2,382	\$2,511	\$2,644	\$2,779	\$2,917
Princ. Amount***	\$11,000	\$33,000	\$44,000	\$43,304	\$42,560	\$41,760	\$41,076	\$40,345	\$39,565	\$38,733	\$37,844	\$36,896
Interest	\$770	\$2,310	\$3,080	\$3,031	\$2,979	\$2,819	\$2,773	\$2,723	\$2,671	\$2,614	\$2,554	\$2,490
Less Payment	(\$770)	(\$2,310)	(\$3,776)	(\$3,776)	(\$3,776)	(\$3,503)	(\$3,503)	(\$3,503)	(\$3,503)	(\$3,503)	(\$3,503)	(\$3,503)
Loan Balance	\$11,000	\$33,000	\$43,304	\$42,560	\$41,764	\$41,076	\$40,345	\$39,565	\$38,733	\$37,844	\$36,896	\$35,883
Assumptions						Refi						
Loan Amount (\$000's)	\$44,000					\$41,760						
Amortization Period (Years)	25					25						
Loan Interest Rate	7.00%					6.75%						
Annual Debt Service Payment (\$000's)	(\$3,776)					(\$3,503)						
Equity:												
Developer's Equity (\$000's)	\$12,000	15%										
Private Debt	\$44,000	56%										
Total Supportable Private Financing	\$56,000	71%	\$224,000	per room								
Gap/Subsidy/Grants	\$22,920	29%	\$92,000	per room								
Project Amount (\$000's)	\$78,920	100%	\$316,000	per room								
Debt (Private) Coverage Ratio			1.25	1.41	1.45	1.60	1.63	1.68	1.72	1.75	1.79	1.83
Return on Private Equity*			7.8%	13.0%	14.3%	17.6%	18.4%	19.8%	20.9%	22.0%	23.2%	24.3%
Return on Assets**			6.0%	6.8%	7.0%	7.1%	7.2%	7.5%	7.6%	7.8%	8.0%	8.1%
*On developer's equity only.												
**On project cost.												
***Assumes 50% draw in Construction Year 1; 75% average during Construction Year 2												
Source: Hunden Strategic Partners												

The recommended Headquarter Hotel is expected to cost nearly \$79 million for 250 rooms, which is a cost of \$316,000 per room. Based on the assumptions in this model, the NOI would be able to support developer

equity of \$12 million and an additional \$44 million in private debt. This leaves a funding gap of \$22.9 million for the development of the Headquarter Hotel, which will need to be subsidized by public funds.

These projections are used for calculating the impact of the Project on the local economy, employment and tax collections. The impacts of the Project are presented in the following section.

### Economic, Employment and Fiscal Impact Analysis

The following table shows the projection of visitors to the Project.

Table 8

<b>Summary of 10-Year Impacts</b>	
<b>Net New Spending</b>	<b>(millions)</b>
Direct	\$151
Indirect	\$51
Induced	\$60
<b>Total</b>	<b>\$262</b>
<b>Net New Earnings</b>	<b>(millions)</b>
From Direct	\$48
From Indirect	\$16
From Induced	\$18
<b>Total</b>	<b>\$82</b>
<b>Net New FTE Jobs</b>	<b>Actual</b>
From Direct	132
From Indirect	45
From Induced	52
<b>Total</b>	<b>229</b>
<b>Taxes Collected</b>	<b>(millions)</b>
Property Tax	\$4.87
City Hotel Tax (2%)	\$1.47
City Sales Tax (4%)	\$4.01
County Hotel Tax (2%)	\$1.47
County Sales Tax (1.3%)	\$1.30
<b>Total</b>	<b>\$13.12</b>
<b>Construction Impact</b>	<b>(millions)</b>
New Materials Spending	\$38.5
New Labor Spending	\$33.4
<b>Job-Years, Actual</b>	<b>617</b>
Source: Hunden Strategic Partners	

With \$262 million in new spending, \$82 million in earnings supporting 229 ongoing jobs, the Project is projected to generate over \$13 million in taxes collected. Construction impact is projected to total over \$70 million from spending and earnings, supporting 617 job-years.

## Conclusion

Based on the impact analysis and the facility-specific projections in this report, HSP concludes that an expansion of the Lynnwood Convention Center and the additional of a headquarter hotel along with supportive infrastructure and amenities is a compelling opportunity for the Lynnwood PFD and related bodies to consider as a next step in evolving with the growing marketplace for conventions and meetings in the Seattle Metro. Many resources will be needed to bring the Project to fruition, however, with a phased approach and focused effort, the vision presented in this report is attainable and overall would be an asset to Lynnwood and the surrounding community.

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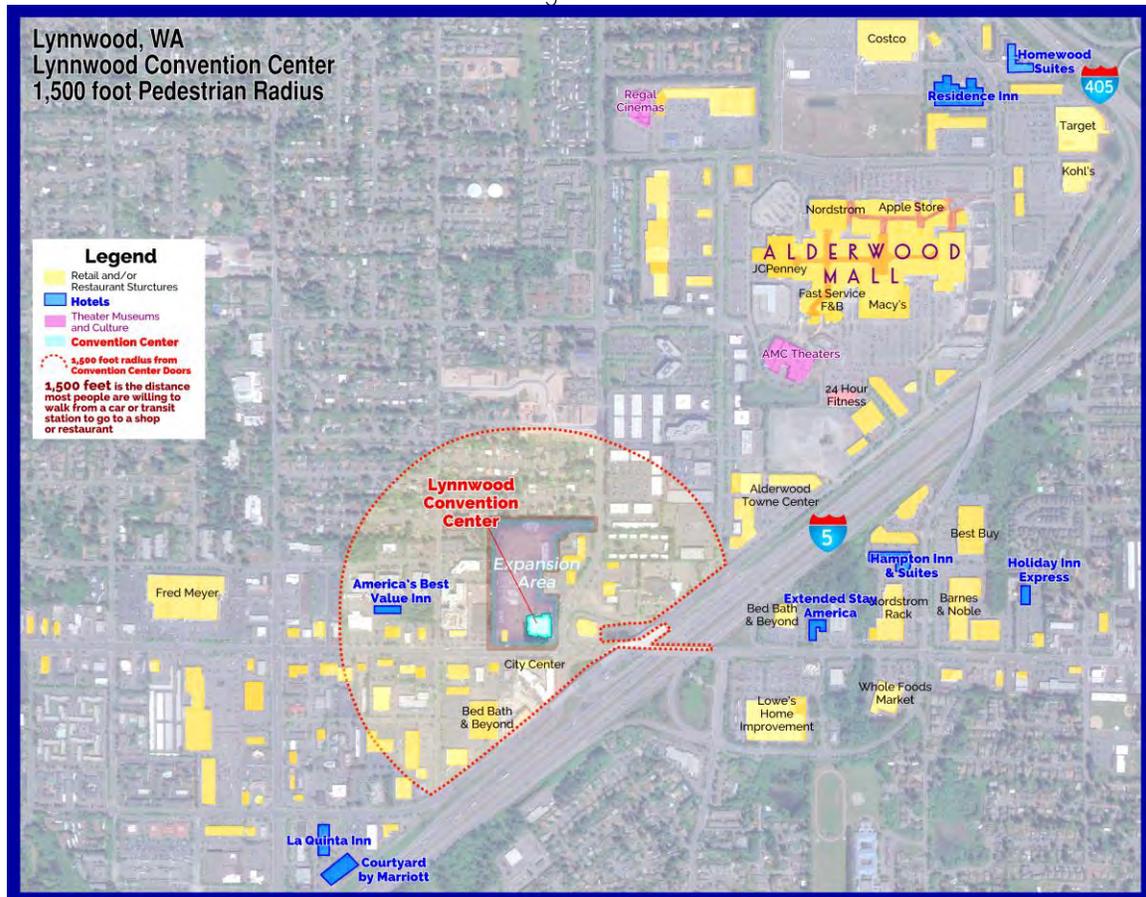
## LYNNWOOD CONVENTION CENTER PROFILE

### Project Description

Located one block west of Interstate 5, the Lynnwood Convention Center is a two-story meeting facility located in Lynnwood, Washington. LCC opened on April 30, 2005, and is owned by the City of Lynnwood, funded by the Lynnwood Public Facilities District (PFD) and operated by SMG. The PFD is considering implementing a renovation of the LCC within the next few years in order to modernize the LCC's amenities and add other features frequently requested by user groups.

The following figure shows the current LCC within the Lynnwood PFD, labeled "Expansion Area", which is shaded and has a solid red border. The area surrounding the PFD with the dotted border is the walkable area, which in this case means within 1,500 linear feet from the LCC. The walkable area includes hotels, retail and restaurants.

Figure 1-1



Understanding how to best utilize the additional land in the PFD is a critical part of this project.

The positioning of the LCC just off of I-5 and on a site offering free parking for attendees is a strong asset for the LCC, which competes with many urban meeting facilities. While these factors will be discussed in more detail in Chapter 4, it is important to note that the difficulty and time-consuming nature of travel around and across the Seattle metro area is a considerable and sometimes deciding factor of where groups decide to host their events. LCC is a convenient and accessible option for most groups north of downtown Seattle, west of Lake Washington and in the region north and east of Lynnwood.

The following figure shows the Lynnwood Convention Center.

Figure 1-2



The LCC offers 34,000 square feet of rentable meeting space, which includes pre-function areas, mostly comprised of a single ballroom (Room 2DE). Currently, the LCC is able to host groups up to approximately 750 for a seated banquet. This space is also complemented by nine other meeting rooms on the first and second floors of the facility.

The following table provides a breakdown of the meeting spaces available at LCC.

Table 1-1

Lynnwood Convention Center Function Space			
Facilities	Total (SF)	By Division (SF)	Divisions
<b>Ballroom Facilities</b>			
Room 2DE	11,748	5,874	2
	<u>11,748</u>	<u>5,874</u>	<u>2</u>
<b>Meeting Room Facilities</b>			
Room 1A	780	780	1
Room 1B	550	550	1
Room 1C	572	572	1
Room 1D	1,980	1,980	1
Room 1E	1,980	1,980	1
Room 1F	1,980	1,980	1
Room 2A	780	780	1
Room 2B	550	550	1
Room 2C	572	572	1
	<u>9,744</u>	<u>1,083</u>	<u>9</u>
Walkable Hotel Rooms*	329		
Total Exhibit Space	-- / Guest Room		--
Total Ballroom Space	11,748		36
Total Meeting Space	<u>9,744</u>		<u>30</u>
Total Function Space	21,492		65
Ballroom Divisions	2 / 100 Guest Rooms		0.6
Meeting Room Divisions	<u>9</u>		<u>2.7</u>
Total Divisions (including Ballroom)	11		3.3

\* Including Hilton Garden Inn (U/C)  
Source: Lynnwood Convention Center, STR

While the LCC does not formally offer exhibit space, Room 2DE and the concourses on the first and second floor act as exhibit space for booths, depending on the event. Larger groups often use the concourses for booths when the ballroom and other meeting rooms are being used for breakouts or other purposes. This need for additional space presents itself relatively frequently.

Once the Hilton Garden Inn opens, located across 196<sup>th</sup> Street from the LCC, there will be 329 hotel rooms **within walking distance**. However, between the Best Western and America's Best Value Inn, the level of quality is lower than typically desired by event groups. The LCC's clientele is a mix of higher- and lower-rated area business, which sometimes looks favorably upon inexpensive lodging options, yet other times is seeking full-service options. These full-service options are limited primarily to the Embassy Suites, which is not walkable.

HSP's metric for the number of quality walkable and blockable rooms is 15 square feet per 1,000 square feet of ballroom and exhibit space. With nearly 12,000 square feet in the ballroom, there should be 180 quality, walkable and blockable hotel rooms nearby. Currently, the Best Western is not a convention-quality hotel and there are no other open walkable hotels yet. Once the Hilton Garden Inn opens, the situation will be more in balance.



## Historical Performance – Events & Attendance

In order to make projections for the future performance of the LCC, HSP first studied the historical performance and trends therein. The following table summarizes the performance of the LCC since 2015 across multiple metrics.

Table 1-2

<b>Lynnwood Convention Center - Performance Summary</b>					
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Average</b>
Events	468	474	534	383	<b>465</b>
Event Days	578	576	684	514	<b>588</b>
Avg Event Days per Event	1.24	1.22	1.28	1.34	<b>1.27</b>
Total Attendance	124,254	114,645	119,461	82,077	<b>110,109</b>
Avg Attendance per Event	266	242	224	214	<b>236</b>
Total Event Revenue	\$3,558,075	\$3,628,746	\$4,013,321	\$3,393,555	<b>\$3,648,424</b>
Avg Revenue per Event	\$7,603	\$7,656	\$7,516	\$8,860	<b>\$7,909</b>

Source: Lynnwood Convention Center

Over the four-year period, LCC averaged 465 events and 588 event days per year and attracted 110,000 attendees. While attendance, events and event days decreased overall, events have become longer and are generating more revenue on average, which will be shown later in this chapter. Performance was particularly strong in 2017, with an average of nearly two events per day.

The following table displays the events hosted at the LCC by event type.

Table 1-3

<b>Lynnwood Convention Center - Events by Type</b>					
<b>Event Type</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Average</b>
Banquet	83	80	59	71	73
Conference	--	--	--	5	5
Consumer Show	9	8	22	18	14
Convention	30	28	29	27	29
Meeting	285	279	299	228	273
Special Event	58	73	118	30	70
Trade Show	3	6	7	4	5
<b>Total</b>	<b>468</b>	<b>474</b>	<b>534</b>	<b>383</b>	<b>465</b>

Source: Lynnwood Convention Center

As mentioned previously, LCC averaged 465 events per year since 2015. These events are categorized into seven event types. The most common events are meetings, with banquets typically being the second most common type of event hosted at LCC. Consumer shows have more than doubled during the period, while conventions and trade shows have remained consistent. A key factor in the decrease in events is the loss of

a weekly church service that was held in the facility for some time. Once that event moved out, total events decreased significantly, but impact of the facility stayed the same, given the local nature of the lost event.

The following table demonstrates the event days at the LCC since 2015. Event days include all days that events are actively hosted and attended.

Table 1-4

<b>Lynnwood Convention Center - Events Days by Type</b>					
<b>Event Type</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Average</b>
Banquet	84	80	60	72	74
Conference	--	--	--	13	13
Consumer Show	20	23	39	32	29
Convention	64	56	63	59	61
Meeting	337	326	342	281	322
Special Event	70	83	164	49	92
Trade Show	3	8	16	8	9
<b>Total</b>	<b>578</b>	<b>576</b>	<b>684</b>	<b>514</b>	<b>588</b>

Source: Lynnwood Convention Center

During the past four years, LCC averaged 588 event days per year. Similar to the number of events, meetings accounted for the majority of event days each year shown.

The following table shows the average length of events at the LCC.

Table 1-5

<b>Lynnwood Convention Center - Events Days by Type</b>					
<b>Event Type</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Average</b>
Banquet	1.01	1.00	1.02	1.01	1.01
Conference	--	--	--	2.60	2.60
Consumer Show	2.22	2.88	1.77	1.78	2.16
Convention	2.13	2.00	2.17	2.19	2.12
Meeting	1.18	1.17	1.14	1.23	1.18
Special Event	1.21	1.14	1.39	1.63	1.34
Trade Show	1.00	1.33	2.29	2.00	1.65
<b>Total</b>	<b>1.46</b>	<b>1.59</b>	<b>1.63</b>	<b>1.78</b>	<b>1.61</b>

Source: Lynnwood Convention Center

Consumer shows and conventions are the longest events, averaging more than 2 days per event, while banquets are almost always single-day events.

The following table shows the annual attendance at the LCC by event type.

Table 1-6

<b>Lynnwood Convention Center - Attendance by Type</b>					
<b>Event Type</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Average</b>
Banquet	17,304	18,634	14,533	15,480	16,488
Conference	--	--	--	1,669	1,669
Consumer Show	11,255	9,763	9,730	10,340	10,272
Convention	11,669	9,810	12,696	13,903	12,020
Meeting	38,171	30,127	29,204	24,838	30,585
Special Event	45,350	44,481	51,623	14,972	39,107
Trade Show	505	1,830	1,675	875	1,221
<b>Total</b>	<b>124,254</b>	<b>114,645</b>	<b>119,461</b>	<b>82,077</b>	<b>110,109</b>

Source: Lynnwood Convention Center

Attendance at LCC decreased by 33 percent from 2015 to 2018. The decrease in attendance came almost entirely from the shrinkage in special event and meeting attendance due to the loss of the church service. Most other categories remained flat during the period. In the past year, attendance was approximately 82,000 and would appear to be in a consistent range of 80,000 – 100,000 without the church events that were previously held.

The following table shows average attendance per event by type.

Table 1-7

<b>Lynnwood Convention Center - Attendance per Event</b>				
<b>Event Type</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Banquet	208	233	246	218
Conference	--	--	--	334
Consumer Show	1,251	1,220	442	574
Convention	389	350	438	515
Meeting	134	108	98	109
Special Event	782	609	437	499
Trade Show	168	305	239	219

Source: Lynnwood Convention Center

Consumer shows on average had the highest attendance during the period and were the only events to average more than 1,000 attendees. In 2018, consumer shows, conventions and special events each averaged approximately 500+ attendees each. Without a better hotel package as well as a larger space at the LCC, event size is limited to the historical range.

The following table displays the LCC’s annual revenue by event type.

Table 1-8

<b>Lynnwood Convention Center - Revenue by Event Type</b>					
<b>Event Type</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Average</b>
Banquet	\$1,025,646	\$1,175,151	\$1,054,969	\$1,108,738	\$1,091,126
Conference	--	--	--	\$104,654	\$104,654
Consumer Show	\$102,653	\$115,397	\$167,273	\$140,497	\$131,455
Convention	\$906,732	\$966,771	\$996,113	\$868,760	\$934,594
Meeting	\$1,080,835	\$874,588	\$1,161,896	\$910,479	\$1,006,950
Special Event	\$411,312	\$455,691	\$551,044	\$200,560	\$404,652
Trade Show	\$30,897	\$41,148	\$82,025	\$59,867	\$53,484
<b>Total</b>	<b>\$3,558,075</b>	<b>\$3,628,746</b>	<b>\$4,013,321</b>	<b>\$3,393,555</b>	<b>\$3,648,424</b>

Source: Lynnwood Convention Center

While attendance and events decreased during the period, event revenue remained much more stable. A ten-percent increase occurred from 2016 to 2017, which was then followed by a 15-percent decrease in 2018 due to the loss of the church events. Despite the year-over-year changes, 2018 event revenue was within \$165,000 of the 2015 figures. Banquets generated the most revenue of any event type, averaging nearly \$1.1 million each year.

The following table shows the average revenue per event for the same period.

Table 1-9

<b>Lynnwood Convention Center - Average Revenue per Event</b>				
<b>Event Type</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Banquet	\$12,357	\$14,689	\$17,881	\$15,616
Conference	--	--	--	\$20,931
Consumer Show	\$11,406	\$14,425	\$7,603	\$7,805
Convention	\$30,224	\$34,528	\$34,349	\$32,176
Meeting	\$3,792	\$3,135	\$3,886	\$3,993
Special Event	\$7,092	\$6,242	\$4,670	\$6,685
Trade Show	\$10,299	\$6,858	\$11,718	\$14,967

Source: Lynnwood Convention Center

In order to understand the revenue potential of various event types, HSP calculated the LCC's average revenue per event. Conventions consistently produced the most revenue per event, averaging more than \$30,000 each year. Banquets are the second highest revenue producing events at the LCC with the exception of conferences, though only one year of data is available. Both of these event types involve heavy food and beverage revenue relative to the other event types shown. If the LCC is able to increase in size, attracting these financially impactful and room night-generating events will be a key focus.

The following table shows the average revenue per attendee.

Table 1-10

<b>Lynnwood Convention Center - Average Revenue per Attendee</b>				
<b>Event Type</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Banquet	\$59	\$63	\$73	\$72
Conference	--	--	--	\$63
Consumer Show	\$9	\$12	\$17	\$14
Convention	\$78	\$99	\$78	\$62
Meeting	\$28	\$29	\$40	\$37
Special Event	\$9	\$10	\$11	\$13
Trade Show	\$61	\$22	\$49	\$68

Source: Lynnwood Convention Center

Conventions and banquets generate the most revenue per attendee on average. Conferences also generated similar levels of revenue per attendee but more data is needed to determine whether that level is sustainable. Again, these revenues include space rentals, equipment rentals, etc., but food and beverage services are driving the per attendee revenue in most cases.

Knowing these metrics helps HSP determine the types of spaces needed to further expand the presence of profitable events. However, this is one of multiple factors that lead to a recommendation.

### Historical Performance – Financials

The LCC is part of the Lynnwood PFD, which is a special sales tax district that allows the rebate of sales tax generated within the PFD to be rebated and utilized for the purpose of acquiring, constructing, maintaining and financing regional centers, which includes convention centers.

The PFD has three revenue sources, intergovernmental revenue, leasing revenues from the Convention Plaza and operational revenue from LCC.

The following table shows the summary income statement for the Lynnwood PFD since 2014.

Table 1-11

<b>Lynnwood PFD Summary Income Statement</b>						
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>5-Year % Change</b>
PFD - Intergovernmental/Other Revenue	2,564,509	2,737,765	2,908,258	3,111,080	3,575,885	39%
PFD Expenses	362,976	361,374	390,416	449,332	447,998	23%
Financing	1,283,513	1,317,936	835,261	822,902	779,447	-39%
<b>PFD NET INCOME</b>	<b>918,020</b>	<b>1,058,455</b>	<b>1,682,581</b>	<b>1,838,846</b>	<b>2,348,440</b>	<b>156%</b>
Convention Plaza Revenues	819,523	783,740	930,999	933,509	955,858	17%
Convention Plaza Expenses	261,883	316,357	309,446	327,906	354,574	35%
<b>CONVENTION PLAZA NET INCOME</b>	<b>557,640</b>	<b>467,383</b>	<b>621,553</b>	<b>605,603</b>	<b>601,284</b>	<b>8%</b>
Lynnwood Convention Center Revenues	3,141,077	3,582,950	3,653,072	3,946,022	3,537,157	13%
Lynnwood Convention Center Direct Expenses	885,547	1,081,278	1,129,339	1,232,854	1,199,773	35%
Lynnwood Convention Center Indirect Expenses	1,921,149	2,062,612	2,156,381	2,319,765	2,176,922	13%
Management Fee	120,000	120,000	120,000	120,000	120,000	0%
Incentive Fee	120,000	120,000	118,800	120,000	120,000	0%
Building Insurance/Other	(1,352)	(601)	19,482	20,116	21,527	-1692%
<b>LCC NET INCOME</b>	<b>95,733</b>	<b>199,661</b>	<b>109,069</b>	<b>133,287</b>	<b>(101,065)</b>	<b>-206%</b>
<b>NET INCOME - BUDGETED ITEMS</b>	<b>1,571,393</b>	<b>1,725,499</b>	<b>2,413,203</b>	<b>2,577,736</b>	<b>2,848,659</b>	<b>81%</b>
Depreciation Expenses	644,194	597,625	586,117	627,326	680,506	6%
Total Expenses with Depreciation	5,597,910	5,976,581	5,665,242	6,040,201	5,920,746	6%
<b>NET INCOME (with Depreciation)</b>	<b>927,199</b>	<b>1,127,875</b>	<b>1,827,086</b>	<b>1,950,410</b>	<b>2,168,153</b>	<b>134%</b>
DEBT SERVICE PAYMENTS	805,000	-	475,000	933,700	1,267,700	57%
CAPITAL EXPENDITURES	85,118	191,065	961,669	1,610,528	949,876	1016%

Source: Lynnwood Public Facilities District

The LCC represents the largest revenue and expense generator within the PFD. The LCC has been generally profitable during the past five years, though had a net loss of \$101,000 in 2018. By industry standards the LCC has been very successful in maintaining a budgetary surplus in recent years and is still a top performing meeting facility by nearly breaking even in 2018. Most meeting facilities of any size and location tend to operate at a net deficit each year and typically greater deficits than shown above.

Table 1-12

Lynnwood Convention Center - Historical Performance						
	9/30/19	12/31/18	12/31/17	12/31/16	12/31/15	12/31/14
<b>Number of Events</b>	288	394	534	474	468	427
<b>Number of Event Days</b>	380	514	684	576	578	503
<b>Attendance</b>	73,013	82,077	119,679	114,645	124,254	126,300
<b>Hotel Room Nights</b>	16,649	16,351	13,975	12,261	14,731	15,339
<b>Gross Revenue</b>	\$ 2,873,454	\$ 3,537,157	\$ 4,125,162	\$ 3,830,288	\$ 3,733,342	\$ 3,141,077
<b>Rent</b>						
Rental Income	\$ 572,965	\$ 634,246	\$ 934,675	\$ 866,925	\$ 912,947	\$ 823,813
<b>Food &amp; Beverage</b>						
Food Sales	\$ 1,546,412	\$ 1,976,700	\$ 2,051,185	\$ 1,886,398	\$ 1,837,281	\$ 1,515,404
Beverage Sales	\$ 107,362	\$ 179,654	\$ 153,618	\$ 183,760	\$ 138,122	\$ 138,913
Corkage	\$ 4,736	\$ 6,778	\$ 7,059	\$ 6,498	\$ 3,600	\$ 7,779
Service Charge	\$ 316,766	\$ 412,404	\$ 424,408	\$ 395,568	\$ 380,280	\$ 314,406
Subtotal	\$ 1,975,276	\$ 2,575,535	\$ 2,636,270	\$ 2,472,223	\$ 2,359,283	\$ 1,976,501
Food Expense	\$ 267,287	\$ 379,853	\$ 387,685	\$ 333,256	\$ 333,623	\$ 283,773
Beverage Expense	\$ 22,146	\$ 30,380	\$ 30,214	\$ 34,639	\$ 25,500	\$ 27,480
Food and Beverage Wages	\$ 387,263	\$ 418,324	\$ 411,902	\$ 390,704	\$ 371,483	\$ 319,541
Subtotal	\$ 676,696	\$ 828,557	\$ 829,801	\$ 758,599	\$ 730,606	\$ 630,795
Service Expense	\$ 222,254	\$ 217,570	\$ 274,852	\$ 252,894	\$ 252,229	\$ 182,245
Business Center Income	\$ 7,766	\$ 9,606	\$ 10,474	\$ 8,524	\$ 8,421	\$ 5,485
Business Center Expenses	\$ 5,711	\$ 8,073	\$ 8,588	\$ 7,042	\$ 8,555	\$ 5,251
Net Business Center Income	\$ 2,054	\$ 1,533	\$ 1,886	\$ 1,483	\$ (134)	\$ 234
Telephone/Internet Revenue	\$ 2,359	\$ 8,088	\$ 7,983	\$ 9,093	\$ 5,618	\$ 8,435
Telephone Direct Expense	\$ 20,314	\$ 25,923	\$ 23,342	\$ 22,953	\$ 21,167	\$ 20,846
Net Telephone/Internet Revenue	\$ (17,954)	\$ (17,836)	\$ (15,359)	\$ (13,859)	\$ (15,549)	\$ (12,411)
Electrical Service Revenue	\$ 37,896	\$ 35,878	\$ 33,192	\$ 27,228	\$ 44,148	\$ 50,686
Contractor Share-Elect Srvc	\$ 22,007	\$ 11,593	\$ 11,549	\$ 10,881	\$ 22,691	\$ 7,373
Net Electrical Revenue	\$ 15,889	\$ 24,285	\$ 21,643	\$ 16,347	\$ 21,457	\$ 43,313
Security/Parking Revenue	\$ 10,708	\$ 5,560	\$ 4,430	\$ 1,723	\$ -	\$ 900
Security/Parking Labor	\$ 52,973	\$ 39,156	\$ 4,784	\$ 1,640	\$ 1,023	\$ 3,068
Net Security/Parking	\$ (42,266)	\$ (33,596)	\$ (354)	\$ 83	\$ (1,023)	\$ (2,168)
Audio/Visual Service Revenue	\$ 189,272	\$ 185,496	\$ 179,140	\$ 177,504	\$ 150,396	\$ 168,427
Contractor Share A/V Srvc	\$ 6,380	\$ 3,442	\$ 13,008	\$ 41,465	\$ 2,650	\$ 11,877
Audio/Visual Labor	\$ 68,657	\$ 43,742	\$ 37,960	\$ -	\$ -	\$ -
Net Audio/Visual Revenue	\$ 114,234	\$ 138,312	\$ 128,172	\$ 136,039	\$ 147,746	\$ 156,550
Equipment Rental Revenue	\$ 73,628	\$ 74,962	\$ 80,279	\$ 66,470	\$ 76,698	\$ 62,484
Equipment Rental Expense	\$ 28,087	\$ 21,717	\$ 28,969	\$ 33,865	\$ 42,357	\$ 24,092
Net Equipment Rental Revenue	\$ 45,541	\$ 53,246	\$ 51,310	\$ 32,606	\$ 34,341	\$ 38,392
Other Income	\$ 3,585	\$ 7,786	\$ 59,579	\$ 23,092	\$ 25,436	\$ 44,346
<b>Adjusted Gross Income</b>	\$ 1,770,374	\$ 2,337,385	\$ 2,713,168	\$ 2,523,446	\$ 2,501,668	\$ 2,255,530
<b>Event Expenses</b>	\$ 1,103,079	\$ 1,199,772	\$ 1,411,994	\$ 1,306,842	\$ 1,231,674	\$ 885,547
<b>Event Expense as a % of Gross Revenue</b>	38%	34%	34%	34%	33%	28%
<b>Indirect Expenses</b>						
Employee Wages and Benefits	\$ 1,058,540	\$ 1,369,816	\$ 1,362,811	\$ 1,325,531	\$ 1,193,227	\$ 1,145,408
Operations	\$ 299,060	\$ 240,663	\$ 301,359	\$ 250,557	\$ 280,989	\$ 260,040
Repairs and Maintenance	\$ 42,986	\$ 57,062	\$ 78,129	\$ 70,799	\$ 89,632	\$ 66,482
Supplies	\$ 126,849	\$ 153,243	\$ 202,190	\$ 154,496	\$ 141,181	\$ 141,157
Insurance	\$ 27,915	\$ 42,605	\$ 41,568	\$ 48,806	\$ 45,255	\$ 53,672
Utilities	\$ 130,374	\$ 172,824	\$ 184,577	\$ 172,030	\$ 173,048	\$ 149,184
General and Administration	\$ 96,239	\$ 126,647	\$ 127,120	\$ 106,413	\$ 114,848	\$ 92,703
F F & E	\$ 24,382	\$ 14,062	\$ 22,008	\$ 16,248	\$ 24,429	\$ 12,504
Management Fee	\$ 90,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000
Total Indirect Expenses	\$ 1,896,345	\$ 2,296,922	\$ 2,439,761	\$ 2,264,879	\$ 2,182,608	\$ 2,041,149
<b>LCC Net Income (Loss)</b>	\$ (125,971)	\$ 40,463	\$ 273,407	\$ 258,568	\$ 319,061	\$ 214,381

Source: Lynnwood Convention Center

As shown, event expenses as a percent of total even revenue has increased from 28 percent to 38 percent over the period (partial-year is shown for 2019). While the facility has generated net operating income the past several years, it is operating in the red for the first time in 2019. As expenses increase as a share of revenue and with available dates and space scarce, the only sustainable options are to increase rates, increase the size of the building or both.

One of the determining factors of the viability of an expansion will be the Project’s ability to recapture lost business. With an expansion and development of a headquarter hotel, approximately 15 percent of lost events could be recaptured. These events are highlighted in the table below, which summarizes the LCC’s lost business since 2014. The list below only considers events that the LCC attempted to attract. It does not include all groups that it would be able to seek if the building were larger. However, it does provide an indication of lost opportunity.

Table 1-13

<b>Lynnwood Convention Center - Lost Business: 2014 - Future</b>			
<b>Reason</b>	<b>Events</b>	<b>Attendance</b>	<b>Revenue</b>
Cancelled/Postponed	284	55,177	\$1,420,765
Location	260	55,701	\$2,432,219
Unknown	216	41,916	\$1,316,241
Cost	195	42,255	\$1,192,702
Date/Space Availability	147	33,898	\$958,314
Other Reason	55	13,888	\$381,029
No Headquarters Hotel	22	3,900	\$291,973
Booking Policies	19	2,958	\$76,324
Facility too small	17	4,130	\$225,916
No Outside F&B	15	6,170	\$82,965
Facility too large	6	1,320	\$82,149
Lack of Local Amenities or Quality Hotels	4	555	\$14,529
<b>Total</b>	<b>1,240</b>	<b>261,868</b>	<b>\$8,475,125</b>

Source: Lynnwood Convention Center

The LCC tracked 1,240 lost events from 2014 through 2021, accounting for the loss of 262,000 attendees and approximately \$8.5 million in event revenue. The most common reason for loss of an event at LCC was that the event was ultimately cancelled, which accounted for 23 percent of lost events during the period shown. Otherwise, most groups were lost due to Lynnwood’s location relative to membership or desired destinations, the cost of the facility rental being too high or date/space availability issues.

The reason for losing nearly one-in-five of these events is not known. Ultimately, HSP believes that more events could be recaptured if the hotel and space issues were mitigated.

## Conclusions

While the number of events and attendees at the LCC has trended downward, the value of each event and attendee has trended upward, meaning the character of the LCC’s demand base has shifted in a more positive direction. Due to certain limiting factors, including total space, largest room size, lack of walkable

and “blockable” quality hotel rooms, as well as others, the LCC has essentially at capacity and squeezed in terms of calendar and space availability. HSP will discuss and address these items by assessing the local market dynamics, meetings industry trends, regional meetings market and local hotel market in the balance of this report.

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## ECONOMIC & DEMOGRAPHIC ANALYSIS

Analysis of local market area characteristics provides important insight into the potential demand for a real estate project. Characteristics can include population, demographics, a diversified economy, access, quality of downtown and tourist attractions, among others. Every element of a community has some impact, either directly or indirectly, on the attractiveness and potential for a convention center. Given that convention centers can host all manner of events, including local ticketed events or consumer shows, as well as inbound visitor events like conventions, it is vital that nothing be taken for granted. For example:

- Demographics/Economic Conditions help to determine the available income to attend public events at the convention centers, as well as the types of events that appeal to local/metro residents. The size of the local population base, as well as its spending power, influence how successful public or ticketed events will perform.
- Access. Access is critical for all types of events, for meeting/event planners and the general public alike. Given the heavy traffic issues in the Seattle market, easy access and a good location are more desirable versus a location away from population, major roads, etc. Parking is also a related issue.
- Local Companies. Metro area companies, especially those on the north side of the metro area, serve as demand generators for trainings, conferences, events and other uses of the facility. The companies also offer potential naming rights and sponsorship partners.
- Tourism. The attractiveness of a destination for attendees drives many location decisions for event planners. Destination appeal is the reason that a facility such as that in San Francisco is one of the most popular convention destinations, despite cost.

This chapter profiles the Lynnwood area and the region, to better understand how Lynnwood and the LCC fit into the competitive landscape.

### Overview

Lynnwood is a city in Snohomish County, Washington and is part of the Seattle metropolitan area. It is located 16 miles north of Seattle and 13 miles south of Everett, near the junction of Interstate 5 and Interstate 405. Lynnwood functions as a bedroom community for Seattle, Everett and Bellevue, but also has a number of retailers, a community college, a major transit center and the Lynnwood Convention Center. The Lynnwood Convention Center is located on 196th Street Southwest, a block west of Interstate 5 in central Lynnwood. It is southwest of the Alderwood Mall, and within Lynnwood's city center.

### Regional Access

Annual demand is assessed by several factors. such as the number of passengers that fly to and from the closest airport, as well as the number of passengers that drive through the area via car. Adequate access via air, rail and road are contributing factors to the success of LCC. This section will discuss various access to the area.

*Regional Drive-Times*

Lynnwood Convention Center is conveniently located for vehicular access, with the ability to pull business by vehicle from Canada to the north, Yakima to the southeast, and south to the border of Washington-Oregon.

The following figure illustrates accessibility to the Lynnwood Convention Center from various distances measured in time from the site.

Figure 2-1

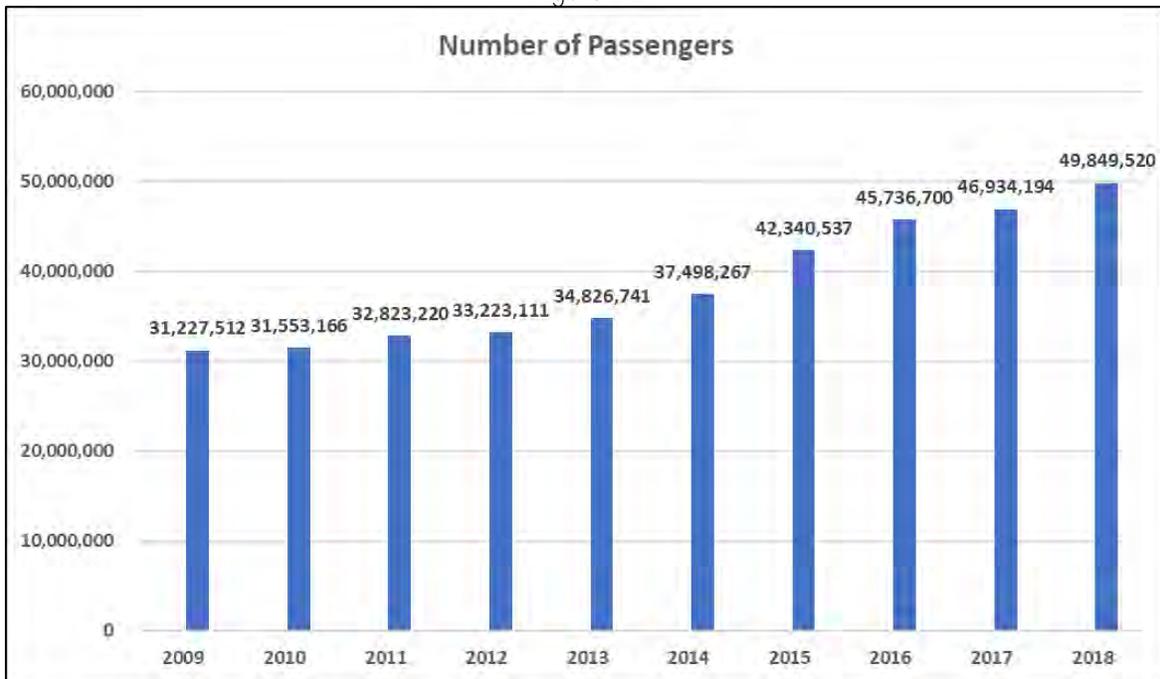


*Airport Access*

Seattle-Tacoma International Airport (SEA), also known as Sea-Tac, serves the Lynnwood area and is a 60-minute trip along I-5. By the end of 2019, Sea-Tac is projected to handle more than 50 million passengers annually, and is expanding due to rapid growth. The \$650 million expansion creates a new 255,000-square foot terminal that will be home to Alaska Airlines.

The following figure illustrates the Sea-Tac annual passenger count since 2009.

Figure 2-2



Trends show that the number of annual passengers using SEA over the last ten years has rapidly increased. The greatest year-over-year increase occurred between 2014 and 2015.

A second airport, Paine Field, opened in 2019. The two-gate 30,000-square foot airport offers 18 Alaska Airlines flights and six United Airlines flights for a total of 24 daily flights. Alaska Airlines services to eight destinations and United Airlines services to 20 destinations. Propeller Airports, the company behind Paine Field, expects this airport to see 600,000 to 700,000 passengers annually. Paine Field is roughly 30 miles north of Downtown Seattle and roughly 30 miles north of Sea-Tac. West Coast flights to Las Vegas, Denver, Portland, Los Angeles, and other major West Coast cities attract users in the Seattle area as an alternative to Sea-Tac.

The opening of Paine Field is a potential gamechanger for destinations like the LCC, as it makes accessing Snohomish County for business, conventions or leisure much easier than going through SeaTac.

### Rail Access

The Sounds Transit Light Rail Expansion in Washington is important to the future growth of the state and Lynnwood is expected to have light rail by 2024. Voters in the region have approved three system plans since 1990. The plans included a first phase in 1990, a second phase in 2008, and a third phase in 2016.

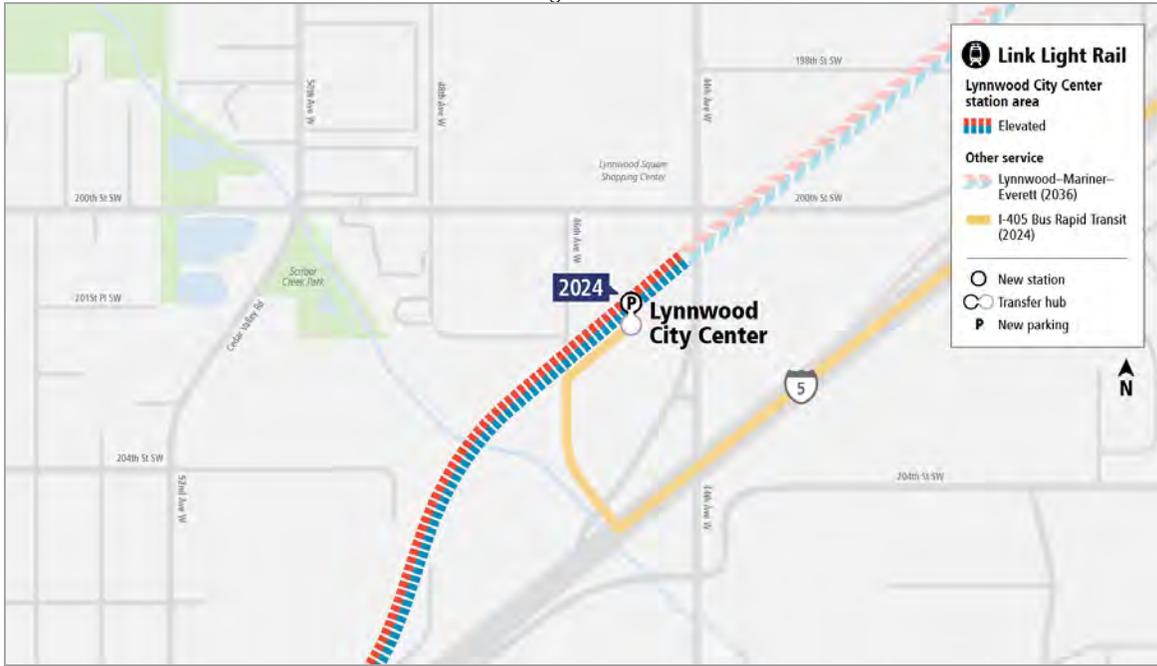
The following figures show the Sounds Transit Light Rail Expansion.

Figure 2-3



The Sound Transit 2 is a 15-year program that will link light rail service north to Lynnwood, east to Mercer Island, **Bellevue and Redmond's** Overlake area and south of Sea-Tac Airport. The extension to Lynnwood is expected to be completed in 2024.

Figure 2-4



As is shown in the figure above, the new Lynnwood station will be located at Lynnwood City Center, approximately one mile from Lynnwood Convention Center. This is beyond the walkable radius of the LCC, so another method of transportation from the light rail station to the LCC will likely be needed in order to maximize the benefit of this infrastructure project.

### Population

The following table shows population changes in the United States, Washington, Snohomish County and Lynnwood.

Table 2-1

	Population and Growth Rates				Percent Change 2010 - 2019
	Population				
	2000	2010	2019	2024 Estimate	
United States	281,421,906	308,745,538	332,417,793	345,487,602	7.7%
State of Washington	5,894,121	6,724,540	7,608,571	8,120,093	13.1%
Seattle Metropolitan Area	3,043,878	3,439,809	3,962,957	4,261,478	15.2%
Snohomish County	606,024	713,335	823,512	886,548	15.4%
City of Lynnwood	34,110	35,865	39,379	41,652	9.8%
City Pop. As % of County	5.6%	5.0%	4.8%	4.7%	--

Source: U.S. Census Bureau

The population of the Seattle metro area continues to increase at a rate faster than the U.S. as a whole, and faster than the State of Washington. The greatest growth in population over the last ten years is seen in Snohomish County, at a rate nearly twice the growth of the national average (15 percent). The City of Lynnwood is located in Snohomish County, and is growing faster than the national average, as well, although it is mostly built out.

## Income and Housing

The following table provides data on home ownership, income and spending, based on the latest data from the U.S. Census Bureau.

Table 2-2

Income, Spending and Other Demographic Data				
Category	United States	Washington	Snohomish County	City of Lynnwood
Homeownership rate, 2013-2017	63.8%	62.7%	66.6%	54.10%
Median value of owner-occupied housing units, 2013-2017	\$193,500	\$286,800	\$338,400	\$331,300
Persons per household, 2013-2017	2.63	2.55	2.68	2.59
Median household income, 2013-2017	\$57,652	\$66,174	\$78,020	\$58,852
Persons below poverty level, percent, 2013-2017	12.3%	11.0%	7.3%	14.40%
Total employment, 2016	126,752,238	2,685,355	251,289	--
Total employment percent change, 2015-2016	2.1%	3.2%	1.5%	--
Retail sales per capita, 2012	\$13,443	\$17,243	\$12,456	\$56,293

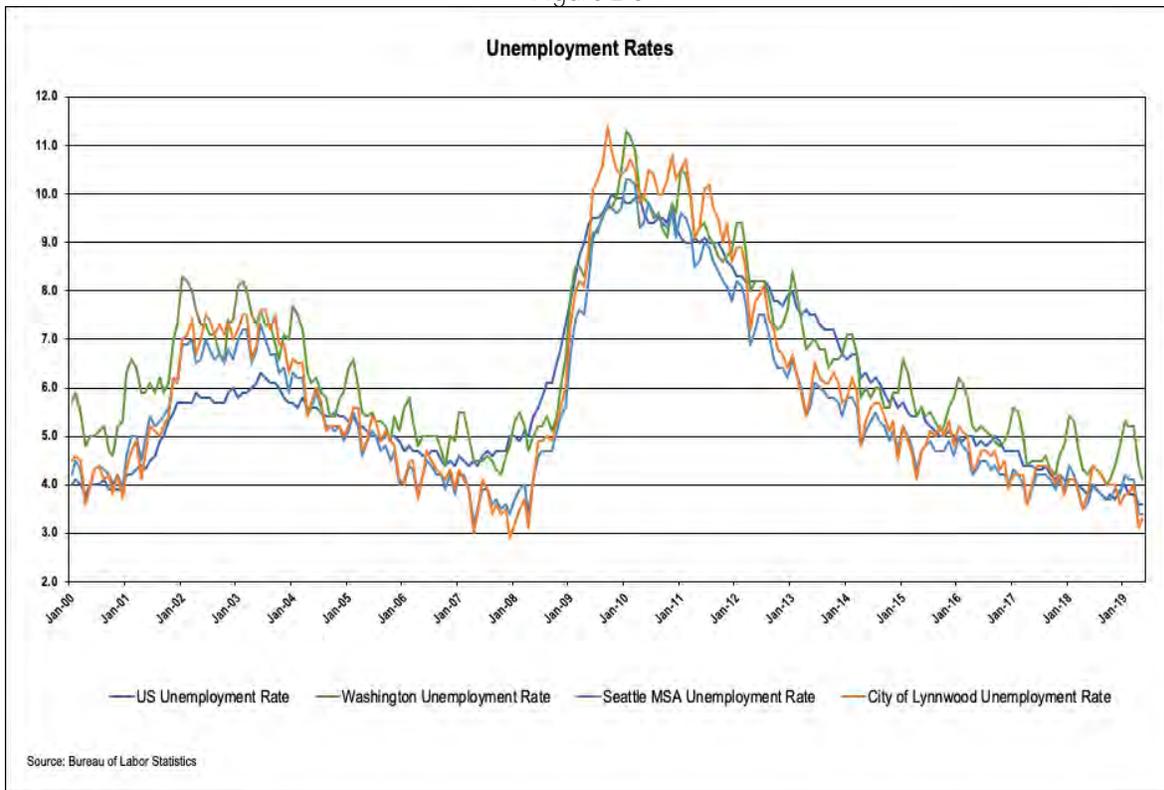
Source: US Census Bureau

Snohomish County is near corporate offices of several major corporations like Starbucks, Amazon, Microsoft and Boeing. As the table above demonstrates, employment and success from these companies has grown, as has wealth in the area, resulting in higher median house values and incomes. While the retail sales per capita is slightly lower than the national average, its total employment is better than the national average as well as the State of Washington as measured by percent change. City of Lynnwood has the largest retail sales per capita due to its shopping supply and relatively smaller population. This drives significant sales tax generation for the community.

## Unemployment

The following figure shows the unemployment rate in the United States (dark blue line), Washington (green line), Seattle MSA (light blue line), and City of Lynnwood (orange line) from 2000 through June of 2019.

Figure 2-5



The Lynnwood unemployment rate has been roughly consistent with the national rate since January 2015, and it has followed the state rate very closely since 2012. The rate has declined roughly seven percentage points to approximately 3.5 percent over the past eight years.

### Employment by Industry

The following table represents employment by industry in Snohomish County.

Table 2-3

Snohomish County Employment by Industry - 2017		
Industry	Employment	Percent of Total
Total employment (number of jobs)	392,313	100.0%
By Industry		
Wage and salary employment	307,517	78.4%
Proprietors employment	84,796	21.6%
Nonfarm proprietors employment	83,556	98.5%
Farm proprietors employment	1,240	1.5%
By industry		
Farm employment	2,129	0.5%
Nonfarm employment	390,184	99.5%
Private nonfarm employment	344,361	87.8%
Manufacturing	61,800	17.9%
Retail trade	44,415	12.9%
Health care and social assistance	38,063	11.1%
Construction	31,619	9.2%
Accommodation and food services	25,065	7.3%
Professional, scientific, and technical services	23,346	6.8%
Administrative and support and waste management and remediation services	21,038	6.1%
Other services	20,697	6.0%
Finance and insurance	16,978	4.9%
Real estate and rental and leasing	16,739	4.9%
Transportation and warehousing	10,367	3.0%
Wholesale trade	10,064	2.9%
Arts, entertainment, and recreation	8,101	2.4%
Information	6,886	2.0%
Educational services	5,324	1.5%
Management of companies and enterprises	1,733	0.5%
Forestry, fishing, and related activities	1,191	0.3%
Mining, quarrying, and oil and gas extraction	766	0.2%
Utilities	169	0.0%
Government and government enterprises	45,823	11.7%
Federal civilian	2,131	4.7%
Military	6,193	13.5%
State and local	37,499	81.8%
State government	5,540	14.8%
Local government	31,959	85.2%

Total employment in Snohomish County at the end of 2017 was 392,313 across multiple industries. Top industries included manufacturing, retail trade and health care. About 12 percent of the population in Snohomish County is in the government and government enterprise space. In times of economic downturns, economies with a diverse workforce are able to bounce back more quickly and show stronger signs of resiliency. Boeing’s operations account for approximately half of the manufacturing employment.

The following table profiles the top employers in Snohomish County.

Table 2-4

Top 20 Snohomish County Employers			
Company/Agency	Business Line	Public/Private	Total (2017*)
The Boeing Company	Aircraft manufacturing	Private	34,500
Providence Regional Medical Center	Medical services	Private	4,775
The Tulalip Tribes	Gaming, real estate, gov't services	Public	3,200
Naval Station Everett	U.S. Navy Base	Public	2,987
Washington State Gov't	State government	Public	2,950
Snohomish County Government	County government	Public	2,617
Edmonds School District	School district	Public	2,605
Premera Blue Cross	Health insurer	Private	2,600
Walmart (8 locations)	Retail	Private	2,312
The Everett Clinic	Health care	Private	2,255
Everett School District	School district	Public	2,195
Philips Healthcare	Ultrasound technology	Private	2,000
U.S. Federal Government	Government	Public	2,000
Swedish Medical Center	Health care	Private	1,850
Mukilteo School District	School district	Public	1,755
Edmonds Community College	Higher education	Public	1516
Albertsons/Safeway (21 locations)	Retail - grocery	Private	1,500
Fred Meyer/QFC (18 locations)	Retail - grocery	Private	1,350
Marysville School District	School district	Public	1,341
Fluke Corp. (Fortive)	Electronic test & measurement	Private	1,200

\* = Starting in 2015, the total numbers indicate combined number of full-time, part-time employees.  
 Source: Economic Alliance Snohomish County

As demonstrated above, the Boeing Company is by far the largest private employer in Snohomish County, followed by Providence Regional Medical Center. While Boeing is responsible for the majority of employees and would certainly leave the area reeling should the company uproot, the remaining companies employ an commensurate number of employees, which would indicate a diverse workforce.

The following tables profile the top employers in Lynnwood. Data from 2006 and 2015 are included for comparison.

Table 2-5

Top Employers - City of Lynnwood (2006)				
Employer	Product/Service	Number of Employees	Rank	Percentage of Total City Employment
Nordstrom	Retail	431	1	9.95%
Volunteers of America	Retail	350	2	8.08%
Macy's	Retail	340	3	7.85%
Costco Wholesale Corp	Wholesale Warehouse	263	4	6.07%
Macy's	Retail	224	5	5.17%
Fred Meyer Stores	Retail	195	6	4.50%
JC Penney Corp	Retail	185	7	4.27%
ADP LLC	Payroll	183	8	4.22%
Zumiez Info	Retail Corp Headquarters	148	9	3.42%
Target Corp	Retail	142	10	3.28%
Total Principal Employers		2,461		56.81%
Total Employers		1,871		43.19%
Total Employers		<u>4,332</u>		<u>100.00%</u>

\* = Starting in 2015, the total numbers indicate combined number of full-time, part-time employees.  
Source: City of Lynnwood CAFR, 2015

Table 2-6

Top Employers - City of Lynnwood (2015)				
Employer	Product/Service	Number of Employees	Rank	Percentage of Total City Employment
Edmonds School District	Public Education	2,965	1	42.07%
City of Lynnwood	Government	513	2	7.28%
Nordstrom	Retail	490	3	6.95%
Costco Wholesale Corp	Wholesale Warehouse	488	4	6.92%
Macy's	Retail	366	5	5.19%
Fred Meyer Stores	Retail	306	6	4.34%
JC Penney Corp	Retail	241	7	3.42%
ADP LLC	Payroll	211	8	2.99%
Zumiez Info	Retail Corp Headquarters	211	9	2.99%
Target Corp	Retail	181	10	2.57%
Total Principal Employers		5,972		84.73%
Total Employers		1,076		15.27%
Total Employers		<u>7,048</u>		<u>100.00%</u>

\* = Starting in 2015, the total numbers indicate combined number of full-time, part-time employees.  
Source: City of Lynnwood CAFR, 2015

The City of Lynnwood has long held retail as the common source for employment. Since 2006, when six retailers were the top employers, the trend has only increased. In 2015, nine of the top ten employers were retail related. This makes sense as Lynnwood is a retail destination. The retail sales per capita is disproportionately greater than that of Washington and of the Nation.

Another trend worth noting is that since 2006, the total employers have grown from 4,332 to 7,048 in 2015. This is reflective of the growth seen in the city.

## Higher Education

Colleges, universities, and educational institutions can generate tourism and hotel room nights due to events, games, visits from parents and other economic activity.

The following table shows colleges and universities within a 25-mile radius from the Project site.

Table 2-7

Lynnwood Area Colleges & Universities			
Institution	Location	Distance from 98036 (Miles)	Enrollment
Edmonds Community College	Lynnwood, WA	2.1	8,041
Bastyr University	Kenmore, WA	4.5	1,098
Shoreline Community College	Shoreline, WA	5.8	5,949
Cascadia College	Bothell, WA	5.8	3,396
University of Washington-Bothell Campus	Bothell, WA	5.8	5,970
Lake Washington Institute of Technology	Kirkland, WA	7.6	3,670
Northwest University-College of Adult and Professional Studies	Kirkland, WA	9.8	1,155
Northwest University	Kirkland, WA	9.8	1,321
North Seattle College	Seattle, WA	10.3	5,929
University of Washington-Seattle Campus	Seattle, WA	11.2	47,400
Everett Community College	Everett, WA	12.5	7,957
Seattle Pacific University	Seattle, WA	12.8	3,688
Antioch University-Seattle	Seattle, WA	14.1	605
City University of Seattle	Seattle, WA	14.1	2,113
Comish College of the Arts	Seattle, WA	14.1	625
The Seattle School of Theology & Psychology	Seattle, WA	14.1	242
Seattle Central College	Seattle, WA	14.1	6,802
Seattle University	Seattle, WA	14.1	7,291
Bellevue College	Bellevue, WA	38.3	13,226
South Seattle College	Seattle, WA	19.6	6,177
Renton Technical College	Renton, WA	39.3	3,546
Olympic College	Bremerton, WA	23.7	6,620
<b>Total Enrollment</b>			<b>142,821</b>

Source: National Center for Education Statistics

There are 22 higher education institutions within a 25-mile radius of the Project. The largest university is the University of Washington-Seattle Campus, which has an enrollment of 47,400. In total, the local institutions enrolled 142,821 students in 2018.

## Educational Attainment

The level of education in a community is generally linked to income potential and hence, disposable income and long-term growth. Highly educated people have more choices in their employment and where to locate

themselves and their families. The higher the education level, the stronger the labor market and the more disposable income that is available to spend on recreational activities, such as dining out, attending events and sports activities.

The following table shows the education attainment levels in the area.

Table 2-8

2018 Highest Education Level Attained (Population Age 25+)				
Population Age 25+	Lynnwood	Snohomish County	Washington	United States
Did Not Complete High School	12.1%	8.0%	9.1%	12.6%
Completed High School	20.7%	23.7%	22.5%	27.3%
Some College	27.6%	26.4%	24.0%	20.8%
Completed Associate Degree	10.9%	10.5%	9.9%	8.3%
Completed Bachelors Degree	20.2%	21.6%	21.7%	19.1%
Completed Graduate Degree	8.6%	9.7%	12.7%	11.8%

Source: US Census Bureau

As shown, Lynnwood outperforms the U.S. in terms of educational attainment. However, Lynnwood is slightly underperforming Snohomish County in terms of educational attainment.

### Tourism Analysis

Lynnwood offers a mix of attractions for tourist. Attractions include shopping, activities, water and amusement parks, theater and arts options and museums. These options are family-friendly and complement the industries and tourism interests close to LCC.

The following tables profiles some of the more popular area attractions, which will be discussed in greater detail below.

Table 2-9

Lynnwood Area Attractions	
Names	Category
Alderwood Mall	Shopping
Funtastic Playtorium	Activities
Lynnwood Recreation Center	Water & Amusement Parks
Black Box Theater	Theater
Puget Sound Express	Activities
Paul Allen's Flying Heritage Collection	Attraction
High Trek Adventures Seattle Zipline	Activities
Future of Flight Aviation Center and Boeing Tour	Attraction

Source: Visit Seattle NorthCountry, Lynnwood Tourism

The Alderwood Mall, located northeast from LCC, is marketed as a regional shopping option with anchor tenants such as JCPenney, Macy's and Nordstrom. Showing its ability to make an impression, the mall is referenced in the song "Searchin' USA," by The Young Fresh Fellows.

The figure below shows the exterior of Alderwood Mall.

Figure 2-6



The mall is home to the Funtastic Playtorium, a family-friendly themed-playhouse that features a ball pit, slides, and multiple maze-like tunnels. This experience serves kids ages 1 to 10.

Lynnwood Recreation Center is a public facility which does not require membership or fees. LRC offers a cardio and weight room, fitness studio, racquetball courts, a lap pool, warm-water therapy pool, and a recreational pool with slides, a lazy river, a water playground and a family style hot tub.

Paul **Allen's Flying Heritage Collection** began as a private collection by Paul Allen. In 2008, the collection moved to Paine Field where the items are currently on display. The items found in the museum range from rare military aircraft to tanks and various military hardware from the United States, Germany, Japan, Russia and the United Kingdom. Also located in Paine Field, the Future of Flight Aviation Center and Boeing Tour offers opportunities to see 747, 767, 777 and 787 Dreamliners on the assembly line before they take flight. Each 90-minute tour includes facts about Boeing and Boeing aircraft.

Puget Sound Express is a whale watching service which brings guests up-close and personal with whales, dolphins and sea life. The trips offer boats with inside seating, various boating options for small or large parties, and a guarantee that animals will be seen.

Located on Edmonds Community College campus, the Black Box Theater is an event venue used to promote the arts, culture and shows like dance and film to benefit the College and the residents of Snohomish County. Most of the events are free to the community or priced intentionally at a low, affordable cost to maintain inclusivity.

High Trek Adventures Seattle Zipline is a park that offers three ziplines, over 60 challenges and a high point of 45 feet off of the ground. The park offers team building opportunities and birthday party packages for a memorable obstacle course experience.

## Implications

Beyond the Lynnwood Convention Center's performance, Lynnwood has positive economic and demographic trends to point to when considering whether the community can support an expansion of the Lynnwood Convention Center. Population has increased by nearly ten percent in the past decade and employment is stronger in Lynnwood than Snohomish County, Washington state and the United States. Lynnwood also benefits from a high concentration of retail spending due to the Alderwood Mall, which can be leveraged to help support dining and entertainment options surrounding the current or an expanded LCC.

Regional access to Lynnwood is a valuable asset for the LCC, which is poised to continue to improve over the long term. With Paine Field being the newest commercial airport in the United States adding more direct flights to and from cities in the Pacific Northwest and the Sound Transit Light Rail station coming to Lynnwood City Center in 2024, Lynnwood stands to benefit significantly from regional infrastructure projects.

Lynnwood Convention Center has the benefit of being located in a growing metropolitan area with improving infrastructure and demographics. However, growth has come at a cost, but potential benefit. Because traffic is so heavy throughout the majority of the day, it is very difficult for people to go from one part of the metro to the other. This has resulted in people, events and businesses wanting to shrink the geography within which they prefer to travel. While an easy to access market would keep the LCC as a suburban option only for conventions and events, traffic headaches elevate the status of convention centers in Lynnwood, Bellevue and Tacoma as their own legitimate economic area anchors. As the market becomes denser, the ability to leverage a northern location will inure to the benefit of the LCC and in HSP's estimation, supports eventual expansion.

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## CONVENTION & MEETINGS INDUSTRY TRENDS

Trends in the North American convention and tourism industries provide benchmarks against which destinations and executive staff can compare their own facilities to gauge performance. It is important that the client understand industry trends in order to remain competitive. In this section, HSP compiled the most recent and relevant information available about current trends regarding the convention and tourism industries.

Unless otherwise noted, tables and figures in the following section are courtesy of the 2018 PricewaterhouseCoopers (PwC) Convention Center Report regarding national convention center trends. This report surveyed over 100 convention centers across the United States, Canada and Mexico and is an accepted industry standard.

It is important for stakeholders in Lynnwood to understand the forces shaping the meetings business. While it is ever changing, the expectations for ease, convenience and low prices have increased, while the yearning for authenticity and large blocks of branded hotel rooms and attached high-quality flexible spaces have also increased. Authenticity tied to large generic blocks of hotel rooms and space is ironic, indeed, but is the case.

This higher level of expectation for everything at a lower price point is a challenge for cities, as it creates a market that is not willing to pay for the quality it expects. Cities that rely on event business to fill their hotels and power their downtown economies often give away space in order to lure meeting planners and their respective group events. This effective rent reduction then cycles through the market to all venues. As the largest venues fill their space with subsidized events, the others follow suit. There is an expectation of reduced rent for impactful events, since they are actively sought after.

### Meeting and Event Industry Trends

Meetings and conferences are conducted for the purposes of exchanging information, teaching, conducting business transactions and for networking, cultural and social enrichment. As developments occur in the larger economy, simultaneous developments occur in the meetings market. An example would be the growth of the tech sector generating growth in tech-related meetings and events.

For the purposes of industry consistency, facilities are categorized based on the size of their exhibit space:

- Large: 500,000 or more square feet
- Medium: 200,000 to 499,999 square feet
- Medium-Small: 100,000 to 199,999 square feet
- *Small: Below 100,000 square feet*

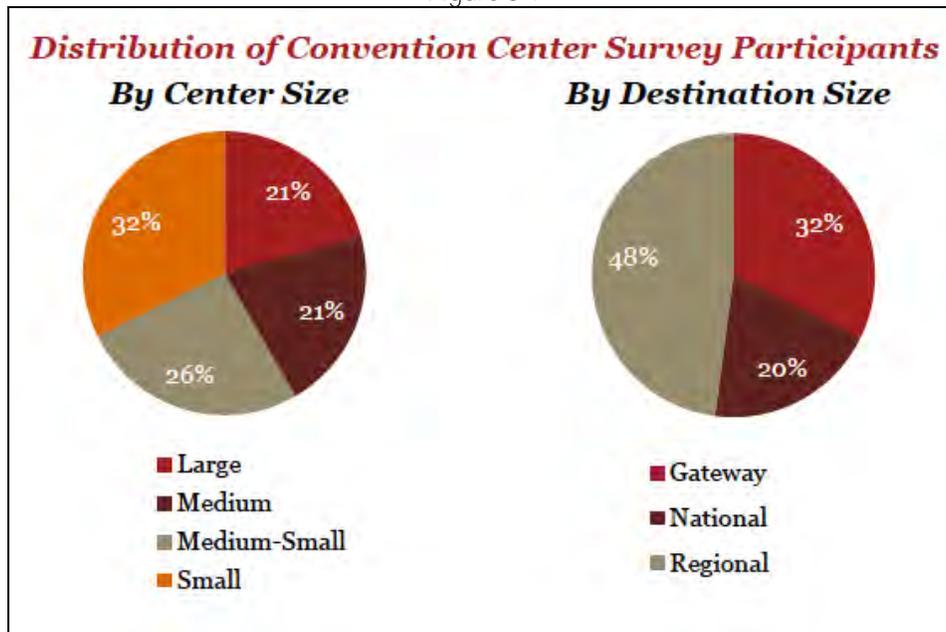
Destinations are broken down based on size:

- Gateway: metropolitan areas with at least 30,000 hotel rooms and at least 100,000 square feet of exhibit space
- National: metropolitan areas with 15,000 to 30,000 hotel rooms or areas with at least 30,000 rooms and less than 100,000 square feet of exhibit space

- *Regional: metropolitan areas with less than 15,000 hotel rooms or secondary/tertiary convention facilities located in areas with less than 30,000 rooms*

As the figure below demonstrates, almost 32 percent of convention centers are in the same category (Small) as Lynnwood. Additionally, roughly half of destinations are similar to that of Lynnwood and considered to have a regional reach in terms of city and facility size.

Figure 3-1



Convention and conference center events vary widely. Often, a single event will use many different types of spaces, including ballrooms and breakout meeting rooms. Well-designed multi-purpose facilities offer the proportions of different types of spaces appropriate for the market. In addition, they offer the flexibility to host multiple events at one time. Different types of conferences and meetings have differing needs, so facilities must be adaptable.

The following table summarizes the key attributes of various types of meetings, including facility requirements.

Table 3-2

Facility Types & Requirements for Various Event Types										
Event Type	Conventions with Exhibits	Conventions	Tradeshows	Consumer Shows	Assemblies	Sports Events	Conferences	Meetings	Trainings	Banquets
Attendance Range	150 - 50,000	150 - 15,000	250 - 50,000	8,000 - 1,000,000	5,000 - 50,000	500 - 100,000	50 - 2,000	10 - 300	10 - 300	50 - 2,000
Primary Purpose	Info Exchange & Sales	Info Exchange	Sales	Advertising & Sales	Info Exchange	Sports	Info Exchange	Info Exchange	Training	Social, Business & Charity
Facility Requirements	Exhibit Halls, Ballroom, Meeting Rooms, Hotel Block	Ballroom, Meeting Rooms, Hotel Block	Exhibit Halls, Hotel Block	Exhibit Halls	Arena or Exhibit Halls, Hotel Block	Arena, Stadium or Exhibit Halls, Hotel Block	Ballroom, Meeting Rooms, Hotel Block	Meeting Rooms, Hotel Block	Meeting Rooms, Hotel Block	Ballroom
Typical Facility Used	Convention Center & Large Hotels	Convention Center & Large Hotels	Expo Facilities & Convention Centers	Expo Facilities & Convention Centers	Arenas or Convention Centers	Arena, Stadiums, Convention Centers	Convention/Conference Centers and Hotels			

Source: HSP

The various types of convention and conference center events are described as follows:

**Conventions and Trade Shows** – Associations, professional groups and other membership organizations hold conventions and trade shows, with attendance ranging from 150 to 50,000 attendees. The larger of these meetings take place in convention centers with large exhibit halls, but as a Center for Exhibition Industry Research (CEIR) survey indicates, the majority of events require less than 50,000 square feet. Conventions and trade shows may feature a single meeting, but usually offer a number of concurrent meetings and exhibitions. Facility needs include assembly space for general sessions and displays, banquet facilities and numerous breakout-meeting rooms. Two-thirds of conventions and trade shows use exhibit space as a means to communicate ideas and to display products.

Conventions are high-impact events economically because a large percentage of attendees originate from outside the local area, typically stay several nights in the host city and spend money on accommodations, food, transportation, retail goods, and entertainment. Spouses, family, or companions typically accompany a significant number of attendees.

Like conventions, trade shows offer a forum for exchanging industry ideas. They vary slightly from conventions in that they are more product- and sales-oriented. Trade shows are exhibit-intensive, and exhibitors prefer column-free, open-space facilities in which temporary custom booths for product display are constructed. Trade shows typically attract a large number of attendees, who originate from outside the host city, but tend to have a shorter average stay than convention attendees.

**Consumer Shows** – Consumer shows are public, ticketed events featuring exhibitions of merchandise for sale or display. Consumer shows provide a means of product distribution and advertising. Some, such as auto and boat shows, have a recreational and entertainment function as well. Consumer shows range in size from small local and specialized shows with a few hundred attendees to large shows with thousands of attendees. The larger consumer shows may occur in convention centers, shopping malls, fairgrounds and other public-assembly facilities with large exhibition areas. The majority of attendees are local, but exhibitors often come from out of town. Site selection considerations for consumer shows include the size and income of the local population, availability of facilities and the number of competitive shows in the market.

Assemblies – Assembly events are social, military, educational, religious, and fraternal (SMERF) events. They attract large numbers of people and require seating arrangements to support all the visitors. Larger assemblies are held in arenas or stadiums while smaller assemblies are held in venues such as **school's** auditoriums, churches and community centers. Similar to conventions, attendees originate from outside the host city, but, unlike conventions, these events do not usually require large amounts of exhibit and meeting room space.

Sports – Sporting events are youth, amateur, professional, or senior events of any variety of sports that can be played indoors. Typically, such events are held in arenas or stadiums. Many events, however, such as boxing, wrestling, and basketball, can be held in exhibit facilities with temporary seating/stands. A growing trend in this sector is cheerleading and dance competitions. A multipurpose facility can be marketed for a variety of sporting event types.

Conferences – Conferences are meetings typically held by associations, professional groups, education institutions and other membership organizations. These events do not usually require exhibit space, but otherwise the facility demands are similar to those of conventions—such as meeting space for general sessions, food service facilities and breakout rooms. Hotels and conference centers typically serve as venues for conferences.

Corporate, Training and Other Meetings – Corporate meetings include training seminars, professional and technical conferences, business/job fairs, incentive trips and management meetings. Corporate meeting planners and attendees demand high-quality facilities. High quality and flexible technology capabilities are an essential element corporate and business users are requiring when selecting meeting facilities.

Banquets – Banquets are typically locally generated events, from social and wedding events to the annual Chamber of Commerce event, which can be the largest of its kind in a given city. A mainstay of hotels and convention centers, banquets provide significant catering income and provide the community with its largest dining room, in most cases.

## Technology Improvements and Facility Management

One of the major considerations in renovations, expansions and new builds is improvements to the facilities to accommodate new technology. The Internet has become an essential part of all exhibit space and convention facilities.

The following table sets out the changes that have occurred in conference and convention center technology in the past ten years.

Table 3-3

Convention Facilities Technology Status Ten-Year Comparison		
Type	Ten Years Ago	Today
<u>Facility</u>		
Facility Website	87%	100%
Internet Access	77%	100%
Wireless Internet	60%	94%
Teleconferencing	58%	72%
Video Conferencing	50%	66%
Social Media Presence	0%	54%
Security Access Cards	43%	44%
<u>Online Event Planning</u>		
Booking Events	20%	19%
Ordering Supplies for Events	18%	31%
Booking Accommodations	16%	23%

Source: PricewaterhouseCoopers

Every center in the United States now has a website and Internet access. Almost every facility, almost 94 percent, has wireless Internet. More than half of the convention centers in the United States have some social media presence, either on Facebook, Twitter, or some other platform.

While technology has improved, online event planning has not changed much. The only category that has significantly changed is ordering supplies for events, up from 18 percent to 31 percent. This indicates that staffing and personal marketing are still very important to a convention center, with the one-on-one contact through telephone and in person still essential for event planning.

Facilities are increasingly focusing investment toward mobile and wireless capabilities, increasing network bandwidths, technologies that allow attendees to learn collaboratively and interactively as well as social media, e-marketing platforms, applications and webinars. Facilities must learn how to use these new technologies to their benefit. Ultimately, technology will need to be used as a tool that enhances business and individuals' experiences to drive demand for services.

## Meeting Demand

Meeting planners have the strongest influence on conventions, conferences and meetings held nationwide. This **section includes some of the preferences of U.S. meeting planners based on Meetings Media's Market Trends Survey** as well as data from other sources.

The following table shows the size of center events, measured by the total gross square feet of space used for the event.

Table 3-4

<b>Event Size (Gross Function Space)</b>		
<b>Function Space (SF)</b>	<b>Percent of Total</b>	<b>Cumulative Total</b>
6,000 - 14,999	19%	19%
15,000 - 24,999	13%	32%
25,000 - 34,999	15%	47%
35,000 - 49,999	13%	60%
50,000 - 99,999	19%	79%
100,000 - 199,999	14%	93%
200,000+	7%	100%

Source: Center for Exhibition Industry Research

Distribution is fairly equal for the size of events, although nearly half of all events can fit in spaces smaller than 50,000 square feet. Nearly 20 percent of events occur in less than 15,000 square feet of function space, and an additional 13 percent take place in 15,000 to 25,000 square feet of space. Facilities with less than 25,000 square feet of gross exhibit space can host just one third of events.

The following table shows the typical meeting duration organized by meeting planners.

Table 3-5

<b>Typical Meeting Duration</b>	
<b>Duration</b>	<b>Percent of Total</b>
0.5 day	8%
1.0 day	14%
1.5 days	7%
2.0 days	16%
2.5 days	14%
3.0 days	20%
3.5 days	7%
4.0 days	5%
4.5 days	4%
5.0 days	4%
More than 5 days	2%

Source: Meetings Media, HSP

Half of all meetings and events last between two and three days. However, without a good hotel package, these longer meetings and events are very difficult to secure.

The following table shows the types of facilities used for all conventions and meetings (respondents could give more than one answer).

Table 3-6

<b>Types of Facilities - U.S. Meetings and Conventions</b>	
<b>Facility Type</b>	<b>Percent of Total</b>
Downtown Hotels	68%
Suburban Hotels	48%
Resort Hotels (excluding golf resorts)	42%
Airport Hotels	26%
Convention Centers	19%
Golf Resorts	16%
Suites Hotels	16%
Gaming Facilities	9%
Residential Conference Centers	9%
Nonresidential Conference Centers	6%
Cruise Ships	1%
Source: Meetings Market Report	

For all meetings and conventions, hotels are the primary host venue, while convention centers host one out of five meetings or conventions. This again underscores the value of having a high-quality downtown meetings hotel. The term residential conference center refers to a conference center with hotel rooms. For the larger convention events, typically only convention centers and large hotels host these types of events.

Once a destination is selected, planners must then choose a venue. The following tables show the important factors for selecting sites within the destination.

Table 3-7

<b>Important Factors when Selecting a U.S. Meeting Destination</b>			
	<b>Convention</b>	<b>Association Meeting</b>	<b>Corporate Meeting</b>
Number, Size and Quality of Meeting Rooms	93%	69%	81%
Negotiable Food, Beverage and Room Rates	87%	80%	79%
Cost of Hotel or Meeting Facility	82%	80%	80%
Number, Size and Quality of Sleeping Rooms	79%	54%	72%
Quality of Food Service	70%	63%	70%
Source: Meetings Market Report			

As shown, this reinforces the importance of the availability of the right spaces and the fees for those spaces as primary factors. When choosing destinations for events, planners want every space and hotel need met at a very low price. Destination appeal can trump cost, but only if they know that attendance will increase.

The following table displays the importance of information sources for attracting events and shows.

Table 3-12

Event Site-Selection Trends - Information Sources	
Information Source	Importance
Past Experience	89%
Attendance Feedback	79%
Reputation/Image of Location	71%
Hotel Rating/User Review Sites	41%
Meeting Facility Web Sites	38%
Destination Web Sites	38%
Business Contacts at Location	24%
Travel Magazine Articles	15%
Social Networks/Media	14%
"Fam" Trips	13%
Trade Magazine Articles	13%
Travel Brochures	10%
Trade Shows	9%
Incoming Email	9%
Newspaper Articles	9%
Meeting Planning Firms/DMOs	8%
Trade Magazine Advertising	7%
E-mail Promotions*	7%
Webinars*	7%
Online Trade Publications	4%
Virtual Trade Shows	4%
CDs/DVDs	3%
Destination Blogs	3%
Bureau Sales Calls	3%
Podcasts	3%
Direct Mail Promotions	2%

Source: Metropoll Highlights Report XIV

The most important information source that dictates whether or not event and meeting planners choose a site is past experience which is immediately followed by attendance feedback. The only other information source above 50 percent is the reputation/image of the location. Websites for hotel ratings and user reviews, meeting facilities, and destinations also had a more significant impact on attracting events and shows than other listed information sources.

### Implications

The meetings and conference industry is diverse and responds well to facilities that can accommodate needs such as space for general sessions and displays, ballroom facilities and numerous breakout-meeting rooms. Supply has been outpacing demand in the convention and meetings industry, even before the economic downturn in 2008. As the economy and meetings expand, balance is being restored to the supply/demand mix. For those communities with the right mix of facilities and attractiveness, the return on investment can be quite measurable, in jobs, business activity and tax revenue.

Important factors in the decision-making process of choosing a convention or meeting site include availability of nearby hotel rooms, cost of travel, and meeting space in the facility and hotels. The most important types of

meeting space now are the number of breakout meeting rooms and ballrooms. Higher rated businesses (e.g. corporate, medical, associations that are willing to pay more for better facilities and experiences) need many breakout rooms and high-quality ballrooms to conduct their trainings and other meetings.

Is investment in this industry worth it? For those that construct and manage the right set of facilities within an attractive market, yes. Those that put the right package together, hotels and the right kinds of function space in a walkable environment, **will generate new meetings and event business.** Enhancing the 'fun' side of the community, such as a nearby downtown or entertainment/restaurant district, will provide the community more to sell against its competitors. Ultimately, those communities with a competitive package will generate a constant flow of group and event business that will support a number of hotels, restaurants and jobs.

For Lynnwood, the expanding and highly compensated local market, as well as strong corporate base has compressed demand and provided the LCC with opportunities to stay essentially fully occupied at increasing rental and catering rates. However, the sense of place is still missing and walkable hotels and restaurants are a challenge. For Lynnwood to take the next step up the ladder of successful event destinations, these items will need to be addressed, along with more flexible function spaces.

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## LOCAL AND REGIONAL MEETINGS MARKET ANALYSIS

HSP analyzed both the local and regional competitive marketplaces to better understand the potential for an expansion of the Lynnwood Convention Center. This chapter identifies the regional & statewide convention centers, conference hotels and casinos with meeting space. Also identified in this chapter are the largest and most competitive meeting facilities in the local Lynnwood area.

### Regional Competitive Market

HSP analyzed the regionally competitive convention centers, conference hotels and casinos to better understand how an expansion of the LCC would fit into the larger meeting and event market in Washington.

The following table shows the competitive convention centers.

Table 4-1

Competitive Environment - Convention Centers and Hotel Space								
Facility	Location	Total Function Space	Exhibit Space	Ballroom Space	Meeting Space	Walkable Hotels	Walkable Hotel Rooms	Walkable Rooms/ 10,000 SF of Function Space
Oregon Convention Center	Portland, OR	368,720	255,000	59,400	54,320	5	583	16
Washington State Convention Center	Seattle, WA	307,700	205,700	45,000	57,000	23	8,416	274
Spokane Convention Center	Spokane, WA	180,799	102,749	50,750	27,300	9	2,295	127
Hyatt Regency Seattle	Seattle, WA	83,163	0	48,677	34,486	20	6,938	834
Greater Tacoma Convention Center	Tacoma, WA	76,064	50,000	13,650	12,414	2	481	63
Bell Harbor International Conference Center	Seattle, WA	65,730	25,600	25,600	14,530	5	804	122
Hyatt Regency Bellevue	Bellevue, WA	50,091	0	39,460	10,631	5	1,666	333
Meydenbauer Convention Center	Bellevue, WA	49,390	36,000	6,000	7,390	5	1,245	252
Angels of The Winds Arena & Conference Center	Everett, WA	45,754	32,000	11,385	2,369	2	186	41
Three Rivers Convention Center	Kennewick, WA	33,092	21,600	0	11,492	3	297	90
Yakima Convention Center	Yakima, WA	30,367	0	29,568	799	8	835	275
Hilton Seattle Airport and Conference Center	Seattle, WA	28,808	0	20,664	8,144	7	1,634	567
Hyatt Regency Lake Washington	Renton, WA	26,681	0	19,065	7,616	3	603	226
Hilton Bellevue	Bellevue, WA	24,473	0	9,652	14,821	7	1,285	525
Tulalip Resort Casino	Tulalip, WA	23,234	0	15,000	8,234	1	370	159
Westin Bellevue	Bellevue, WA	18,584	0	7,250	11,334	6	1,826	983
American Lake Conference Center	Joint Base Lewis-McChord	16,410	0	6,800	9,610	0	0	0
Embassy Suites Lynnwood	Lynnwood, WA	6,904	0	5,400	1,504	1	240	348
<b>Average (excl. Oregon CC &amp; WSCC)</b>	--	<b>47,472</b>	<b>16,747</b>	<b>19,308</b>	<b>11,417</b>	<b>5</b>	<b>1,294</b>	<b>309</b>
Lynnwood Convention Center	Lynnwood, WA	21,492	0	11,748	9,744	3	329	153
<b>Difference from Average</b>		<b>-25,980</b>	<b>-16,747</b>	<b>-7,560</b>	<b>-1,673</b>	<b>-2</b>	<b>-965</b>	<b>-156</b>
Current Competitors								
Potential Post-expansion Competitors								
Source: Various Facilities, Smith Travel Research								

In order to discuss an expansion of LCC, a thorough analysis of its competition is necessary. Should LCC grow to essentially double its size, the table above is a list of the prime competitors based on similar types of booked business, distance from LCC and venues with comparable space. Competitors are both regional hotels as well as convention centers.

The LCC has 12 competing convention and event centers and six large conference hotels across Washington and the region. Facilities located within the Seattle Metro are the most competitive generally and are shown below. A significant deciding factor of where groups host their events within the Seattle Metro is a facility's proximity to the majority of the group's membership. For example, many groups on the eastern side of Lake Washington tend more toward facilities located in Bellevue, while those south of downtown Seattle frequent the Greater Tacoma Convention Center or facilities near Sea-Tac. Still, rotating state associations and some regional and national groups will look at many of the facilities shown. Local corporations prefer to stay close to their home base, so Lynnwood is in a good position, as is Bellevue.

The following map shows the statewide and regional convention centers.

Figure 4-1



While the LCC is unlikely to compete directly with the Washington State Convention Center, Vancouver Convention Center or the Oregon Convention Center due to being a fraction of the size, it is important to remain mindful of the most significant facilities in the region. Despite the relative locations of these competitive facilities, many are expanding or otherwise reinvesting to become and remain more competitive. More details are provided in the profiles of individual facilities in this chapter.



Within the Seattle metro, the LCC must compete with six large conference hotels and seven convention/meeting facilities. Again, due to logistical/traffic issues, many groups will remain in a certain area of the Seattle metro. Currently, Lynnwood Convention Center is one of two modern convention centers north of downtown until Tulalip, which is nearly 40 miles and an hour-long drive from downtown Seattle. Downtown Seattle and Bellevue currently are two separate centers of gravity in the convention and meetings market in the Seattle Metro and Washington generally. These facilities represent some of the highest quality, most expensive facilities in the region as a large percentage of their clientele is high-rated tech and corporate business. Due to this strong base of demand, many smaller, lower-rated groups seek less expensive, more convenient facilities, including Lynnwood.

### Conference Hotels

The conference hotels in the Seattle Metro have the advantage of connected, high quality hotel rooms, something the LCC cannot provide to groups needing room blocks for their events. Most of the conference hotels shown here have more space to offer groups, as well as typically having more and better walkable hotel rooms than in Lynnwood. These deficiencies may be addressed with the right expansion package.

The following table outlines the competitive statewide conference hotels.

Table 4-2

Competitive Environment - Conference Hotels							
Facility	Location	Total Function Space	Exhibit Space	Ballroom Space	Meeting Space	On-site Hotel Rooms	Hotel Rooms/ 10,000 SF of Function Space
Hyatt Regency Seattle	Seattle, WA	83,163	0	48,677	34,486	1,290	155
Hyatt Regency Bellevue	Bellevue, WA	50,091	0	39,460	10,631	732	146
Hilton Seattle Airport and Conference Center	Seattle, WA	28,808	0	20,664	8,144	396	137
Hyatt Regency Lake Washington	Renton, WA	26,681	0	19,065	7,616	347	130
Hilton Bellevue	Bellevue, WA	24,473	0	9,652	14,821	353	144
Westin Bellevue	Bellevue, WA	18,584	0	7,250	11,334	337	181
Embassy Suites Lynnwood	Lynnwood, WA	6,904	0	5,400	1,504	240	348
<b>Average</b>		<b>34,101</b>	<b>0</b>	<b>21,453</b>	<b>12,648</b>	<b>528</b>	<b>177</b>
Lynnwood Convention Center	Lynnwood, WA	21,492	0	11,748	9,744	329	153
<b>Difference from Average</b>		<b>-12,609</b>	<b>0</b>	<b>-9,705</b>	<b>-2,904</b>	<b>-199</b>	<b>-24</b>
Current Competitor							
Potential Post-expansion Competitor							

Source: Various Facilities, Smith Travel Research

None of the hotels in the competitive set offer any exhibit space. Having large ballrooms, multiple breakouts and the ability to arrange large room blocks for groups drives these facilities. Hyatt and Hilton dominate this segment of the market.

Other than the local Embassy Suites Lynnwood, the LCC is only larger than one of the competitive conference hotels listed. If expanded, the LCC will likely begin competing more closely with the largest conference hotels in the area, while remaining in competition with the others shown above. However, having additional space is only one piece of an effective expansion package for the LCC. A high-quality, connected

headquarter hotel with a larger room block than currently available in Lynnwood would also be necessary to truly compete with the conference hotels shown above.

### Competitive Conference Hotel Profiles

HSP profiled the most relevant local and regional facilities to better understand the key details of each venue.

#### Hilton Bellevue

The Hilton Bellevue, located 21 miles from the LCC, opened in 1981 and is currently managed by Evolution Hospitality MG. The Hilton Bellevue offers 353 guest rooms and 24,473 square feet of total function space. Most of that space is comprised of meeting rooms, while the Hilton Bellevue also offers a nearly 10,000-square foot ballroom, as well.

The following table shows a breakdown of the Hilton Bellevue function space.

Table 4-3

Hilton Bellevue Function Space			
Facilities	Total (SF)	By Division (SF)	Divisions
<b>Ballroom Facilities</b>			
Grand Ballroom	9,652	3,217	3
	9,652	3,217	3
<b>Meeting Room Facilities</b>			
Boardroom 1	450	450	1
Boardroom 2	450	450	1
King County	2,736	912	3
Kirkland	1,144	572	2
Redmond	1,147	574	2
Newcastle Room	995	995	1
Skyview Room	4,600	1,533	3
Cascades	815	815	1
Chelan	776	776	1
Vancouver	1,458	729	2
Boardroom 3	250	250	1
	14,821	823	18
Hotel Rooms	353		
Total Exhibit Space	0 / Guest Room		0
Total Ballroom Space	9,652		27
Total Meeting Space	14,821		42
Total Function Space	24,473		69
Ballroom Divisions	3 / 100 Guest Rooms		0.8
Meeting Room Divisions	18		5.1
Total Divisions (including Ballroom)	21		5.9

Source: Hilton Bellevue, STR

The Hilton Bellevue skews toward more corporate and social functions. In addition to the 24,473 square feet of function space, there is a 30,000-square foot covered outdoor event space, which can be used for

banquets, exhibits, receptions, etc. HSP does not count outdoor space in the total function space because it is limited by weather and not comparable to indoor spaces.

### *Hilton Seattle Airport and Conference Center*

The Hilton Seattle Airport and Conference Center is located in Seattle approximately 36 miles from the LCC, adjacent to Sea-Tac. It opened in 1961 and features 396 guestrooms.

The venue offers 28,808 square feet of event space. Three ballrooms offer 20,664 square feet of space, ranging in size from 4,664 square feet to 11,000 square feet. The Hilton also features nine meetings rooms totaling 8,144 square feet. The Emerald Ballroom can hold 725 for a banquet, 1,200 people for receptions and about 1,225 people in a theater arrangement. This **is the venue's largest** room and the largest capacity which mirrors **the Lynnwood Convention Center's largest room, Room2DE**, which can hold up to 785 people in a banquet arrangement as well.

The following table shows a breakdown of the Hilton Seattle Airport and Conference Center function space.

Table 4-4

<b>Hilton Seattle Airport and Conference Center Function Space</b>			
<b>Facilities</b>	<b>Total (SF)</b>	<b>By Division (SF)</b>	<b>Divisions</b>
<b>Ballroom Facilities</b>			
Summit Ballroom	4,664	777	6
Crystal ballroom	5,000	1,000	5
Emerald ballroom	11,000	1,833	6
	<u>20,664</u>	<u>1,216</u>	<u>17</u>
<b>Meeting Room Facilities</b>			
Peninsula	1,320	660	2
Harbor	396	396	1
Elliott	1,320	660	2
Columbia	1,320	660	2
Board room	308	308	1
Mercer	1,593	797	2
Orcas	966	483	2
San Juan	621	621	1
Whidbey	300	300	1
	<u>8,144</u>	<u>582</u>	<u>14</u>
Hotel Rooms	1,634		
Total Exhibit Space	0 / Guest Room		0
Total Ballroom Space	20,664		13
Total Meeting Space	<u>8,144</u>		<u>5</u>
Total Function Space	<u>28,808</u>		<u>18</u>
Ballroom Divisions	17 / 100 Guest Rooms		1.0
Meeting Room Divisions	<u>14</u>		<u>0.9</u>
Total Divisions (including Ballroom)	<u>31</u>		<u>1.9</u>

Source: Hilton Seattle Airport and Conference Center, STR

Though the LCC offers a similar amount of function space, **location and convenience are the Hilton's top competitive advantages** when compared to the LCC.

### *Hyatt Regency Bellevue*

The Hyatt Regency is located in Bellevue approximately 19 miles from the LCC. It opened in 1989 and features 732 guestrooms. It is currently managed by Kemper Development Company.

Located a few blocks from I-405, the Hyatt Regency Bellevue benefits from a densely packed corporate **scene. Microsoft's headquarters is roughly 4.5 miles away** and the Meydenbauer Convention Center is no more than a few **blocks from the Hyatt's front doors**. The location offers easy access to the freeway along with multiple walkable food and beverage options for groups looking to take in some of **Bellevue's nightlife**. Positioned on prime real estate, the Hyatt Regency Bellevue serves corporate and group functions.

The following table shows a breakdown of the Hyatt Regency Bellevue function space.

Table 4-5

<b>Hyatt Regency Bellevue Function Space</b>			
<b>Facilities</b>	<b>Total (SF)</b>	<b>By Division (SF)</b>	<b>Divisions</b>
<b>Ballroom Facilities</b>			
Evergreen Ballroom	13,775	1,531	9
Grand Ballroom	17,745	1,613	11
Regency Ballroom	5,850	836	7
Cedar Ballroom	2,090	1,045	2
	<u>39,460</u>	<u>1,361</u>	<u>29</u>
<b>Meeting Room Facilities</b>			
Maple	780	780	1
Conference suites	4,900	700	7
Executive Boardroom	450	450	1
Cottonwood	476	476	1
Juniper	919	919	1
Laurel	646	646	1
Larch	1,036	1,036	1
Madrona	540	540	1
Birch	425	425	1
Balsam	459	459	1
	<u>10,631</u>	<u>664</u>	<u>16</u>
Hotel Rooms	732		
Total Exhibit Space	0 / Guest Room		0
Total Ballroom Space	39,460		54
Total Meeting Space	<u>10,631</u>		<u>15</u>
Total Function Space	<u>50,091</u>		<u>68</u>
Ballroom Divisions	29 / 100 Guest Rooms		4.0
Meeting Room Divisions	<u>16</u>		<u>2.2</u>
Total Divisions (including Ballroom)	<u>45</u>		<u>6.1</u>

Source: Hyatt Regency Bellevue, STR

The Hyatt Regency Bellevue is the largest of the competitive meeting facilities located in Bellevue. Due to its room count, the venue is able to leverage favorable business packages for businesses, weddings and other uses to maximize the 50,091 square feet of total event space. Ballrooms comprise 39,460 square feet of that space, while 10,631 square feet is accounted for in the 10 meeting rooms.

More spacious than some of the competition, the Hyatt Regency Bellevue also has about 18,350 square feet of pre-function space.

### *Hyatt Regency Lake Washington*

The Hyatt Regency Lake Washington is located approximately 27 miles from the LCC. One of the newest venues, it opened in 2017 and features 347 guestrooms.

Because it was recently built, the venue features top-notch amenities for business and social functions. Located on Lake Washington, several event space rooms overlook the lake, as the hotel has purposefully positioned meeting spaces to capture the natural aesthetics of the Northwest and leverage it as a selling point.

The Hyatt Regency Lake Washington offers 26,681 square feet of total function space. Most of that space (19,000 square feet) is concentrated in the two ballrooms. The Grand Ballroom offers more than 14,000 square feet of space and 9 divisions, so many arrangements and multiple simultaneous meetings are possible. Other selling points for the Hyatt Regency Lake Washington are the high ceilings and scenic overlooks of Lake Washington, as well as the proximity to **Seattle's suburbs**, downtown Seattle and Bellevue.

The following table shows a breakdown of the Hyatt Regency Lake Washington's function space.

Table 4-6

Hyatt Regency Lake Washington Function Space			
Facilities	Total (SF)	By Division (SF)	Divisions
<b>Ballroom Facilities</b>			
Grand Ballroom	14,122	1,569	9
Lake Washington Ballroom	4,943	2,472	2
	<u>19,065</u>	<u>1,733</u>	<u>11</u>
<b>Meeting Room Facilities</b>			
Baker	528	528	1
Adams	477	477	1
Bellevue	2,566	1,283	2
Seattle	1,609	1,609	1
Executive Boardroom	882	441	2
Rainer	823	823	1
West Seattle	731	731	1
	<u>7,616</u>	<u>846</u>	<u>9</u>
Hotel Rooms	347		
Total Exhibit Space	0 / Guest Room		0
Total Ballroom Space	19,065		55
Total Meeting Space	<u>7,616</u>		<u>22</u>
Total Function Space	26,681		77
Ballroom Divisions	11 / 100 Guest Rooms		3.2
Meeting Room Divisions	<u>9</u>		<u>2.6</u>
Total Divisions (including Ballroom)	20		5.8

Source: Hyatt Lake Washington Bellevue, STR

HSP's research shows that the Hyatt Lake Washington holds about 9,100 square-feet in pre-function space.

### *Westin Bellevue*

The Westin Bellevue is located approximately 20 miles from the LCC. Also relatively new, it opened in 2005 and features 337 guestrooms.

The Westin Bellevue is the smallest of the conference hotels in the competitive set. The facility has 18,584 square feet of event space. The Grand Ballroom offers 7,250 square feet and there is an additional 11,334 square feet in the 11 meeting rooms within the hotel. The floor plan of the hotel offers several options for common area socializing and pre-function gathering space.

Due to its limited size, the facility primarily targets businesses and smaller groups to fill the meeting space as there is greater supply than the single ballroom, which can be divided into three sections.

The following table shows a breakdown of the Westin Bellevue's function space.

Table 4-7

<b>Westin Bellevue Function Space</b>			
<b>Facilities</b>	<b>Total (SF)</b>	<b>By Division (SF)</b>	<b>Divisions</b>
<b>Ballroom Facilities</b>			
Grand Ballroom	7,250	2,417	3
	7,250	2,417	3
<b>Meeting Room Facilities</b>			
Lake Washington	3,617	1,809	2
Lake Chelan	1,248	1,248	1
Lake Coeur d' Alene	1,178	1,178	1
Lake Sammamish	1,073	1,073	1
Lake Quinault	943	943	1
Cedar Lake Board Room	704	704	1
Flathead Lake	696	696	1
Yellowstone Lake	650	650	1
Fort Peck Lake	648	648	1
Jackson Lake	357	357	1
Payette Lake	220	220	1
	11,334	945	12
Hotel Rooms	337		
Total Exhibit Space	0 / Guest Room		0
Total Ballroom Space	7,250		22
Total Meeting Space	11,334		34
Total Function Space	18,584		55
Ballroom Divisions	3 / 100 Guest Rooms		0.9
Meeting Room Divisions	12		3.6
Total Divisions (including Ballroom)	15		4.5

Source: Westin Bellevue, STR

There are also three other areas that are not counted as meeting space in the Westin Bellevue that may be used for events: the two Twin Lakes rooms on the third floor and the Cypress Lounge & Wine Bar on the first floor.

### *Hyatt Regency Seattle*

The Hyatt Regency Seattle is located approximately 16 miles from the LCC. Another new construction and one of the largest in the competitive set, it opened in 2018 and features 1,290 guestrooms.

Large banquets, weddings, and business functions choose the Hyatt Regency Seattle due to its proximity to Sea-Tac and its ability to accommodate large groups. The Washington State Convention Center is also within walking distance and therefore this hotel serves as a primary headquarters hotel for the largest convention center in the Pacific Northwest.

In addition to having the largest room count, the Hyatt Regency Seattle has more total function space than most facilities in the competitive set. With 46 meetings rooms and four ballrooms, the 83,163 square feet of functional space offers about a 60/40 split between ballroom and meeting space. The facility also has 32,484

square feet of pre-function and gathering space. Most of this space surrounds the meeting rooms and ballrooms space on Levels 3 – 7.

The following table shows a breakdown of the Hyatt Regency Seattle’s function space.

Table 4-8

<b>Hyatt Regency Seattle Function Space</b>			
<b>Facilities</b>	<b>Total (SF)</b>	<b>By Division (SF)</b>	<b>Divisions</b>
<b>Ballroom Facilities</b>			
Regency Ballroom	19,048	9,524	2
Columbia Ballroom	19,087	4,772	4
Elwha Ballroom	7,183	3,592	2
Quinault Ballroom	3,359	3,359	1
	<u>48,677</u>	<u>5,409</u>	<u>9</u>
<b>Meeting Room Facilities</b>			
Deschutes, Executive Boardroom	829	829	1
Quilcene	600	600	1
Methow	906	906	1
Duwamish	843	843	1
Chehalis	1,247	1,247	1
Calawah	742	742	1
Bogachiel	737	737	1
Ashnola	1,360	1,360	1
Beckler	1,746	1,746	1
Wenatchee	5,825	5,825	1
Washougal	919	919	1
Satsop	849	849	1
Klickitat	826	826	1
Kachess	1,276	1,276	1
Entiat	1,157	1,157	1
Cispus	1,183	1,183	1
Chilwack	1,820	1,820	1
Chelan	1,249	1,249	1
Willapa	1,650	1,650	1
Tolt	586	586	1
Tahuya	855	855	1
Sauk	795	795	1
Samish	770	770	1
Queets	1,234	1,234	1
Foss	751	751	1
Duckabush	737	737	1
Chiwawa	1,248	1,248	1
Cowlitz	1,746	1,746	1
	<u>34,486</u>	<u>1,232</u>	<u>28</u>
Hotel Rooms	1,290		
Total Exhibit Space	0 / Guest Room		0
Total Ballroom Space	48,677		38
Total Meeting Space	34,486		27
<b>Total Function Space</b>	<b>83,163</b>		<b>64</b>
Ballroom Divisions	9 / 100 Guest Rooms		0.7
Meeting Room Divisions	28		2.2
<b>Total Divisions (including Ballroom)</b>	<b>37</b>		<b>2.9</b>

Source: Hyatt Regency Seattle, STR

## Convention Centers

Currently, the LCC mostly competes with the smaller and mid-size convention centers in the Seattle Metro. With an expansion that provides a larger maximum single-room capacity accompanied by additional breakout rooms and a headquarter hotel, the LCC would be poised to take on larger and more distant convention centers for rotating state association business, as well as higher rated groups that are currently frequenting downtown Seattle and Bellevue.

The following table outlines the competitive statewide convention centers.

Table 4-9

Competitive Environment - Convention Centers								
Facility	Location	Total				Walkable Hotels	Walkable Hotel Rooms	Walkable Hotel Rooms/ 10,000 SF of Function Space
		Function Space	Exhibit Space	Ballroom Space	Meeting Space			
Oregon Convention Center	Portland, OR	368,720	255,000	59,400	54,320	5	583	16
Washington State Convention Center	Seattle, WA	307,700	205,700	45,000	57,000	23	8,416	274
Spokane Convention Center	Spokane, WA	180,799	102,749	50,750	27,300	9	2,295	127
Greater Tacoma Convention Center	Tacoma, WA	76,064	50,000	13,650	12,414	2	481	63
Bell Harbor International Conference Center	Seattle, WA	65,730	25,600	25,600	14,530	5	804	122
Meydenbauer Convention Center	Bellevue, WA	49,390	36,000	6,000	7,390	5	1,245	252
Angels of The Winds Arena & Conference Center	Everett, WA	45,754	32,000	11,385	2,369	2	186	41
Three Rivers Convention Center (Tri-Cities/Eastern WA)	Kennewick, WA	33,092	21,600	0	11,492	3	297	90
Yakima Convention Center	Yakima, WA	30,367	0	29,568	799	8	835	275
Tulalip Resort Casino	Tulalip, WA	23,234	0	15,000	8,234	1	370	159
American Lake Conference Center	Joint Base Lewis-McChord	16,410	0	6,800	9,610	0	0	0
<b>Average (excl. Oregon CC &amp; WSCC)</b>	--	<b>108,842</b>	<b>66,241</b>	<b>23,923</b>	<b>18,678</b>	<b>6</b>	<b>1,410</b>	<b>129</b>
Lynnwood Convention Center	Lynnwood, WA	21,492	11,748	0	9,744	3	329	153
<b>Difference from Average</b>		<b>-87,350</b>	<b>-54,493</b>	<b>-23,923</b>	<b>-8,934</b>	<b>-3</b>	<b>-1,081</b>	<b>24</b>
Current Competitor								
Potential Post-expansion Competitor								

Source: Various Facilities, Smith Travel Research

As previously mentioned, many of the regional competitive convention centers shown above are investing million of dollars in order to expand, renovate or add critical amenities, such as a headquarter hotel, in order to attain competitive parity or advantage relative to other facilities. Below is summary of the recently completed, in development and planned convention center capital investment projects occurring in the competitive set.

- Oregon Convention Center - \$39-million renovation of concourses, facades and meeting spaces completed in three phases with the final phase reportedly nearing completion in September 2019. The new Hyatt convention hotel of 600 rooms is also a recent and long-awaited development.
- Washington State Convention Center - \$1.7-billion expansion will virtually double the size of WSCC and establish it as the largest convention center in the region.
- Spokane Convention Center - \$50-million expansion completed in February 2015, adding 91,000 square feet of function space and back-of-house space.
- Greater Tacoma Convention Center – Two-phased \$150-million headquarter conference hotel project with 19,000 square feet of additional meeting space and additional mixed-use developments (residential and retail).

- Meydenbauer Convention Center – Conducting an RFQ/RFP process regarding an undisclosed upcoming expansion including “expanded multi-purpose halls, new ballrooms, additional flexible space for break out meetings, outdoor terraces, potential rooftop terraces and connection to new Sound Transit Light Rail Station.” MCC also completed a \$12.5-million renovation in 2016 of interior and exterior spaces.
- Three Rivers Convention Center - \$85-million project including a new 2,000-seat theater, 33,000 square feet of exhibition space, additional parking and a privately developed mixed-use district including 800 condominiums, restaurants and office space.
- Yakima Convention Center - \$12.5-million expansion to add 18,000 square feet of exhibit space and support spaces to be completed during 2021.
- Tulalip Resort Casino – Completed renovation of conference center and headquarter hotel.

Eight of the eleven competitive convention centers shown have recently completed or are in the process of constructing or planning expansions, renovations or headquarter hotel projects totaling approximately \$2.1 billion in the past four years. Nearly all of Lynnwood Convention Center’s competitors are investing resources in their convention and meeting assets. In a growing and improving market such as the Seattle Metro, a facility must grow and improve with it in order to maintain its current level of success.

## Competitive Convention Center Profiles

HSP profiled the most relevant local and regional facilities to better understand the key details of each venue. The following facilities were profiled:

- Washington State Convention Center
- Greater Tacoma Convention Center
- Bell Harbor International Conference Center
- Meydenbauer Convention Center
- Angel of the Winds Arena & Convention Center
- Three Rivers Convention Center
- Tulalip Resort Casino

### *Washington State Convention Center*

The Washington State Convention Center is located in Seattle approximately 16 miles from the LCC. It is the largest convention center in the competitive set. Located in the heart of Seattle, steps from Pike Place Market and other tourist attractions, the WSCC features 307,000 square feet of total space with over 8,400 walkable hotel rooms. A total of 205,700 square feet is used for exhibit space with 45,000 square feet for ballroom space. A total of 57,000 square feet spans the 61 breakout meeting rooms.

The WSCC is currently undergoing a \$1.7-billion expansion that will add 1.4 million square feet to the center.

The following figure shows a rendering of the expansion project.

Figure 4-3



WWSCC has 307,700 square-feet, most of which is accounted for by exhibit halls. Exhibit space accounts for 205,700 square feet, which can be divided up into 75 smaller sections. Another 45,000 square feet is made up of ballrooms, while 57,000 square feet is provided by 60 meeting rooms.

Due to its location in downtown Seattle, WSCC has more than 8,400 walkable hotel rooms, which is more than any other competitive facility in this report by far.

The following tables shows a breakdown of the WWSCC function space, as well as the historical performance over the last three years.

Table 4-10

<b>Washington State Convention Center Function Space</b>			
<b>Facilities</b>	<b>Total (SF)</b>	<b>By Division (SF)</b>	<b>Divisions</b>
<b>Exhibit Facilities</b>			
Exhibit Halls (Various)	205,700	2,743	75
	205,700	2,743	75
<b>Ballroom Facilities</b>			
Ballrooms (Various)	45,000	9,000	5
	45,000	9,000	5
<b>Meeting Room Facilities</b>			
Meeting Rooms (Various)	57,000	950	60
	57,000	950	60
Hotel Rooms	8,416		
Total Exhibit Space	205,700	Guest Room	24
Total Ballroom Space	45,000		5
Total Meeting Space	57,000		7
Total Function Space	307,700		37
Ballroom Divisions	5 / 100 Guest Rooms		0.1
Meeting Room Divisions	60		0.7
Total Divisions (including Ballroom)	65		0.8

Source: Washington State Convention Center, STR

Table 4-11

<b>Washington State Convention Center 2018 Operations</b>	
<b>Financial Performance</b>	
Revenues	\$40,393,372
Expenses	\$36,973,254
Operating Income	\$3,420,118
<b>Number of Events</b>	
National / International	58
Local / Regional	187
<b>Event Attendance</b>	
National / International	209,943
Local / Regional	200,837
<b>Economic Benefits</b>	
Total Room Nights	350,172
Attendee Spending (Out-of-State)	\$438,423,792
Sales Taxes Generated	\$34,027,253

Source: Washington State Convention Center

Table 4-12

Washington State Convention Center			
Year	Total # of Events	Total # of Room Nights	Operating Income
2016	335	311,136	\$1,324,489
2017	285	329,039	\$647,449
2018	245	350,172	\$3,420,118

Source: Washington State Convention Center

Although it saw its lowest total number of events in 2018 out of the past three years, it returned its highest operating income and highest total number of room nights generated during the same year. The WSCC did more than three times as many local/regional events in 2018 than national/international. After the \$1.7 billion expansion, the WSCC will likely see the number of national/international events per year go up.

### Greater Tacoma Convention Center

The Greater Tacoma Convention Center, or GTCC, has been part of downtown Tacoma since 2004 and is a 20-minute drive from Sea-Tac. The facility offers 119,000+ square feet of combined meeting and pre-function space. With multiple meetings rooms, a 13,650-square foot ballroom, and a 50,000-square foot exhibit hall, the facility offers a variety of options.

The following figure shows the events hosted at GTCC over the last three years.

Table 4-13

Greater Tacoma Convention Center					
Year	Total # of Events	Events With Room Nights	Total # of Room Nights	Revenue	Average Length of Event (Days)
2017	221	59	19,532	\$2,873,244	1.64
2018	210	55	24,449	\$3,834,046	1.76
2019	219	47	17,211	\$3,074,591	1.66

Source: Greater Tacoma Convention Center

The number of events hosted at the GTCC has remained consistent during the three-year period shown. Despite this fact, 2018 was especially impactful, generating 5,000+ more room nights and \$750,000+ in revenue than the other two years.

The table below shows that meeting events have occurred the most in 2019, followed by conference events.

Table 4-14

Greater Tacoma Convention Center - 2019 Events by Type	
Type of Event	Total # of Events
Competition (COMP)	14
Conference (CONF)	34
Convention, Association (CONV)	11
Convention, Corporate (CRPC)	2
Exhibition (EXHIB)	2
Fundraiser (FUND)	8
Graduation (GRAD)	4
Meal (BLD)	25
Meeting (MTG)	85
Other (OT)	4
Seminar (SEM)	17
Social (SCL)	6
Trade Show - Business to Business (TSBB)	5
Trade Show - Consumer (CNSMR)	2
<b>Total</b>	<b>219</b>

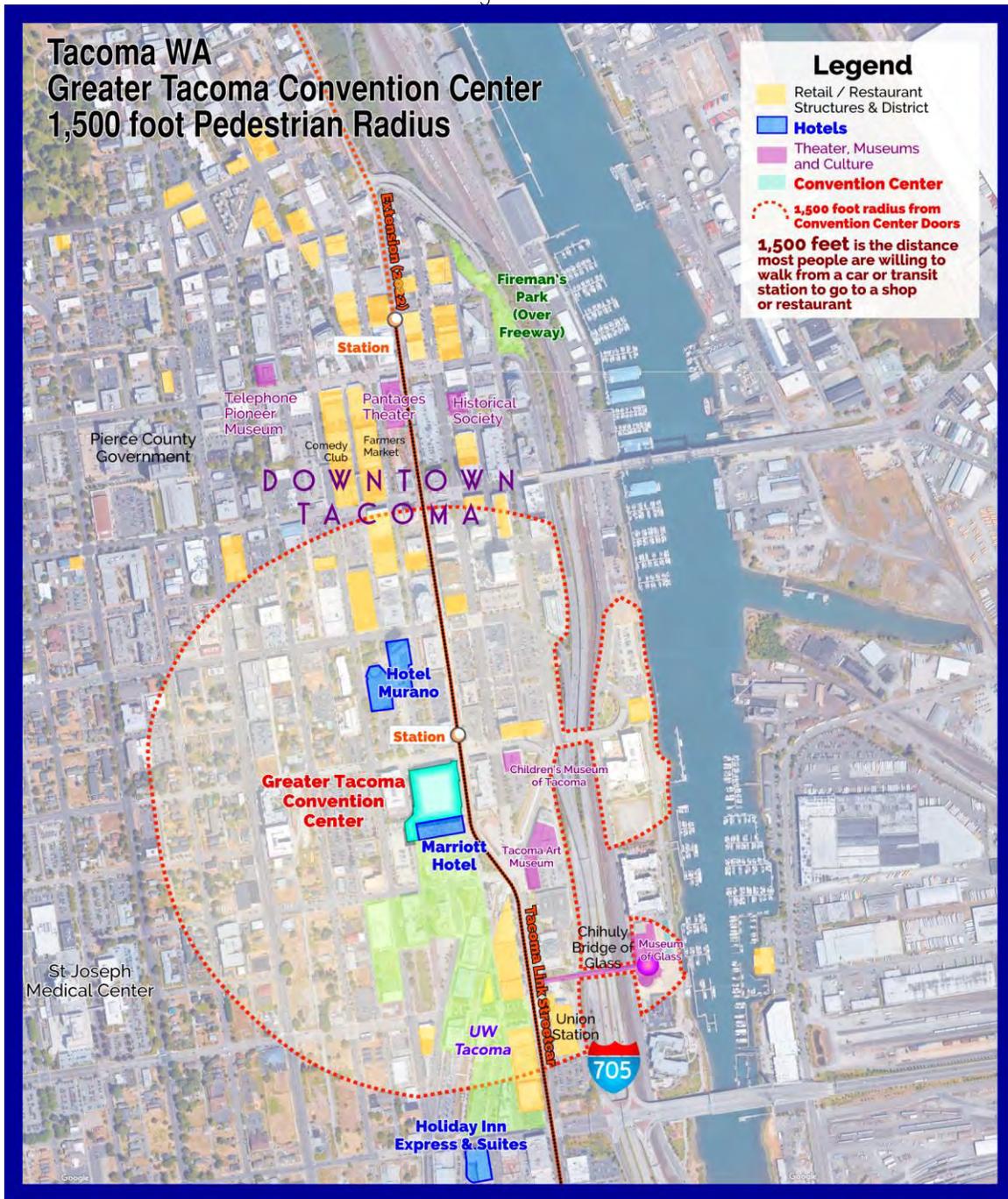
Source: Greater Tacoma Convention Center

In 2017, the City Council approved a two-phased \$150 million project with Interstate Hotels & Resorts to construct a 304-room four-star hotel with a 10,000-square foot grand ballroom and 9,000 square feet of additional meeting space as well as apartments and condominiums. The hotel was reported to be 30 percent complete in February 2019.

The center has two hotels located within 1,500 feet of it with the Marriott Hotel connected to the center. Retail and restaurant nodes appear at the north and south end of this 1,500-foot segment. The walking radius also reaches the waterfront on Commencement Bay.

The following figure shows the walkability of the GTCC.

Figure 4-4



*Bell Harbor International Conference Center*

Bell Harbor International Conference Center is located in the heart of Seattle's waterfront, on Pier 66. Bell Harbor is just north of dozens of retail and restaurant nodes at Seattle's famous Pike Place Market. The

facility opened in 1996 and offers 100,000 square feet of indoor and outdoor space with views of downtown Seattle and Puget Sound. There are three hotels within 1,500 feet of the center. Bell Harbor is roughly two miles from Washington State Convention Center and the Seattle Center Arena.

The following figure shows the walkability of the Bell Harbor Conference Center.

Figure 4-5



The facility offers state of the art technical services and has an emphasis on green and sustainable protocols. The BHICC sales team also handles event booking for the nearby World Trade Center Seattle and the Smith Cove Cruise Terminal at Pier 91. BHICC and these facilities can combine for event space of almost 200,000 square feet.

### *Meydenbauer Convention Center*

Meydenbauer Convention Center (MCC) was opened in Bellevue in 1993 and renovated in 2015. The facility is owned and operated by the Bellevue Convention Center Authority. The facility offers the 36,000-square foot Center Hall (divisible by two), 12,000 square feet of meeting rooms, 3,500-square foot theater that seats 410,

and a 2,500-square foot Executive Conference Suite. The facility hosts almost 300 events each year and has a theater that hosts well over 130 performances each year.

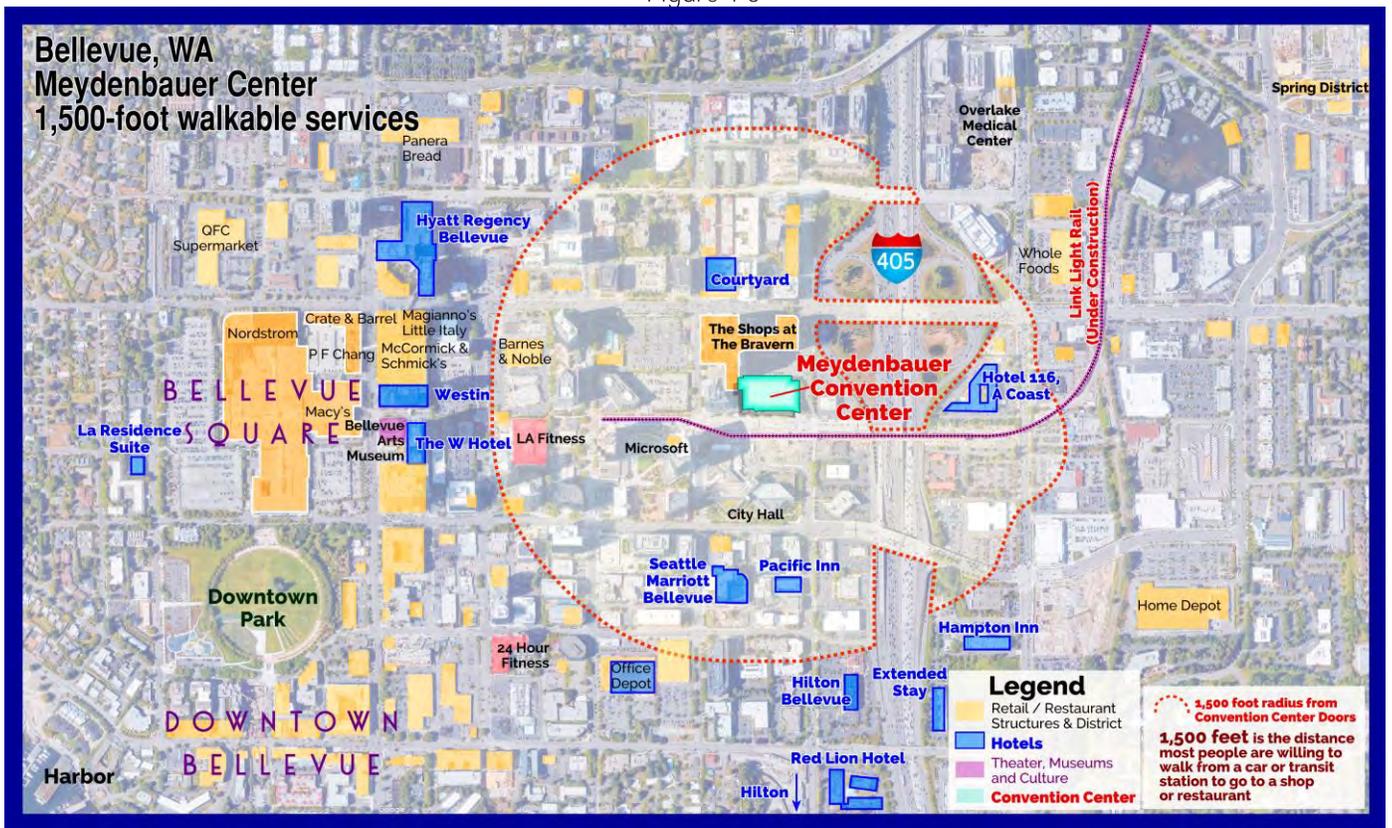
Meydenbauer is also in the planning stages for an expansion, though specific details have not been released.

The facility's downtown location provides a mix of corporate, leisure, and entertainment services just within 1,500 feet of the center. The Shops at the Bravern is the main retail node within the area. There are four hotels and large corporate offices surrounding the MCC, as well.

Just outside of these 1,500-foot walkable services are more downtown hotels and the Bellevue Square, a large downtown retail/restaurant district.

The following figure shows the walkability of the MCC.

Figure 4-6



The following tables profile the event and performance history of the MCC.

Figure 4-5

Meydenbauer Convention Center			
Year	Total # of Events	Total # of Room Nights	Net Income
2016	265	34,952	\$1,010,639
2017	297	49,750	\$742,656
2018	281	36,035	\$520,204

Source: Meydenbauer Convention Center

Figure 4-6

Meydenbauer Convention Center - 2017 Events by Type		
Type of Event	Total # of Events	Revenue Per Event
Banquets / Receptions	87	\$2,530,000
Conventions	20	\$3,340,000
Meetings	170	\$2,810,000
Other Events	20	\$920,000
<b>Total</b>	<b>297</b>	<b>\$9,600,000</b>

Source: Meydenbauer Convention Center

Net income for the center reached over \$1 million in 2016 and has slowly declined since but remained positive. Room nights generated and events hosted both peaked in 2017 at nearly 50,000 and nearly 300, respectively. In 2017, the MCC saw a majority of its events come from meetings, but conventions generated the highest revenue during this year.

### *Angels of the Wind Arena & Conference Center*

The Angel of the Winds Arena and Conference Center is an events and meetings venue which attracts a diverse array of ticketed acts. It is located in Everett and is managed by Spectra Experiences. The facility opened in 2003 with a construction cost of \$71.5 million.

Primarily used for sports and live entertainment functions, the Angel of the Winds Arena and Conference Center also offers flexible event space on the ground floor.

When the floor is not set up for sports games, the ice rink can be removed and the bottom floor can be opened up with adjacent areas giving Home & Garden shows or other organizations an opportunity to benefit from a large arena and high ceilings. This exhibit space is 32,000 square feet with easy loading options for large events. In addition to the exhibit space, there is 11,385 square feet of ballroom space as well as three meeting rooms which total 2,369 square feet.

The following table profiles the Angel of the Winds function space.

Table 4-15

<b>Angel of the Winds Arena &amp; Conference Center Function Space</b>			
<b>Facilities</b>	<b>Total (SF)</b>	<b>By Division (SF)</b>	<b>Divisions</b>
<b>Exhibit Facilities</b>			
Exhibit Area	32,000	4,000	8
	32,000	4,000	8
<b>Ballroom Facilities</b>			
Grand Ballroom	11,385	2,846	4
	11,385	2,846	4
<b>Meeting Room Facilities</b>			
Executive Boardroom	697	697	1
Conference room 1	798	798	1
Conference room 2	874	874	1
	2,369	790	3
Hotel Rooms	186		
Total Exhibit Space	32,000 / Guest Room		172
Total Ballroom Space	11,385		61
Total Meeting Space	2,369		13
Total Function Space	45,754		246
Ballroom Divisions	4 / 100 Guest Rooms		2.2
Meeting Room Divisions	3		1.6
Total Divisions (including Ballroom)	7		3.8

Source: Angel of The Winds Arena and Conference Center, STR

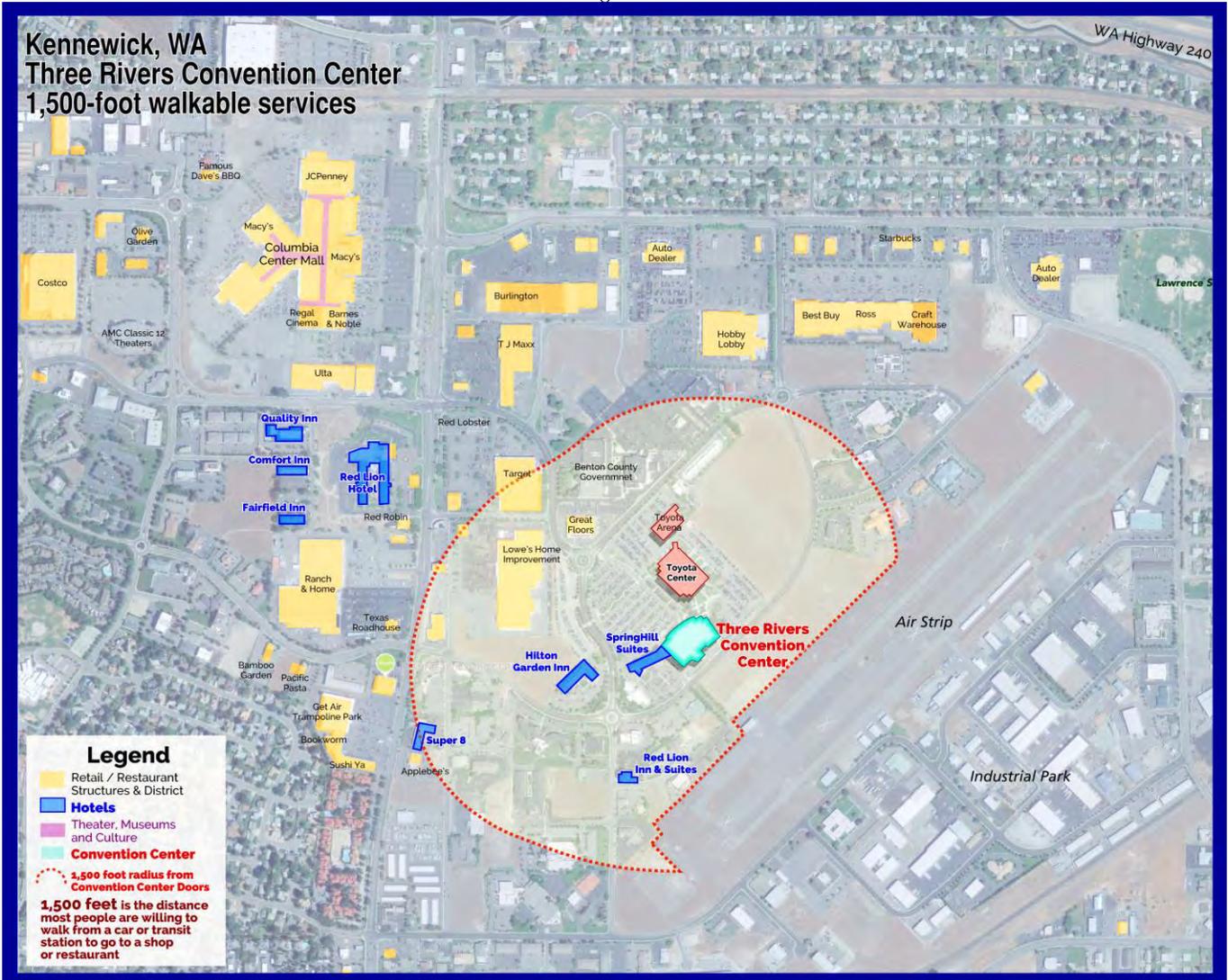
Interviews with ownership of the Angel of the Winds Arena and Conference Center says they have lost business like fundraising groups and are actively looking into various ways to improve the quality of space, prospecting to new business segments and facility upgrades like potentially adding additional bathrooms on site.

### *Three Rivers Convention Center*

Three Rivers Convention Center is located in Kennewick, just southwest of a minor league hockey stadium, the Toyota Center. There are four hotels within 1,500 feet of the center, the Springhill Suites is connected to the center. Retail and restaurant nodes are dispersed to the northeast and northwest of the center.

The following figure shows the walkability of the TRCC.

Figure 4-7



The TRCC has 33,092 square feet of total function space. The TRCC has 21,600 square feet of flexible exhibit space, which can double as ballroom space and 11,492 square feet of meeting space. There are nine meeting rooms at the center.

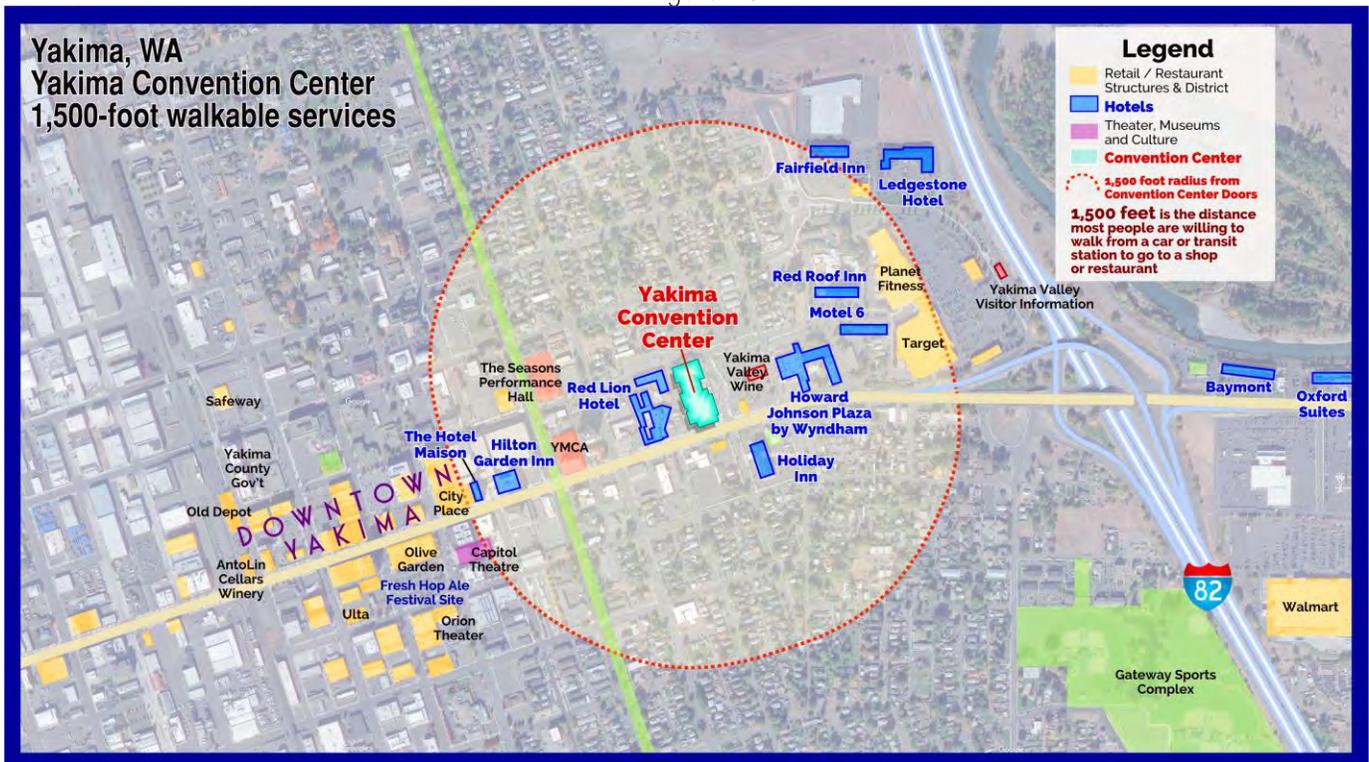
City of Kennewick announced an \$85 million expansion to the TRCC Sept 4, 2019, including 65,000 square feet of meeting space, a headquarters hotel, two condo towers and retail and restaurant space in two separate phases.

### Yakima Convention Center

Yakima Convention Center (YCC) is located roughly 150 miles southeast of downtown Seattle. The YCC is located just off of the Yakama Indian Reservation and has seven hotels offering 837 guest rooms within 1,500 feet. Most of the retail and restaurant nodes are located east of the center in downtown Yakima.

The following figure shows the walkability of the YCC.

Figure 4-8



The Yakima Convention Center has 30,367 square feet of total function space. The YCC has no exhibit space, 29,568 square feet of ballroom space and 799 square feet of meeting space. There are 16 meeting rooms at the center.

Yakima Convention Center is in the planning stages of an 18,000-square foot expansion including exhibit and back-of-house space. This expansion represents the fourth since the YCC opened in 1976.

### Tulip Resort Casino

The Tulip Casino is located roughly 22 miles from the LCC. While the casino promotes 30,000 square feet for meeting space, HSP has determined that only 23,234 square feet of that is actually competitive. Tulip Resort Casino offers 15,000 square feet for ballroom functions as well as 8,234 square feet across ten meeting rooms for smaller and larger breakout needs.

The following table profiles the Tulalip Resort Casino function space.

Table 4-16

<b>Tulalip Resort Casino Function Space</b>			
<b>Facilities</b>	<b>Total (SF)</b>	<b>By Division (SF)</b>	<b>Divisions</b>
<b>Ballroom Facilities</b>			
Orca	15,000	5,000	3
	15,000	5,000	3
<b>Meeting Room Facilities</b>			
Chinook 1	1,196	598	2
Chinook 2	1,196	598	2
Chinook 3	1,196	598	2
Chinook 4	1,196	598	2
Alder Boardroom	490	490	1
Birch	485	485	1
Cedar	495	495	1
Douglas Boardroom	490	490	1
Evergreen	890	890	1
Bridal Lounge	600	600	1
	8,234	588	14
Hotel Rooms	370		
Total Exhibit Space	0 / Guest Room		0
Total Ballroom Space	15,000		41
Total Meeting Space	8,234		22
Total Function Space	23,234		63
Ballroom Divisions	3 / 100 Guest Rooms		0.8
Meeting Room Divisions	14		3.8
Total Divisions (including Ballroom)	17		4.6

Source: Tulalip Resort Casino, STR

The Tulalip Resort Casino has one large ballroom, the Orca, which can be divided into several rooms. Across the hallway are breakout rooms, the Chinook 1-4 rooms which serve as smaller meeting areas. The casino is also attached to a 370-room hotel, which serves the gaming and meetings areas of the resort.

Tulalip Resort Casino also has an outdoor amphitheater which hosts many national level acts throughout the year, weather permitting. When the climate becomes unseasonable, these acts are then brought inside to perform in the Orca Ballroom. Many corporate groups and associations also utilize the facility.

### Meeting Planner Survey & Feedback

HSP conducted a survey of meeting planners and user groups in the region surrounding Lynnwood to understand what these groups desire and require to host their largest events.

HSP summarized the important stakeholder feedback below and in the Appendix of this report.

- Regional meeting planners believe Lynnwood offers a strong value, but not the right hospitality/conventions package. While downtown Seattle and Bellevue meeting facilities continue to become more expensive, busier and less convenient, the suburban meeting facilities become more attractive from a convenience and cost perspective. Lynnwood is convenient from I-5 and has very attractive hotel rates and event pricing. However, the space is often too small or already booked and/or there are too few nearby hotel rooms.
- Meeting planners perceive market supply expansion as necessary and likely to continue. Despite the heavy investment and significant growth in the supply of available square feet of meeting space in the Seattle Metro, meeting planners believe that space will continue to be at a premium in the long term. With additional and growing tech and corporate organizations, as well as just greater population, the demand for meeting space may likely continue to outpace that of supply.
- Most respondents (91 percent) represent current/past clients of the LCC. The majority of survey respondents have held or continue to hold events at the LCC, which means that groups which are too big or otherwise currently do not host events at the LCC are unrepresented or underrepresented.
- **LCC's current clientele** are typically low-rated, low impact groups. The current and past clients that responded to the survey are in categories that are often budget-conscious and value-oriented, meaning they reduce costs for the organization and their attendees as much as possible. More than half (55 percent) of respondents organize events that generate no room nights at all. **One-third of respondents' events generated 150 or fewer room nights.** Many of these groups are local in nature and host most of their events at the LCC or other neighboring communities (Seattle, Bellevue), which lends to most attendees driving in and sleeping at home even during multi-day events. **The character of the LCC's clientele matches what is offered currently.**
- Current clients are mostly satisfied with the LCC in terms of quality and space. Clients that currently utilize the entire LCC express the importance of additional exhibit space, though most (85 percent) require 10,000 square feet or less of exhibit space for their event. Further, current clients desire a larger ballroom to host banquets of approximately 1,000 guests, which would require a ballroom approximately 3,500 square feet larger than 2DE. Having three to five additional breakout rooms has also been mentioned. Again, these are the opinions and desires of events that already generally fit in the LCC.
- Parking is a heavily requested enhancement for the LCC. More than one-third of respondents are concerned with available parking at the LCC.

Of the 79 respondents, non-profit (26.6 percent), professional associations (13.9 percent) and corporate organizations (12.7 percent) provided the largest share of the feedback. Non-profit organizations include Olympic Ballet Theatre and School and the Washington Society of Certified Public Accountants. Professional associations include the Northwest Construction Council and the Washington Association of Naturopathic Physicians. Corporate organizations include Washington Energy and Molina Health Care.

## *Survey Results Summary*

Meeting planners are excited about the potential expansion. Being located just off of I-5 at the northern edge of the Seattle Metro, the LCC offers easy access in a more laid back setting than that of downtown Seattle or Bellevue. Further, the sentiments shared about the facility, service and food and beverage at the LCC has been almost exclusively positive. The issue that is brought up is the lack of larger spaces, more spaces, a connected headquarter hotel and additional parking. When prompted, planners and users agree that additional walkable options and walkability would be an advantage for the LCC.

Lynnwood currently offers a great value with generally lower costs for hosting events and hotel room rates. The LCC has found favor with the local groups that do not generate room nights due to restrictive policies at competing facilities. Many current clients do not need additional hotel options or blockable rooms, but as the LCC attempts to attract larger and more impactful events a headquarter hotel will become pivotal to the **facility's success.**

While the walkable hotel room count for the LCC is comparable to other centers on paper, the Best Western and America's **Best Value Inn are not at the level** of quality that regional meeting planners are looking for. The Hilton Garden Inn, once completed, will help with this issue, but even the walking distance between it and the LCC is a concern, especially considering the width of 196<sup>th</sup> Street. Meeting planners are requesting that something of similar quality to a Hilton Garden Inn or a full-service property like the Embassy Suites be added adjacent or connected to the LCC.

Feedback regarding walkable amenities has been mixed. Staying with the juxtaposition of what some current clients desire and what the trends have been for convention centers (and similar facilities) in recent years, HSP received mixed opinions on the needs and desires of attendees. Some were ecstatic to hear of the possibility of a connected headquarter hotel and more walkable restaurants, while others expressed it would not affect their event whatsoever. Often depending on the size and duration of the event, meeting planners expressed that the lack of these amenities is what is holding back the LCC from being truly competitive, while others were mostly worried about any additional costs that may be associated with added amenities they did not intend to utilize.

**The LCC's clientele** is a cross section of low-rated local events that cannot afford other venues or cannot book far enough in advance due to booking policies and smaller regional events, which are utilizing every inch of the LCC because of the value proposition unavailable elsewhere in the Seattle metro area.

Parking is tight or insufficient for many groups. This is an issue that comes up at virtually all convention centers. However, parking is not an issue for the smaller groups coming to the LCC, but becomes more of a focus for groups greater than 450. **The groups that are outgrowing the LCC's function space also seem to be** having the most issues with parking, which implies that the current parking count is mostly accommodating the demand. Parking is highly requested as part of any expansion plan to alleviate the existing pressure and provide for the expanded capacity of the LCC.

The main takeaway from the juxtaposition of survey results, which are almost exclusively from current clients, and these interview results, is that a regional demand pool exists beyond what the LCC is currently capturing. Further, the local groups that are coming to Lynnwood are less impactful due to a lack of room night generation.

## Meetings Market Implications

The regional convention and meetings facility market is very competitive between the largest convention centers (Oregon CC & WSCC), the smaller convention centers around Washington and the range of conference hotels in the Seattle Metro. Currently, the LCC competes mostly with other smaller convention centers in the Seattle Metro (Meydenbauer, Greater Tacoma), as well as the small and mid-size conference hotels. Many groups are being pushed out of places like Bellevue due to stricter booking policies, which require a room night minimum to book 12-14+ months in advance.

The market is growing rapidly with eight of the 11 identified competitive convention centers in some phase of expansion or renovation projects. Meydenbauer CC, Yakima CC and Three Rivers CC are adding event space and Three Rivers CC and Greater Tacoma CC are adding a new headquarter hotel. Many of the smaller groups currently utilizing the WSCC will be pushed out by larger, more impactful groups. With the other coming expansions around Washington, competition for this uprooted demand will increase, as well. LCC has a better position than convention centers outside the Seattle Metro to capture those groups, but a larger facility and headquarter hotel are needed.

Many of the Seattle Metro meeting facilities (Meydenbauer, Tacoma, Bellevue hotels) are targeting corporate and other high-rated demand. Lynnwood has been and could continue to capture the lower-rated association and SMERF groups that are being priced out of other areas, however there are more impactful events to be hosted if expanded properly. **As Chapter 7 will show, Lynnwood's hotels are affordable for these types of groups**, which are typically looking for hotel room rates up to \$150 per night. However, the LCC package could be improved enough to broaden the pool of demand groups attract higher rated events to Lynnwood.

Convenience, easy access, affordability and quality facilities and service are the strengths that the LCC have to offer currently. **Expanding the LCC's footprint** and improving the infrastructure (HQ hotel, parking, walkable dining/shopping) would extend the types and sizes of groups/events Lynnwood would be able to attract.

## Indoor Sports Opportunity Assessment

As an additional task, HSP considered how the LCC could participate in the indoor sports market if an exhibition or flex space were added to the facility. Large regional demand groups and events were assessed for compatibility with an expanded LCC.

### *USA Volleyball Pacific Northwest*

Conversations with representatives from USA Volleyball Pacific Northwest indicated the following:

- USA Volleyball runs an annual Power League in addition to hosting annual Regionals and Bid Tournaments. The majority of events are held in the Seattle area.
- Clubs run tournaments nearly every weekend during the season and typically utilize high school gyms. Due to lack of court space, three major clubs have built and now own their own facility.
- The Power League is a five-week event that runs on Sundays and includes 386 teams from Olympia to Burlington. The league utilizes high schools and private volleyball complexes (total of 55 courts). The typical rate is \$450 per court per day.

- The 2017 Regionals, featuring 282 teams, utilized the following facilities:
  - Academy Sports Center: 4 courts
  - Bothell High School: 6 courts
  - Curtis High School: 5 courts
  - Franklin Pierce School: 3 courts
  - Washington High School: 3 courts
- USA Volleyball would love to host regionals in one central location if the appropriate facility existed. They have looked at the Seattle Convention Center, but the cost of the facility a deterrent (set up of courts, referees, and other amenities).
- USA Volleyball is currently utilizing private volleyball complexes (Lair, DaKine, Academy) for tryouts, training, and performance.
- The season runs from Thanksgiving through June, with USAV sanctioned events occurring every weekend. These events are hosted by area clubs.
- The region currently lacks any facility that offers more than six courts in one location. This is very unique compared to rest of the country, which has experiences comprehensive indoor athletic complex development.
- A new facility would not only be able to host events, but it would drive growth of the sport in the area. With 12-16 volleyball courts, a new facility could host multiple major events each year that attract up to 200 teams.
- Nike and Adidas are both actively looking for facilities to run leagues and camps. The market would likely be considered if a new facility existed for events, and potentially sponsorships.

### *USA Wrestling*

Conversations with representatives from Washington USA Wrestling indicated the following:

- USA wrestling events are currently utilizing the NW Sports Hub, the Tacoma Dome, and area high schools for major events.
- The freestyle and Greco state championships are held at NW Sports Hub over three days in early May. The facility adequately accommodates their needs.
- Washington USA Wrestling sanctions approximately 84 annual events throughout the entire state. The majority of these events are run by area clubs.
- Major events typically require room for 16 mats, but 18 mats is preferred. Each mat is 42-feet by 42-feet.
- Generally, regulation basketball courts can accommodate two regulation wrestling mats with a walkway down the center. Eight regulation basketball courts should be able to accommodate 16 wrestling mats.
- Major USA Wrestling events attract approximately 500 athletes and more than 1,000 spectators.

Overall, there is significant opportunity if a new indoor facility is developed. USA Wrestling would be very interested in multiple major events in the market if the facility offered the appropriate space and amenities

### *USA Pickleball*

Representatives from Washington USA Pickleball estimated that total pickleball participation at 3.1 million in the United States. USAPA membership is up to roughly 30,000 (from 4,000 in 2013), and the organization sanctions 120 – 130 tournaments per year.

The USAPA National Championships have historically been held in Arizona but are moving to the Indian Wells Tennis Garden in California. Because of this pending move, it is unlikely that the national championships would relocate again.

Regional Championships for the Pacific Northwest require approximately 18-24 pickleball courts. Historically, regionals have been held in Bend, Oregon, which is an outdoor pickleball-specific area. It would be difficult to attract this event away from Bend without dedicated pickleball courts.

### *Table Tennis*

The Table Tennis National Championship is the main annual event. It involves 250 – 300 athletes and takes place Wednesday to Sunday, including set-up and tear-down. The event requires 40,000 to 50,000 square feet of space, and approximately 40 tables with barriers. Typically, one hotel banquet room can hold the event.

Past national championships have been held in Round Rock, TX; Eau Claire, WI; and Rockford, IL. Event organizers are interested in having the National Championship on the west coast as athletes and coaches grow tired of the same venues year after year. This could yield opportunities for the expanded LCC.

### *Other Opportunities*

Every **community is looking for their “silver bullet” as it relates to hosting events and driving sports tourism.** As detailed in the management analysis, owning and booking venues is hard work, especially due to the competition in the current environment. Esports, for instance, certainly presents opportunity, but with a few exceptional game and competitions, they are not driving significant traffic to a destination (sports tourism) and, as a local draw, present challenges since the real money is being made by the brands who push online viewing. Other trending non-traditional sports that may present opportunity at an indoor facility include:

- Badminton, Fencing
- Futsal, Team Handball, Weightlifting
- Gymnastics – Need local gym operator who wants to be a promoter
- Martial Arts (all disciplines)

A few of these sports were identified as opportunities throughout the market analysis. While these sports are unlikely to drive multiple major annual events to a new complex in Lynnwood, a new venue would be able to accommodate a variety of other flat-floor sports.

## Sports Market Implications

Opportunity does exist in Lynnwood for indoor sports tournaments and events. However, the types of activities are somewhat limited. Basketball, volleyball, pickleball and wrestling events all require outside courts or surfaces be installed. This is happening more frequently across the state for volleyball and wrestling than other sports. Basketball tournaments are ideally played on hardwood as opposed to an alternative sport court.

In addition, opportunity exists in table tennis, martial arts, weightlifting and other non-traditional sports. These sports occur in convention centers and conference space much more frequently.

If a hotel were to be attached to the convention center, this would add another asset for potential tournament and event organizers. Rates in Lynnwood are generally conducive to youth sports groups preferences.

The sports market in Lynnwood and the greater Seattle market is very robust and growing. While more specialized sports complexes exist and are being added to the market, Lynnwood could support at least 3 – 5 sporting events annually if marketed properly. This opportunity would increase with the addition of a flexible exhibit/ballroom space or a dedicated exhibit hall to the LCC.

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## COMPARABLE CONVENTION CENTERS

HSP has been involved with, or studied, a number of comparable developments throughout the United States. These projects provide examples of facilities in situations that share certain factors in the building or market. In this chapter, HSP has profiled comparable convention center developments.

The table below lists the facilities profiled.

Table 5-1

Suburban Convention Center Case Studies										
Facility	Location	MSA	MSA Population (millions)	Total Function Space	Exhibit Space	Ballroom Space	Meeting Space	Walkable Hotels	Walkable Hotel Rooms	Walkable Hotel Rooms/ 10,000 SF of Function Space
Overland Park Convention Center	Overland Park, KS	Kansas City	2.3	106,058	58,494	33,419	14,145	6	1,062	100
Arlington Convention Center	Arlington, TX	Dallas-Fort Worth	7.5	87,100	48,600	30,000	8,500	2	409	47
Irving Convention Center at Las Colinas	Irving, TX	Dallas-Fort Worth	7.5	85,279	48,576	26,104	10,599	3	629	74
St. Charles Convention Center	St. Charles, MO	St. Louis	2.8	56,849	27,600	22,225	7,024	3	440	77
Stride Bank Center	Enid, OK	Enid	0.06	44,690	31,500	11,190	2,000	0	0	0
<b>Average</b>	--	--	--	<b>75,995</b>	<b>42,954</b>	<b>24,588</b>	<b>8,454</b>	<b>3</b>	<b>508</b>	<b>60</b>
Lynnwood Convention Center	Lynnwood, WA	Seattle-Tacoma-Bellevue	3.9	21,492	11,748	0	9,744	3	329	153
<b>Difference from Average</b>				<b>-54,503</b>	<b>-31,206</b>	<b>-24,588</b>	<b>1,290</b>	<b>0</b>	<b>-179</b>	<b>93</b>

Source: Various Facilities, Smith Travel Research

These five facilities were selected as facilities in similar markets to Lynnwood. With the exception of Stride Bank Center, these convention centers are located in suburbs of large metropolitan areas. All of the facilities listed are at least double the size of the LCC and up to five times larger. Stride Bank Center is a very flexible facility that represents a potential model for expansion of the LCC. Flexibility comes at a marginal additional cost for a similar amount of event space, but is designed to host virtually any event type, including concerts, flat floor events, sports, banquets, conventions, consumer shows and more.

LCC is smaller than each of the facilities shown above, despite being in the second largest metropolitan area in the group. Granted, there are many meeting facilities within the Seattle metro, as shown in the previous chapter. However, many of LCC's regional competitors are also expanding.

Overland Park Convention Center has fewer competing facilities in its market, though it operates on a model driven by bottom line performance, similar to LCC. Based on the metrics shown here, LCC appears to have the highest concentration of hotel rooms relative to its size, but as mentioned before, the quality of the walkable hotels is less than what meeting planners typically expect. When removing such rooms (Best Western and Americas Best Value Inn), LCC has only the Hilton Garden Inn (150 rooms), which is currently under construction, and 70 walkable rooms per 10,000 square feet of function space. That places the LCC in fourth place out of the six facilities shown. With an expansion, this figure would skew downward, as well, suggesting the need for an additional walkable hotel, preferably one that is attached to the LCC.

Each of the facilities is profiled in greater detail below.

## Overland Park Convention Center – Overland Park, Kansas

The Overland Park Convention Center (OPCC) opened in 2002 and sits on a 26-acre site in the suburbs of Kansas City and is included in this analysis due to its suburban location near a major metropolitan area, as well as the focus on positive net operating income as opposed to the economic impact of the facility on the City of Overland Park. The facility has a 48,000-square foot exhibition hall, 26,000-square foot Edwin C. Eilert Ballroom, 11,000 square feet of additional meeting space, and 40,000 square feet of pre-function space. OPCC hosts roughly 350 events per year including the KC Bridal Spectacular, Johnson County Home and Garden Show, Johnson County Boat Show and Royals Fan Fest among others.

The following figure shows the exterior of the Overland Park Convention Center.

Figure 5-1



The Overland Park Convention Center is owned by the City of Overland Park and is managed by Spectra. There are 1,062 walkable hotel rooms available in the area surrounding OPCC.

The following table shows the OPCC events by type for 2017.

Table 5-2

<b>Overland Park Convention Center - 2017 Events by Type</b>		
<b>Type of Event</b>	<b>Total # of Events</b>	<b>Revenue</b>
Meeting	112	\$3,318,601
Banquet	81	\$2,963,037
Trade Show	29	\$2,370,430
Special Event	26	\$711,129
Consumer Show	35	\$1,896,344
Convention	6	\$592,607
<b>Total</b>	<b>288</b>	<b>\$11,852,148</b>

Source: Overland Park Convention Center

In 2017, The OPCC generated an operating income of \$757,953. Meetings and banquet events accounted for the greatest number of events and greatest revenue in 2017. Total attendance at the center for 2017 was 372,539. A majority of the room nights generated in 2017 were from conventions, meetings and trade shows.

Overland Park Convention Center suggests that convention centers in a suburban setting can thrive on an operational profit basis with more than 100,000 square feet of function space. While the local and regional market dynamics vary between Kansas City and Seattle, the lesson learned is that Lynnwood Convention Center could find sustained success with an expanded footprint.

#### Irving Convention Center at Las Colinas – Irving, Texas

The Irving Convention Center at Las Colinas (ICC) opened in 2011 with a construction cost of \$133 million. Similar to OPCC, ICC is a convention center offers four times more function space than the LCC in a suburban market near a large metropolitan area. The facility hosts a wide range of events and boasts 275,000 gross square feet of space including a 50,000-square foot exhibit hall and 20,000-square foot ballroom. The Las Colinas development surrounds the ICC and is a mixed-use district of restaurants, retail, and more. Live Nation has an adjacent 3,500-8,000 seat concert venue planned. A convention hotel is also planned for the Las Colinas development.

The following figure shows the Irving Convention Center at Las Colinas.

Figure 5-2



The Irving Convention Center at Las Colinas is owned by the City of Irving and is managed by SMG. There are 629 walkable hotel rooms from the site. The ICC hosts a diverse set of events every year, including weddings, bar mitzvahs, corporate conferences, expos, trade shows, galas, and concerts. The ICC hosted more than 250 events in 2018. The ICC is funded mainly by the Hotel Occupancy Tax (HOT). The ICC receives two percent of the HOT fund every year. The HOT fund was roughly \$27 million in 2018.

#### Arlington Convention Center – Arlington, Texas

The Arlington Convention Center (ACC) is located in the heart of the Arlington Entertainment District and is home to the new \$10-million Esports stadium. The ACC offers a 48,000-square foot column-free exhibit area, a 30,000-square foot Grand Hall and 8,500 square feet of meeting space. The Esports Stadium is 10,000 square feet of high-tech gaming competition and expo space.

The ACC is centrally located in the heart of the DFW metroplex and across from Globe Life Park and Six Flags over Texas. It is within walking distance of the new AT&T Stadium. The ACC is located ten miles from DFW International Airport and 30 minutes from Dallas Love Field.

The following figure shows the Arlington Convention Center.

Figure 5-3



The ACC, which was renovated in 2019, is owned by the City of Arlington and operated by the City and the CVB. There are 409 walkable hotel rooms from the site. The ACC hosts an array of events and is a very flexible space for all sizes of events. Along with the convention center, the City recently built an Esports arena in the ACC district. The Esports arena is said to be able to host 30 to 50 events per year.

#### St. Charles Convention Center – St. Charles, Missouri

The St. Charles Convention Center (SCCC) was originally opened in 2005. SCCC is a total of 121,138 square feet of event and meeting space. The Grand Ballroom is 16,200 square feet and the Junior Ballroom is 6,025 square feet. The exhibit space is expandable to 35,700 square feet. The facility also offers meeting rooms, the Executive Board Room, the Compass Café and other space. The facility hosts events ranging from small corporate meetings to dance competitions to consumer shows and more.

SCCC is located near I-70 and less than ten minutes from Lambert-St. Louis International Airport.

The following figure shows the interior of the St. Charles Convention Center.

Figure 5-4



The St. Charles Convention Center is owned by the City of St. Charles and the St. Charles County Convention & Sports Facilities Authority and is operated by Spectra. There are 440 walkable hotel rooms from the site.

The following table shows the St. Charles Convention Center events by type for 2018.

Table 5-3

<b>St Charles Convention Center - 2018 Events by Type</b>		
<b>Type of Event</b>	<b>Total # of Events</b>	<b>Revenue</b>
Banquet	63	\$1,591,976
Consumer Show	25	\$1,132,629
Convention	29	\$3,263,413
Meeting	68	\$766,060
Special Event	17	\$676,723
Trade Show	22	\$753,287
<b>Total</b>	<b>224</b>	<b>\$8,184,088</b>

Source: St Charles Convention Center

In 2018, the SCCC hosted a total of 224 events and 19 of the 29 conventions were repeat events. This convention market segment contributed to 64 percent of the total room nights generated and 40 percent of the total gross revenue for the facility. Conventions generated the most room nights, while consumer shows generated the largest attendance. The total NOI for 2018 was \$668,000.

### Stride Bank Center – Enid, Oklahoma

The Enid Event Center opened in 2013 before briefly changing to the Central National Bank Center and finally, in 2018, becoming the Stride Bank Center (SBC). The facility was constructed at a cost of \$18.6 million (\$20.8 million in 2018 dollars). The facility is 73,000 square feet and can seat up to 3,887 for concerts and events. SBC was designed to be extremely flexible, able to host sporting events, concerts and flat floor events.

The following figure shows the interior of the Stride Bank Center.

Figure 5-5



The Stride Bank Center is owned by the City of Enid and is operated by Spectra. There are no walkable hotel rooms from the site. The SBC hosts conferences, concerts, and sporting events of all sizes. The SBC hosted more than 350 events in 2018. A similar facility as part of an LCC expansion would expand the type and size of events that the LCC could host. However, as mentioned throughout this report, a large, high-quality headquarter hotel would be needed in order to leverage the larger facility fully and maximize economic, employment and fiscal impacts for the City of Lynnwood and the Lynnwood PFD.

### Implications

Most convention centers typically aim to induce economic and fiscal impact through attracting visitors and generating room nights. The examples profiled here have an emphasis on operating profitably or at a breakeven, a goal matched by LCC. This is not to say that other convention centers do not also focus on

operating revenues and expenses, but there is typically a trade-off between operational profit and impact outside the facility.

On average, the facilities profiled also have fewer walkable hotel rooms than the facilities seen across Washington, even when excluding the downtown Seattle and Bellevue meeting facilities that are located in very dense areas. Despite the lack of a headquarters hotel, the LCC has more walkable hotel rooms than each of the case studies, albeit lower quality of said rooms. This point illustrates the opportunity for LCC to capture more impactful events with the development of a headquarter hotel and partnership with other nearby properties.

Stride Bank Center and Overland Park Convention Center are examples of convention/event centers implementing flexible spaces to maximize impact per dollar invested by consciously expanding the types of events they are able to host. They accomplished this through high ceilings, mid-level finishes able to be dressed up or down as needed, and in the case of Stride Bank Center, retractable chairback seating for sporting events and concerts.

In addition to the flexible nature of these facilities and likely the ultimate LCC, the performance of these mostly suburban facilities is indicative of what an enlarged LCC could achieve in terms of higher-rated business mix. The detailed performance data is helpful as HSP considers future projections.

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## CONVENTION HEADQUARTERS HOTEL TRENDS

This section provides insight on the methods and tools used for convention hotel development in various markets. As the primary hotels for a market's **convention facilities** and typically the largest hotel in the downtown and market area, a number of critical criteria must be met to ensure the greatest potential of success for both the property itself as well as the market as a whole. In most cases, these hotels require some form of financial incentives to be developed, typically in the form of public subsidies.

### Convention Hotel Market

The convention and meetings market has evolved over the past 20 years and has grown more sophisticated and planners have increased their requirements. At one time meeting planners expected to contract with multiple hotels in order to service a convention, pay for their own transportation and seek additional event and meeting locations. In recent years however, cities began to offer room packages within just a few very large hotels adjacent to convention centers. This improvement in packaging of the convention product led to expectations by the market and competitive pressure for all convention facilities to offer a convenient package of hotels attached, adjacent or within immediate area walking distance of the convention facility. This eliminates the need for shuttling in most cases and often the hotels provide enough meeting and event spaces for the additional needs of the planners. Those that do not offer such a package suffer considerably when competing for meetings, conferences, conventions and other events. Those that offer the best packages, such as Indianapolis, San Diego, Charlotte and San Antonio, have shown excellent convention center performance.

The demands are not just for hotel rooms, but high-quality, full-service hotel room blocks in major branded hotels. Due to the requirements for large room blocks, meeting and function space, food and beverage service and parking, these facilities are often outside the realm of private financial feasibility. This feasibility gap is generally temporary, typically during the pre-development and early operational stages of the property but renders such projects difficult to finance. However, for markets with lower average daily rates and occupancy levels, the feasibility gap can be ongoing. As a result, the public sector has found creative ways to participate in the financing of these hotel developments because they recognize that without such facilities, the performance of their publicly funded convention facilities will suffer and not provide the economic impact that rationalized their initial development.

Since 1992, one of the most notable trends in public finance has been the use of municipal bonds and other public financing tools to enable the development of convention headquarter hotels.

### *Rationale for Public Involvement*

The business of establishing a successful urban core was once viewed as the secret to success of the development or revitalization of pioneering American cities. It was also the response to the suburbanization and flight that occurred in the 1960s and 1970s that left urban cores mostly vacant and struggling for relevance. In recent years, however, the expectation to create a live/work/play environment in downtowns has spread to most cities, regardless of size or historical development patterns. Competition for tourists, conventioners and businesses has become fierce, as has creating a positive environment for visitors and residents. This has led to a building boom not only of convention centers, but sports venues, retail, housing, hotels and cultural attractions in most urban centers in the United States. Early analysis indicates that cities that are not proactive

and fail to spur urban core development will be at a competitive disadvantage in the future if venues, the pedestrian experience and access are not convenient or well-planned for visitors, residents, and business users.

Cities today are increasingly aware that planning hotels adjacent, or connected, to convention centers, with additional access to other urban amenities, is necessary to help both properties succeed. Meeting planners demand easy access between venues, especially convention centers and hotels. Cities that fail to respond have been unable to attract meetings and conventions and have lost a significant amount of market share that many communities have yet to recapture. Because of event growth, meeting planners demand larger room blocks and try to house their entire membership in a small cluster of hotels. Cities that wish to remain competitive in the tourism and convention market must be visionary, proactive and creative in the sizing, placement and connectivity of major hotels with their convention center(s) and other attractions.

Cities are now helping to finance hotels due to the fact that convention hotels are key to the success of their tourism package. At the same time, such hotels are large financial obligations that often do not provide enough of a return on investment for the private development community to undertake. Developing the appropriate project with the optimal level of meeting and support space, results in a relatively expensive project.

The absolute size of these projects, including extensive meeting, restaurant and parking infrastructure, places financial pressure on the hotel during its early years when occupancy levels are ramping up. However, the issue is not necessarily the long-term operating characteristics of the hotel. Most large hotels, as they stabilize after three to five years, perform well. Once these poor early year economics are folded into the long-term financial picture, overall returns fall below alternative investment vehicles. In addition, there is reluctance among banks and other lending institutions to lend to larger hotels, unless there is an equity contribution of up to 50 percent.

The financial reality of a convention hotel being consistently filled with large groups to keep it profitable is not realistic. The large city-wide conventions that a hotel-convention center package attracts do nothing to fill the large supply of rooms during the rest of the year. Although a city may want to build a 1,000-room property to host the largest conventions, reality dictates a more realistic project. The same concepts apply for smaller markets. How many events per year will actually cause the hotel to sell out? A hotel needs to run at an average occupancy level of at least 60 percent to be healthy in the long term (that is, generate enough revenue to continually reinvest in upgrades, replacement of systems, etc.). Occupancy levels above 65 percent are much preferred. With sell-out convention clients only coming along perhaps 12 to 36 times per year, the existing market will need to provide primary occupancy support for a hotel, with conventions and other events seen as opportunities to compress occupancy and rate up.

However, without a large number of rooms available in the convention hotel (more than the typical market would support), **the events that cities seek to host will not be attracted to the community at all. Many have a “room block minimum” of 200, 250, 300 or more rooms. Without a large enough hotel, the groups will not consider the city or convention center.**

Another reason for a city to support downtown convention hotels is to reinvigorate a downtown core by attracting people back downtown. Suburban growth has come at the expense of downtowns and their centralized resources. Often when hotels are subsidized, there is criticism from various groups. However, these direct **subsidies pale in comparison to the indirect and unmeasured cost of spreading cities’** infrastructure to outlying areas. The efforts of economic development officials have not been to just keep other cities from luring businesses and their spending to other states, but to keep urban businesses from moving to their own suburbs.

Downtown supporters have been fighting for workers, visitors and residents since the suburban boom began. When given a choice, private hotel developers will often build limited service hotels in suburban locations, due to lower risk and lower overall costs for land and lenders prefer their predictable performance and reasonable cost per key. A lack of quality Central Business District hotels contributes to the push of local businesses out of downtowns, as full-service hotels are a key amenity to corporate location. But limited service hotels clustered around suburban interstates do nothing to lure conventions, meetings or tourists and undermine the economics of center city full-service hotels.

Cities have responded to the new reality of the convention hotel business in numerous ways, depending upon various state and local laws and financing mechanisms. Assistance ranges from favorable land leases, to regulating development of limited service hotels in the middle range of intervention, to complete public ownership of hotels.

### *Public Participation Options*

Building large hotels is very difficult due to the cost and space required for development, and as a result, are typically viewed as not feasible by the private sector. However, large hotels are vital for successful convention center environments to work properly. Public entities have owned hotels for many decades, as evidenced by numerous land lease structures at airports and in downtown settings. However, more direct participation has been called for as the private sector has had difficulty obtaining hotel financing at reasonable equity and interest rate levels.

Public participation can help hedge the financial risk in the early ramp-up years of a large convention hotel property. Credit enhancements, tax incentives and abatements, and capital investment that count towards equity are all tools that are used to get over the initial ramp-up period. The public sector has creatively dealt with participation in many ways, sometimes unique to state and local regulations.

### *Public-Private Partnerships (P-3)*

Traditional public investment, in the form of inducements to bridge the financing gap, has taken the form of land assemblage, public payments for parking and infrastructure, and funding public components of the hotel, such as meeting and ballroom space. This approach was used in Norfolk for its Marriott, Portsmouth for the Renaissance, Indianapolis for its initial Marriott, and in many other markets. Another strategy uses grants, tax abatements, or creation of districts where taxes earned in the district are used to fund the public contribution. Often a combination of these sources is used to make a project happen, as has been demonstrated in numerous instances.

State programs often play a key role as states have more power to create and appropriate tax streams for projects. States such as Kansas, Texas, Mississippi, Kentucky and others have created programs that allow for either the rebate of state taxes or other related inducements.

Land leases are also a common incentive for hotel developers. In some cases, a public entity may acquire the necessary land and lease it back to the developer. The advantage to land leases is that they lower the development costs and allow the cost of the land to be amortized and subsequently paid for out of operating revenues.

The following is a list of incentives provided by public agencies to stimulate hotel development:

- Tax abatement
- Tax rebates
- Tax Increment Financing (TIF)
- Equity participation
- Construction of meeting space, parking structure, and/or other infrastructure
- Credit enhancement of financing
- Land assemblage
- Rebate of development fees for licensing, permitting and water and sewer hookup fees
- Free or nominal ground rent
- Section 108 loans
- Community Development Finance Authority (CDFA) grants or Community Development Block Grants (CDBG)

#### *Public Sponsorship via Tax-Exempt Bonds*

The most direct form of public participation is public ownership of the asset. This allows the hotel to qualify for tax-exempt financing and avoid property taxes. In this instance, the city is investing in the hotel as an insurance policy for its convention center and urban renewal efforts. This type of ownership **was used for Chicago's Hyatt McCormick Place, Houston's 1,200-room Hilton, Denver's 1,100-room Hyatt, and in Overland Park, Kansas' Sheraton hotel** as well as more than a dozen others, as shown in the table further in the document. While tax-exempt bond funding originated with larger projects and markets, it is now common in all market sizes.

Since 1997 with a change in tax law, communities have a new alternative, one using a publicly owned tax-exempt bond financial structure. Using either public incentives or tax-exempt financing has advantages and disadvantages including both financial and political consequences. The newer, tax-exempt method is achieved via creation of a publicly owned, tax-exempt bond financed structure. It utilizes a single purpose tax-exempt entity created by the public to issue revenue bonds to finance the construction of the project. The bonds are primarily secured by net cash flow from the hotel and hotel occupancy taxes and may or may not be enhanced with bond insurance. These bonds typically require some financial assurances from a political jurisdiction or require **fairly heavy insurance to support the project's financing based solely on the operations of the hotel.**

The advantages to this approach are:

- **An ability to get the deal done with the public's timeline,**
- Developing a hotel when the private sector is unwilling to invest in it,
- A lower cost of capital compared to a privately financed alternative,
- The long-term nature of the financing, and
- The public ownership of the project at bond retirement.

The disadvantages are:

- The significantly increased amounts of financing required to capitalize credit enhancement and financing reserves,
- Negative public perception and reaction to a publicly-owned hotel, which can delay projects or cause costly referenda, such as in Dallas,
- Restrictions on performance-based contracts, and
- Long-term performance risk.

### *Risk*

Whether the private or public sector builds and owns the hotel, there is always an element of risk. It breaks **down into financial risk and operational risk. With private development, the public's subsidy/investment is a one-time or limited time risk, which is quantifiable.** The long-term risk is that the project owners may not reinvest in the property over the long-term and cause the entire complex to have a bad reputation, etc. With public financing, the public sector takes the long-term risk and responsibility for the project and therefore has control over long-term quality, design and operation. However, the annual debt load is usually very close to the operating income available, which gives the project a smaller margin of error in performance before reserves are used. This will exist for the life of the bonds, usually 22 to 25 years. Myrtle Beach and St. Louis are unfortunate examples of projects where the hotel did not perform as expected and required the recapitalization of the project. In either case, some level of risk exists.

### Summary

HSP has tracked 35 public-private headquarter hotel projects in the United States that were developed since 1997, extending through future projects expected to open in 2023. These hotels are needed because meeting planners want to have a large block of rooms connected or adjacent to the meeting facility, with full-service amenities.

Headquarter hotels need to have their own function space to host groups when the convention center is not full. The added facilities and restaurants add cost. As a result, on average, the developments cost \$250k/room (not inflated) and are 36% funded by the public sector and 64% by the developer/ private sector.

Table 6-1

Public-Private Hotel Developments										
City	State	Brand	Open	Rooms	Total Hotel Costs (millions)	Cost/Room (000's)	Public Sector*		Private Sector	
							Investment (millions)	Percentage of Total Cost	Investment (millions)	Percentage of Total Cost
Atlantic City	NJ	Sheraton	1997	502	\$85	\$169	\$38.2	44.9%	\$46.80	55.1%
Austin	TX	Fairmont	2018	1,048	\$370	\$353	TBD	TBD	TBD	TBD
Austin	TX	JW Marriott	2015	1,012	\$303	\$299	\$3.0	1.0%	\$300.00	99.0%
Austin	TX	Marriott	2020	613	TBD	TBD	TBD	TBD	TBD	TBD
Baltimore	MD	Marriott	2001	750	\$133	\$177	\$10.0	7.5%	\$123.00	92.5%
Boston	MA	Westin	2007	793	\$200	\$252	\$15.0	7.5%	\$185.00	92.5%
Charlotte	NC	Westin	2003	700	\$143	\$204	\$16.0	11.2%	\$127.00	88.8%
Chattanooga	TN	Chattanooga	2001	202	\$43	\$213	\$20.0	46.5%	\$23.00	53.5%
Denver	CO	Adam's Mark	1998	1,230	\$135	\$110	\$25.0	18.5%	\$110.00	81.5%
Evansville	IN	Doubletree	2015	253	\$44	\$174	\$20.0	45.5%	\$24.00	54.5%
Fort Wayne	IN	Courtyard	2010	250	\$47	\$188	\$12.0	25.5%	\$35.00	74.5%
Fort Worth	TX	Omni	2009	600	\$160	\$267	\$89.0	55.6%	\$71.00	44.4%
Franklin	TN	Marriott	1999	300	\$30	\$100	\$12.0	40.0%	\$18.00	60.0%
Houston	TX	Marriott	2016	1,000	\$335	\$335	n/a	n/a	n/a	n/a
Indianapolis	IN	Marriott	2001	615	\$100	\$163	\$23.0	23.0%	\$77.00	77.0%
Indianapolis	IN	JW Marriott, Courtyard, Springhill Suites	2011	1,568	\$354	\$226	\$48.5	13.7%	\$305.50	86.3%
Irving	TX	Marriott	2018	350	\$113	\$323	\$55.0	48.7%	\$58.00	51.3%
Kansas	MO	Loews	2020	800	\$325	\$406	\$265.0	81.5%	\$60.00	18.5%
Lancaster	PA	Marriott	2009	294	\$45	\$153	\$20.0	44.4%	\$25.00	55.6%
Louisville	KY	Marriott	2005	617	\$111	\$180	\$57.5	51.8%	\$53.50	48.2%
Louisville	KY	Omni	2018	612	\$289	\$472	\$139.0	48.1%	\$150.00	51.9%
Madison	WI	Hilton	2000	222	\$29	\$131	\$10.0	34.5%	\$19.00	65.5%
Miami Beach	FL	Loews	1998	800	\$110	\$138	\$29.0	26.4%	\$81.00	73.6%
Memphis	TN	Loews	2023	550	\$220	\$400	n/a	n/a	n/a	n/a
Minneapolis	MN	Hilton	1992	816	\$145	\$178	\$89.2	61.5%	\$55.80	38.5%
Nashville	TN	Omni	2013	800	\$272	\$340	\$128.0	47.1%	\$144.00	52.9%
Norfolk	VA	Marriott	1992	405	\$60	\$148	\$23.0	38.3%	\$37.00	61.7%
Oklahoma City	OK	Omni	2021	605	\$236	\$389	\$85.4	36.3%	\$150.10	63.7%
Philadelphia	PA	Loews	1998	350	\$54	\$154	\$18.0	33.3%	\$36.00	66.7%
Philadelphia	PA	Marriott	1995	1,408	\$237	\$168	\$36.5	15.4%	\$200.50	84.6%
Portland	OR	Hyatt	2019	600	\$224	\$373	\$74.0	33.0%	\$150.00	67.0%
Salt Lake City	UT	TBD	2023	725	\$337	\$465	\$75.0	22.3%	\$262.00	77.7%
San Antonio	TX	Hyatt	2008	1,003	\$280	\$279	\$208.0	74.3%	\$72.00	25.7%
Tampa	FL	Marriott	1998	716	\$105	\$147	\$27.0	25.7%	\$78.00	74.3%
Washington	DC	Marriott	2013	1,167	\$639	\$548	\$308.0	48.2%	\$331.00	51.8%
Wichita	KS	Hyatt	1998	303	\$42	\$139	\$20.1	47.9%	\$21.90	52.1%
<b>Average</b>			<b>2008</b>	<b>683</b>	<b>\$182</b>	<b>\$250</b>	<b>\$62.5</b>	<b>36.2%</b>	<b>\$107.2</b>	<b>63.8%</b>

\* Public participation may be upfront capital only, or include value of abatements and other incentives over time  
Source: Hunden Strategic Partners

As shown, a total of \$6 billion in 35 hotel developments have used a public-private funding mechanism. Of the total development, the public sector has subsidized 35 percent of the costs and this may not include land costs. The average cost per room over the projects during the past 27 years is \$244,000. This illuminates the truly expensive nature of these projects compared with select service hotels, which typically cost less than \$120,000 per room.

Many cities grew frustrated with their failed attempts to induce private HQ hotel development, so they issued bonds to build the hotel themselves. This has occurred in all sizes of markets. The lower cost of debt is attractive, but other hoteliers often bristle at the concept of the public getting into the hotel business.

From the control side, publicly owned HQ hotels can guarantee room blocks at favorable room rates for the convention center, whereas privately-owned hotels will never agree to an rate-locked room block. This helps the convention center but has a **negative impact on the hotel's performance**. Overall, these lower rates are similar to rent 'buy-down' funds for convention centers.

The following table shows the 29 projects that have used a tax-exempt financing mechanism with bonds supported by project revenue.

Table 6-2

Tax-Exempt Financing with Bond Supported by Project Revenues						
City	State	Brand	Open	Rooms	Public Bond Issue (millions)	Cost/Room (000's)
Austin	TX	Hilton	2004	800	\$280.1	\$350
Baltimore	MD	Hilton	2008	757	\$305.0	\$403
Baltimore	MD	Hilton	2005	756	\$200.9	\$266
Bay City	MI	Doubletree	2004	150	\$32.9	\$219
Cheasapeake	NY	Hyatt	2002	400	\$193.0	\$483
Chicago	IL	Hyatt	1998	800	\$108.0	\$135
Chicago	IL	Hyatt Expansion	2013	451	\$180.0	\$399
Chicago	IL	Marriott	2016	1,200	\$400.0	\$333
Cleveland	OH	Hilton	2016	600	\$272.0	\$453
Columbia	SC	Hilton	2006	300	\$67.0	\$223
Columbus	OH	Hilton (468-key Expansion)	2022	1,000	\$210.0	\$449
Columbus	OH	Hilton	2012	532	\$178.0	\$335
Coralville	IA	Marriott	2006	286	\$33.0	\$115
Dallas	TX	Omni	2012	1,001	\$479.2	\$479
Denver	CO	Hyatt	2005	1,100	\$394.8	\$359
Erie	PA	Sheraton	2008	200	\$45.4	\$227
Fort Lauderdale	FL	Hilton	2011	1,000	\$415.0	\$415
Houston	TX	Hilton	2004	1,200	\$326.2	\$272
Myrtle Beach	SC	Radisson	2001	404	\$76.5	\$189
Omaha	NE	Hilton	2004	450	\$112.0	\$249
Omaha	NE	Hilton (Expansion)	2011	150	\$37.0	\$247
Overland Park	KS	Sheraton	2002	412	\$105.7	\$257
Phoenix	AZ	Sheraton	2008	1,000	\$346.1	\$346
Providence*	RI	Westin	1995	364	\$70.0	\$192
Providence*	RI	Hilton	2005	392	\$78.4	\$200
Sacramento	CA	Sheraton	2000	503	\$104.9	\$209
St. Louis	MO	Renaissance Suites	2003	1,081	\$276.6	\$256
Trenton	NJ	Marriott	2002	197	\$58.0	\$294
Vancouver	WA	Hilton	2005	226	\$47.5	\$210
Average			2006	611	\$187	\$295

\* Estimated Cost  
Source: Hunden Strategic Partners



As shown, more than \$5.4 billion in bonds were issued to develop these large hotels, an average of \$286,000 per hotel room. The cost savings due to lower interest rates has been reduced, as the market has required more and more protections to guard against bond defaults, which means more borrowing to fund reserves. Each community must determine the tools they can deploy legally and politically to induce these developments.

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## HOTEL MARKET ANALYSIS

HSP analyzed the Lynnwood hotel market, including the quality of supply and historic performance, to better understand the market opportunity for a future hotel development. This chapter will provide profiles of the hotel market in Lynnwood.

### National Hotel Market Trends

A thorough understanding of the national hotel market and relevant industry trends is important to the development prospects of any hotel project, whether it involves macro supply and demand issues, amenity trends, financing or other trends impacting the industry.

The following table shows selected characteristics of the U.S. lodging industry from 1992 through 2018.

Table 7-1

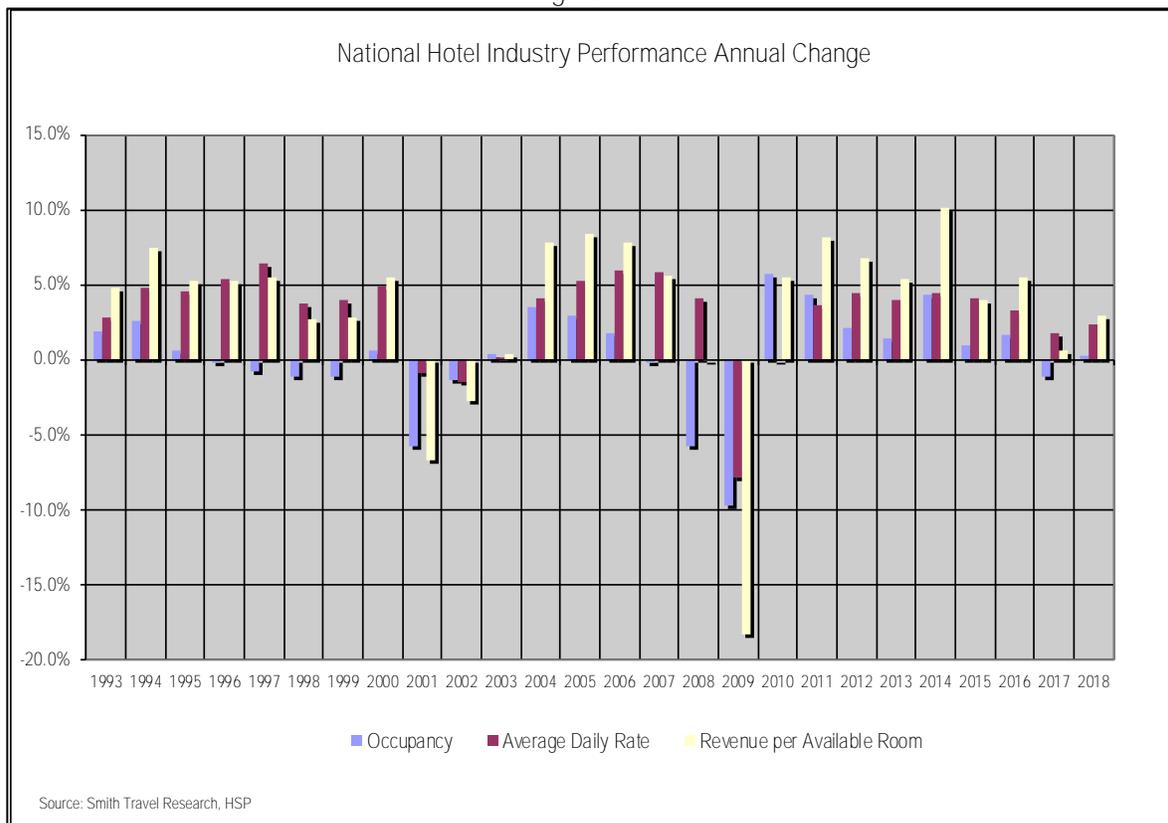
National Lodging Industry Annual Summary						
Year	Occupancy	Change	Average Daily Rate	Change	Revenue per Available Room	Change
1992	61.9%	--	\$59.62	--	\$36.90	--
1993	63.1%	1.9%	\$61.30	2.8%	\$38.68	4.8%
1994	64.7%	2.5%	\$64.24	4.8%	\$41.56	7.4%
1995	65.1%	0.6%	\$67.17	4.6%	\$43.73	5.2%
1996	65.0%	-0.2%	\$70.81	5.4%	\$46.03	5.3%
1997	64.5%	-0.8%	\$75.31	6.4%	\$48.57	5.5%
1998	63.8%	-1.1%	\$78.15	3.8%	\$49.86	2.7%
1999	63.1%	-1.1%	\$81.29	4.0%	\$51.29	2.9%
2000	63.5%	0.6%	\$85.24	4.9%	\$54.13	5.5%
2001	59.8%	-5.8%	\$84.45	-0.9%	\$50.50	-6.7%
2002	59.0%	-1.3%	\$83.20	-1.5%	\$49.09	-2.8%
2003	59.2%	0.3%	\$83.28	0.1%	\$49.30	0.4%
2004	61.3%	3.5%	\$86.70	4.1%	\$53.15	7.8%
2005	63.1%	2.9%	\$91.29	5.3%	\$57.61	8.4%
2006	64.2%	1.7%	\$96.77	6.0%	\$62.13	7.8%
2007	64.1%	-0.2%	\$102.38	5.8%	\$65.63	5.6%
2008	60.4%	-5.8%	\$106.55	4.1%	\$65.61	0.0%
2009	54.5%	-9.8%	\$98.20	-7.8%	\$53.55	-18.4%
2010	57.6%	5.7%	\$98.08	-0.1%	\$56.47	5.5%
2011	60.1%	4.3%	\$101.64	3.6%	\$61.06	8.1%
2012	61.4%	2.2%	\$106.10	4.4%	\$65.17	6.7%
2013	62.3%	1.5%	\$110.35	4.0%	\$68.69	5.4%
2014	65.0%	4.3%	\$115.26	4.4%	\$75.66	10.1%
2015	65.5%	0.9%	\$120.01	4.1%	\$78.67	4.0%
2016	66.7%	1.7%	\$124.00	3.3%	\$83.00	5.5%
2017	65.9%	-1.1%	\$126.29	1.8%	\$83.48	0.6%
2018	66.2%	0.3%	\$129.83	2.4%	\$85.96	2.9%
Avg. Annual Growth Rate		0.31%		3.06%		3.47%

Source: Smith Travel Research, HSP

According to data from STR, the U.S. hotel industry registered record-breaking performance in 2018. Compared to 2017, Occupancy was +0.5 percent to 66.2 percent, Average daily rate (ADR) was +2.4 percent to \$129.83, and Revenue per available room (RevPAR) was +2.9 percent to \$85.96. Many lodging experts have claimed that the industry will continue to see a steady, but not drastic growth.

The figure below depicts the aforementioned data in graph form, highlighting the annual change in performance statistics.

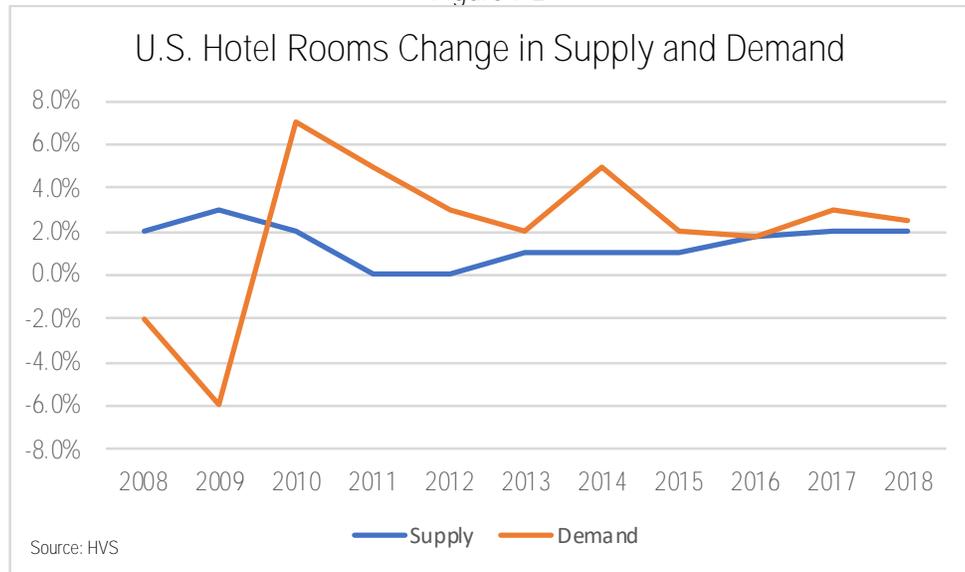
Figure 7-1



Post-recession industry performance significantly improved from the drastic decline in 2008 and 2009 and continued to increase through 2016. As the above graph indicates, from 1996 through 1999, and again in 2007, 2008, 2017 and 2018, ADR increased even when occupancy declined. This speaks to the concept of maximum **practical occupancy**. At a certain average occupancy, enough “sold-out” dates exist, which can create enough demand pressure to raise rates.

The following chart shows the trend of the U.S. hotel room supply between 2009 and 2018.

Figure 7-2



As shown above, the U. S. supply of hotel rooms has consistently increased since 2012. The U.S. demand of hotel rooms took a sharp dip after 2008 but has remained positive since then. The demand of hotel rooms has been slightly above the supply since 2010, leaving room for new hotel rooms to be absorbed into the market year after year.

### Largest Hotel Groups

One of the continuing trends of the past decade has been the growth of hotel parent companies to create and expand brands into every niche of the hotel sector, including extended stay, boutique, fractional and soft branding. These companies typically do not own their hotels but brand and franchise them and provide the support, advertising, group sales and other services for the hotel owners. These companies charge fees to the hotel owners for the licensing and franchise privileges.

The following table following shows the top 10 hotel groups in the world, by number of rooms as of June 2019.

Table 7-2

Ten Largest Global Groups by Room Count - As of June, 2019				
Rank	Company	Hotels	Existing Rooms	Rooms/Hotel
1	Marriott International	7,003	1,332,826	190
2	Hilton Worldwide	5,872	939,297	160
3	InterContinental Hotels Group (IHG)	5,656	842,759	149
4	Wyndham Hotel Group	9,157	809,933	88
5	Choice Hotels International	7,045	572,659	81
6	Best Western Hotels & Resorts	4,008	371,871	93
7	Hyatt Hotels Corp.	865	213,173	246
8	Radisson Hotel Group	1,179	181,185	154
9	G6 Hospitality	1,391	119,254	86
10	Aimbridge Hospitality	834	103,079	124
Total/Average		43,010	5,486,036	137

Source: Statista

As shown in the table above, Marriott International/Starwood Hotels & Resorts is the largest group in the world, based on existing rooms, with more than 7,000 hotels and more than one 1.3 million rooms. In 2015-16, Marriott **completed its acquisition of Starwood Hotels, creating the world's largest hotel company.** Hilton Worldwide Hotel Group is second with over 930,000 rooms. The brands with the largest and smallest hotels on average are Hyatt Hotels Corp. and Choice Hotels International hotels with 246 and 81 rooms per hotel, respectively. Collectively, these top ten hotel groups account for more than 5.4 million hotel rooms across the globe, and they have an average hotel size of 137 rooms.

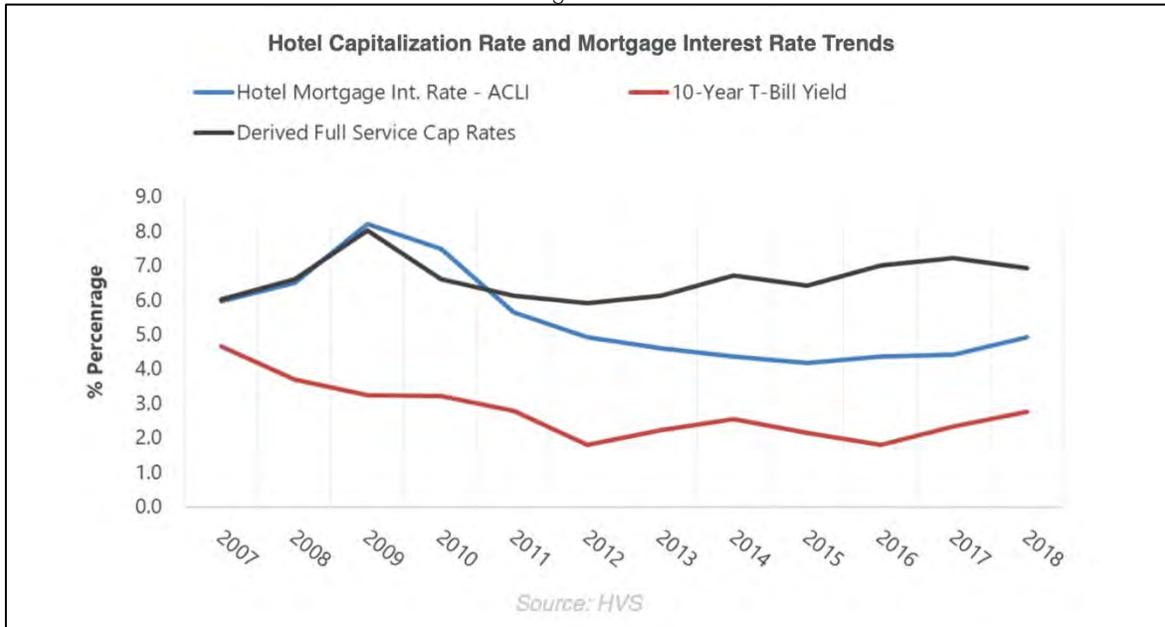
It is important to note that Wyndham Worldwide is the fourth largest global hotel group with over 9,150 hotels and more than 800,000 existing rooms as of June 2019.

### Hotel Financing Market

In order to understand the current market for financing new hotel development, HSP reviewed the latest market statistics provided by HVS, Inc. for debt, equity, cap rates and other key metrics used to value hotel projects.

The next figure shows cap rates, hotel mortgage interest rates and the ten-year T-Bill Yield. The cap rate is the rate of return on real estate that is purchased as an investment property and is based on the amount of income a property is expected to generate. The ten-year T-Bill is the standard measure by which all real estate assets are measured. Since the assumed asset **“holding” period in any appraisal is ten years, the ten-year Treasury Bill Yield** represents the safest assumed investment one could make. Relative to real estate, it is the least risky and has the lowest return and serves as a bottom benchmark for return. The riskier the real estate, the higher the cap rate and interest rates will be above the ten-year T-Bill.

Figure 7-3



As shown above, the cap rates have been higher than the mortgage interest rate since 2011. This suggests that one can borrow money at a lower rate for an asset than its implied return. That positive arbitrage indicates that the basic fundamentals of hotels are positive for investment. When it costs more to borrow money than the implied risk/return indicated by the cap rate, the math for investors is more difficult to support. Perhaps as important is the spread between the ten-year T-Bill and the cap rate. In 2014, this spread was more than 400 basis points (4.0 percentage points), suggesting that there is substantial yield to be gained from a hotel asset versus investing in T-Bills, which returned only 2.5 percent at that time. The tightening of interest rates to the ten-year T-Bill means that investors can borrow at lower and lower rates relative to the lowest possible rate, and still make increasing yields. These figures suggest a very strong incentive to invest in the hotel market, when compared with the period of 2005 through 2010.

### Development Costs

The following table shows the most current available hotel development cost data for the various quality segments of hotels for 2017/18. These figures are critical when considering which type of hotel to develop.

Table 7-3

2017/2018 Hotel Development Cost Room Averages						
	Land	Building and Site Improvements	Soft Costs	FF&E	Pre-Opening & Working Capital	Total
<b>Budget/Economy Hotels</b>						
Average from Budgets	\$7,700	\$56,000	\$5,700	\$8,600	\$3,800	\$79,300
Allocation	10%	70%	8%	11%	5%	
<b>Limited-Service Hotels</b>						
Average from Budgets	\$16,200	\$91,800	\$16,700	\$17,100	\$5,200	\$139,700
Allocation	11%	66%	10%	11%	3%	
<b>Extended Stay Hotels (Midscale)</b>						
Average from Budgets	\$12,700	\$93,200	\$16,800	\$18,700	\$3,800	\$139,100
Allocation	9%	67%	11%	12%	3%	
<b>Extended Stay Hotels (Upscale)</b>						
Average from Budgets	\$20,200	\$124,700	\$25,200	\$24,400	\$5,100	\$192,900
Allocation	10%	66%	11%	13%	3%	
<b>Dual-Branded Hotels</b>						
Average from Budgets	\$41,200	\$133,200	\$19,700	\$19,600	\$11,600	\$218,900
Allocation	13%	66%	9%	10%	3%	
<b>Select-Service Hotels</b>						
Average from Budgets	\$34,000	\$137,600	\$29,800	\$20,800	\$6,300	\$221,000
Allocation	13%	64%	12%	11%	3%	
<b>Full-Service Hotels</b>						
Average from Budgets	\$30,600	\$222,500	\$41,800	\$28,900	\$10,100	\$318,200
Allocation	12%	66%	11%	11%	3%	
<b>Lifestyle/Soft-Branded Hotels</b>						
Average from Budgets	\$47,300	\$217,400	\$42,200	\$30,200	\$12,900	\$346,300
Allocation	11%	64%	12%	9%	4%	
<b>Luxury Hotels</b>						
Average from Budgets	\$74,300	\$353,100	\$102,300	\$60,800	\$13,700	\$604,200
Allocation	11%	60%	15%	12%	3%	
<b>Redevelopment Projects</b>						
Average from Budgets	\$60,000	\$165,500	\$33,200	\$25,900	\$9,500	\$271,000
Allocation	19%	58%	11%	11%	4%	

Source: HVS

Costs per room vary drastically depending on the chain scale, from a budgeted average of \$79,300 for economy properties up to \$604,200 for luxury properties. For most developments, the question is whether or not the ADR is greater than the cost per room to build.

A typical accepted rule of the thumb in the hotel industry is that the ADR multiplied by 1,000 will give a developer a sense of what hotel cost/room the market will support. For example, a hotel expected to perform at \$125 per night on average could be developed for approximately \$125,000 per room.

## Other Trends of Note

Several other trends have been occurring in the industry over the past several years. These include:

- **Brands Multiply.** Worldwide, the expansion of brands continues to change the face of the competitive environment. Major brands are competing fiercely, as they are eager to show earnings growth and increased market share to Wall Street. Using multiple brand families clustered in the same corporate structure, proprietary reservation systems and corporate programs all work in tandem to drive business. Comparing profit potential of a branded hotel to one without a brand is becoming a serious consideration for hotel owners. At the same time, the increased proliferation of brands means that fewer independents struggle for fair share, and they are using price as the preferred strategy to drive demand.
- **Companies Consolidate.** The buyout/merger of Marriott and Starwood represents the high-water mark of many brands and companies consolidating. In the past several years, many hotel companies have merged in order to improve their scale and marketplace power, as well as take advantage of the current market dynamics. Chinese buyers have also been exerting their influence with the purchase of many hotels and hotel companies.
- **Boutique Brands.** This seemingly incongruous phrase is a trend occurring in the industry. The largest brands have run out of market segments to fill, so they are seeking the last bastion of the **industry: independent boutique hotels. By creating a boutique “collection” or also known as a “soft brand” that can benefit from (and provide distribution to) the primary brand family, both the hotel and brands can prosper.** For example, with all traditional niches covered, Marriott has now entered the boutique market with the Autograph Collection. These hotels are neither owned nor operated by Marriott, and do not even carry a Marriott brand, per se, but use the Marriott reservation system to route travelers to these formerly independent hotels. Guests benefit by getting their Marriott points and expectation of high-quality standards they have come to expect with the Marriot brand. **Hilton has also entered the boutique market with a new “soft brand” called Canopy and a new collection of formerly independent upscale hotels called the Curio Collection.** Intercontinental Hotel Group purchased boutique hotel company Kimpton, expanding their profile beyond Intercontinental and Holiday Inns. Starwood has launched the Tribute brand, which is basically the same type of boutique hotel collection as Curio and Autograph. And finally, Choice Hotels has **also entered into this new phase of “soft branding” with their Ascend Collection.** The Galt House will be part of the new Wyndham Trademark Collection.
- **Shared Spaces and Home/Apartment Rentals.** The advent of Airbnb has transformed the lodging industry in the past few years, much as Uber and Lyft have done with the hired car industry. Home and apartment rentals through VRBO, Homeaway, Airbnb add inventory to many compressed and expensive markets. In some places like San Francisco, Silicon Valley and New York, residents rent their homes to travelers in order to pay the rising cost of rent. High rates of hotel occupancy and rising rates have made these options viable for travelers and residents. There have been consequences for both the affordable housing market and the hotel market, although these are generally only material in extremely expensive markets or when a major event **(like a Super Bowl) occurs. Many of these “homes” are located in residential communities, and local neighbors and nearby residents are beginning to express negative feedback and concerns over these short-term rentals.** As a result, communities and municipalities have recently begun to

put rental restrictions on these types of homes by imposing minimum and maximum stay requirements and taxes on earned income.

- Global Travel and the Impact of Energy Prices and Economic Conditions. The large fluctuations in oil and fuel costs have a continual impact on travel and will continue to be a major factor in the coming years.
- Green Policies. Requirements, both by law and the guests, on businesses enforcing green practices are becoming tougher to comply with and are even becoming a demand driver. Eco-consciousness is a popular trend among new generations and, suddenly, energy systems, insulation, produce origin and even amenities become differentiation factors. Hotels can capitalize on the environmentally sensitive customers by adapting sustainability practices such as Element by Starwood has done.
- Distribution. The increase in booking travel via the Internet has been a major trend in the industry for more than a decade, with a majority of booking research done online and more than one-third of revenue booked online. This has brought transparency and increased competition to the market, and all players with a solid Internet and distribution strategy are able to compete effectively. Third party websites, smartphones and available applications are rapidly becoming a key factor in every travel stage by easing access to planning and booking tools that ease the **customers' experience. Travelers expect a more informed and collaborative travel experience**, especially driven by evolving smartphone functionality. Hotel companies are creating property-specific websites to differentiate each property and reach more markets and traveler segments than a corporate single format website.
- Technology. The rapid advance of technology means hotels have to continually keep up with the expectations of their guests. With multiple wireless devices, guests expect a high-speed wireless network throughout the hotel that will allow them to use their smartphones, tablets and laptops without connectivity issues. In-room movies via Lodgenet can now be controlled via an application **on a guest's smartphone. Many hotels have begun to introduce in-room iPads** that allow concierge services, room service, check out, entertainment and other items to be taken care of directly from the device.
- Social Media, Crowd-Rating and Mobile Connectivity. The rise of social media and user-based ratings have had a direct impact on hotel booking decision-making. Sites like Trip Advisor allow users to rate and comment on hotels directly on the website, which allows potential customers to determine if they will select that hotel. Hotels have to be incredibly proactive and reactive to comments posted on Twitter, Facebook, TripAdvisor and ratings sites, including online travel agencies. Approximately one in three business travelers has rated an establishment. **Mobile connectivity, as mentioned above, has become a crucial factor in a traveler's experience. Mobile-friendly websites and mobile applications are the most used medium for corporate travelers.** Approximately 70 percent of travelers use applications to check in to flights and/or hotels, while one in four hotel queries come from a mobile device.
- Demographics. Two major demographic shifts marked the beginning of positive growth in the hotel business. The first is that both baby boomers and millennials emerged as the target market for luxury consumption. The baby boomer generation became a target audience due to the large amount of disposable income and nest egg capital they accrued, thereby allowing them to travel in large numbers for the next decade. Millennials are the second demographic group tapped as

an up-and-coming luxury consumer group affecting the industry and being targeted by the industry itself with marketing strategies that are different from its preceding groups. Millennials are drawn to entertainment, technology and accessibility. Secondly, the BRIC economies, (Brazil, Russia, India and China) have exploded in their economic power over the past several years. This has led to a massive increase in the middle classes in these nations, and these populations are traveling in increasing numbers.

## LYNNWOOD HOTEL MARKET ANALYSIS

This section will detail the findings of the Lynnwood hotel market analysis. As part of this chapter, HSP analyzed the Lynnwood hotel market, including the historic performance of all competitive hotels. This analysis will provide an overview of the hotel market and opportunity for development.

The following table details the hotel market of Snohomish and King Counties by class.

Table 7-4

<b>Snohomish and King Counties Hotel Market by Class</b>					
<b>Class</b>	<b>Properties</b>	<b>Rooms</b>	<b>Rooms / Property</b>	<b>Year Built</b>	<b>Avg Years Open</b>
Luxury Class	18	3,366	187	Apr-83	36
Upper Upscale Class	55	13,971	254	Aug-86	33
Upscale Class	73	12,648	173	Oct-00	19
Upper Midscale Class	73	9,078	124	Oct-94	25
Midscale Class	45	3,404	76	Apr-84	35
Economy Class	166	7,663	46	Oct-78	41
<b>Total / Average</b>	<b>412</b>	<b>46,764</b>	<b>114</b>	<b>Jan-88</b>	<b>32</b>

Source: Smith Travel Research

There are 412 hotels offering 46,764 guest rooms in King and Snohomish Counties. The two counties offer a mix of hotels in all classes. The economy class has the most properties at 166, while upper upscale hotels offer the most rooms of any class with nearly 14,000 and average 250 rooms per hotel.

Lynnwood specifically has 14 hotels and 1,600 rooms. Upscale properties represent the majority of rooms with 600 across four properties. Upper midscale and economy class hotels represent 300+/- rooms each as well. Lynnwood has only one upper upscale hotel, the Embassy Suites, and lacks a luxury property. As will be shown later in this section, **Lynnwood's hotels offer a strong value for groups.**

The following table profiles the hotels in Lynnwood.

Table 7-5

<b>Lynnwood Hotels</b>				
<b>Name of Establishment</b>	<b>Miles from LCC</b>	<b>Class</b>	<b>Rooms</b>	<b>Open Date</b>
Best Western Alderwood	0.1	Midscale Class	137	Jun 1990
Hilton Garden Inn Seattle Lynnwood	0.2	Upscale Class	150	U/C
Americas Best Value Inn Lynnwood Seattle	0.3	Economy Class	42	Feb 1992
Hampton Inn Seattle North Lynnwood	0.7	Upper Midscale Class	152	Oct 1998
La Quinta Inns & Suites Lynnwood	0.7	Upper Midscale Class	101	Jun 1977
Courtyard Seattle North Lynnwood Everett	0.7	Upscale Class	164	Jun 1999
Holiday Inn Express & Suites Seattle North Lynnwood	0.8	Upper Midscale Class	80	Feb 2010
Hotel International	1.3	Economy Class	53	Jun 1982
Embassy Suites by Hilton Seattle North Lynnwood	1.3	Upper Upscale Class	240	Jul 1992
Extended Stay America Seattle Lynnwood	1.5	Economy Class	109	Feb 1998
Homewood Suites by Hilton Lynnwood Seattle Everett	1.5	Upscale Class	170	May 2014
Residence Inn Seattle North Lynnwood	1.5	Upscale Class	120	May 1987
Lynnwood Motor Inn	1.9	Economy Class	37	Mar 1997
Rodeo Inn	2.3	Economy Class	52	Mar 1997
<b>Total/Average</b>			<b>1,607</b>	<b>Mar 1995</b>

Source: Smith Travel Research

Other than the three newest hotels, including one that is under construction, no hotel development has occurred since before 2000. The aging nature of the existing supply can create a drag on capturable room rates and make reinvestment and new development less attractive. As newer, better hotels come online, older inventory will need to reinvest to maintain competitive parity. Interviews with hoteliers in the Lynnwood area, informed HSP that most hotels are seeing 60 to 70 percent corporate segmentation and roughly 20 percent group segmentation. However, leisure segmentation increases during the summer months.

The majority of hotels in Lynnwood are centered around I-5, I-405 and Hwy 99. The higher quality, branded hotels are located along the I-5 and are within approximately one mile of the LCC and Alderwood Mall.

The following figure shows the location of these hotels in Lynnwood.

Figure 7-3



As shown, these higher quality hotels are considered part of the competitive set of hotels that a potential headquarter hotel would compete with. Performance for these hotels is shown and analyzed later in this section.

Based on the size, location, and quality of the three proposed hotel developments, HSP selected a competitive set of existing Lynnwood (and one Bothell) hotel due to their likely competition to any flagged hotel proposed within the Lynnwood PFD. The competitive set features 8 hotels.

The following table profiles the Lynnwood competitive hotel set.

Table 7-6

Lynnwood Competitive Set Hotels					
Property	Miles from		Chain	Opened	Years Open
	Site	Rooms			
Best Western Alderwood	0.1	137	Midscale	Jun-90	29
Courtyard Seattle North Lynnwood Everett	0.7	164	Upscale	Jun-99	20
Hampton Inn Seattle North Lynnwood	0.7	152	Upper Mid	Oct-98	21
Holiday Inn Express & Suites Seattle North Lynnwood	0.7	80	Upper Mid	Feb-10	10
Embassy Suites by Hilton Seattle North Lynnwood	1.3	240	Upper Upsc	Jul-92	27
Residence Inn Seattle North Lynnwood	1.5	120	Upscale	May-87	32
Homewood Suites by Hilton Lynnwood Seattle Everett	1.5	170	Upscale	May-14	5
Hilton Garden Inn Seattle Bothell	3.6	128	Upscale	Oct-10	9
<b>Total/Average</b>		<b>1,191</b>		<b>Jun 2000</b>	<b>19</b>
Source: Smith Travel Research					

All competitive hotels are located within four miles of the LCC. Only one of the hotels (170-room Homewood Suites) opened in the last five years. The Best Western is included here due to its proximity to the LCC. HSP does not otherwise consider it to be of the level of quality of the other competitive hotels.

#### *Hilton Garden Inn Seattle Lynnwood*

The Hilton Garden Inn Seattle Lynnwood would also be on the list, but it is currently under construction. **Positioned in Lynnwood's City Center, the** 150-room Hilton Garden Inn will be the newest hotel in Lynnwood once it is completed. The \$26-million, six-story hotel has experienced delays in construction due to a re-permitting process required by the City of Lynnwood once new plans were submitted for the hotel after construction had already begun. At just 0.2 miles away, the hotel will be within walking distance for attendees at the Lynnwood Convention Center.

#### *Embassy Suites Lynnwood*

With 240 rooms, the Embassy Suites Lynnwood is the largest hotel in Lynnwood and also offers the most meeting space with nearly 7,000 SF. While not always the most expensive hotel in the market as it must compete with much newer properties (i.e. Homewood Suites), the Embassy Suites has the highest level of service in the Lynnwood market.

At 1.3 miles away, the Embassy Suites is also the closest competitor to the LCC in terms of physical proximity. Although the Embassy Suites is much smaller than the LCC and offers fewer room options, banquets, business functions and group bookings turn to the Embassy Suites Lynnwood based on room packages and smaller space needs.

The table below profiles the function space at the Embassy Suites. The venue advertises an additional 5,900 SF beyond the ballroom and meeting rooms for banquet or exhibition space in the atrium. HSP does not count this as true function space because it is not enclosed and private space, and therefore is not reflected in the function space table.

Table 7-8

Embassy Suites Lynnwood Function Space			
Facilities	Total (SF)	By Division (SF)	Divisions
<b>Ballroom Facilities</b>			
Embassy Ballroom	5,400	1,800	3
	5,400	1,800	3
<b>Meeting Room Facilities</b>			
Adams	875	875	1
Board Room A	323	323	1
Board Room B	306	306	1
	1,504	501	3
Hotel Rooms	240		
Total Exhibit Space	0 / Guest Room		0
Total Ballroom Space	5,400		23
Total Meeting Space	1,504		6
Total Function Space	6,904		29
Ballroom Divisions	3 / 100 Guest Rooms		1.3
Meeting Room Divisions	3		1.3
Total Divisions (including Ballroom)	6		2.5

Source: Embassy Suites Lynnwood, STR

### *Best Western Alderwood*

Located right next door to the Lynnwood Convention Center, the Best Western offers 137 guest rooms and two meeting rooms able to accommodate approximately 40 people each. The Best Western underwent a renovation in 2016, which updated the guest rooms. Still, as the hotel closest to the LCC, the Best Western lacks the level of quality and service most event planners are looking for in a convention center headquarter hotel or walkable hotel.

### Accommodated Demand and Competitive Set Performance

HSP utilized Smith Travel Research (STR) to analyze the competitive set of hotel properties in Lynnwood.

The following table shows performance data for Lynnwood's competitive set of hotels.

Table 7-9

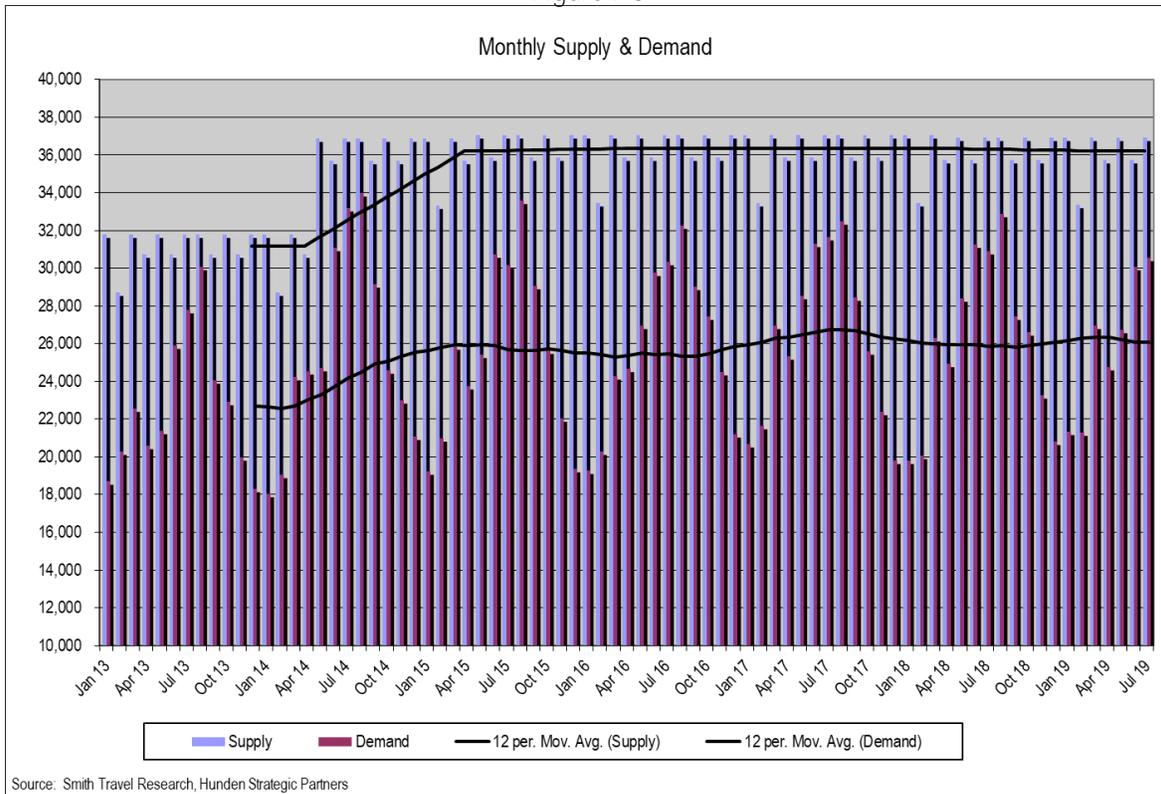
Historical Supply, Demand, Occupancy, ADR, and RevPar for Competitive Hotels											
Year	Annual Avg. Available Rooms	Available Room Nights	% Change	Room Nights Sold	% Change	% Occ.	% Change	ADR	% Change	RevPar	% Change
2013	1,025	374,125	--	272,564	--	72.9	--	\$118.20	--	\$86.11	--
2014	1,136	414,550	10.8%	306,685	12.5%	74.0	1.5%	\$126.36	6.9%	\$93.48	8.6%
2015	1,193	435,575	5.1%	305,842	-0.3%	70.2	-5.1%	\$133.63	5.8%	\$93.83	0.4%
2016	1,195	436,175	0.1%	310,053	1.4%	71.1	1.2%	\$133.91	0.2%	\$95.19	1.5%
2017	1,195	436,175	0.0%	314,846	1.5%	72.2	1.5%	\$134.57	0.5%	\$97.13	2.0%
2018	1,192	435,075	-0.3%	312,669	-0.7%	71.9	-0.4%	\$134.45	-0.1%	\$96.62	-0.5%
2019 (July)	2,805	252,492	-0.1%	181,695	0.0%	72.0	0.2%	\$136.30	1.6%	\$98.08	1.8%
CAGR* (2013-2018)	3.3%	3.3%	--	2.9%	--	-0.3%	--	2.7%	--	2.4%	--

\*Compound Annual Growth Rate  
Source: Smith Travel Research, Hunden Strategic Partners

The competitive set performance indicates that room nights sold have decreased slightly in 2018 after two consecutive years of growth. Occupancy has remained mostly flat with some slight fluctuations up and down during the period, but performance suggests new hotel development is viable, as any consistent occupancy over 70 percent is strong. ADR grew rapidly in 2014 and 2015, but ADR has stagnated since 2015. With continued hotel development in Bellevue and downtown Seattle, the regional hotel market has become more competitive in recent years.

The following figure shows the supply and demand trends for the selected set.

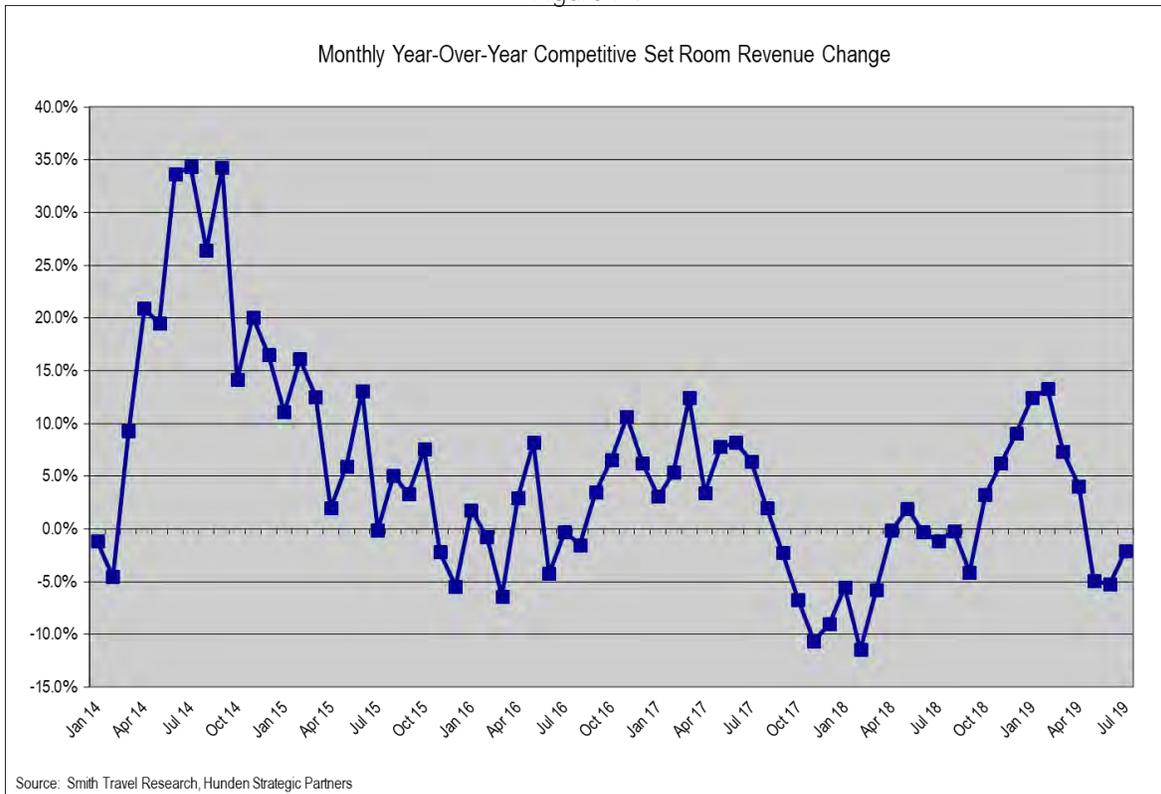
Figure 7-8



Overall, trends between demand and supply have remained consistent with slight increases in demand following the opening of a new hotel in 2014.

The following figure shows the room revenue changes by month (year-over-year) for the competitive set.

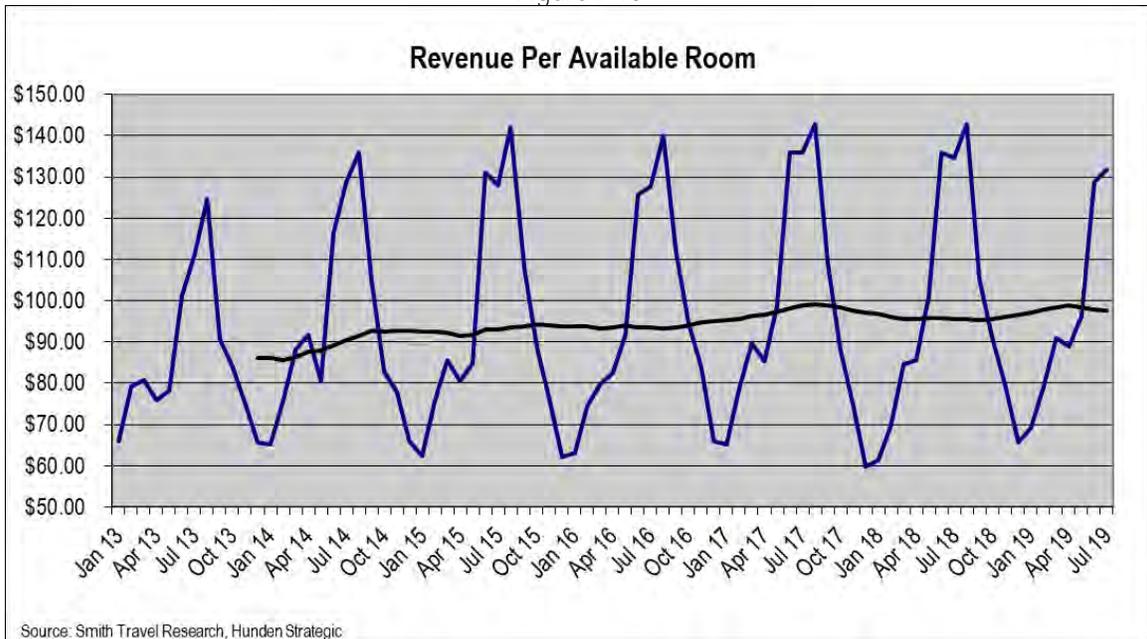
Figure 7-9



Points above the 0 on the y-axis in the adjacent chart represent year-over-year room revenue growth, while points below the 0 means room revenue decay. Overall, trends have remained mostly positive over the past five years, though most months between Fall 2017 and Spring 2018 experienced year-over-year decay of 5% to 10%.

The following figure shows the Revenue Per Available Room (RevPAR), which is the product of occupancy and rate.

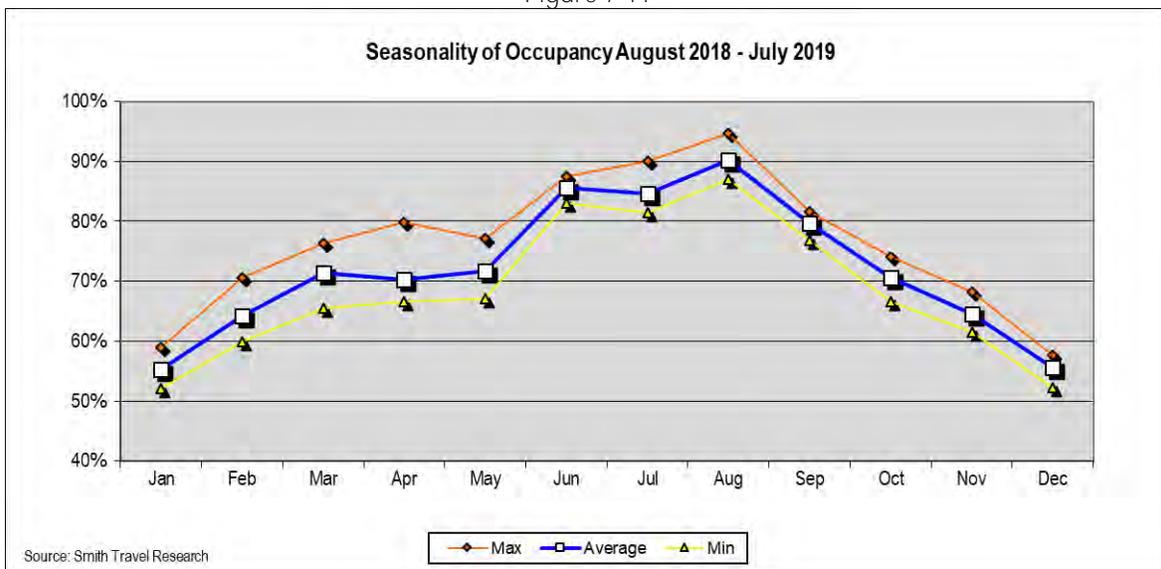
Figure 7-10



The trend line shows that RevPAR, which is the product of occupancy and rate, has recorded a \$12 increase since 2014. This is a positive indicator for future hotel development opportunity.

The following figure displays the seasonality of occupancy from August 2018 through July 2019.

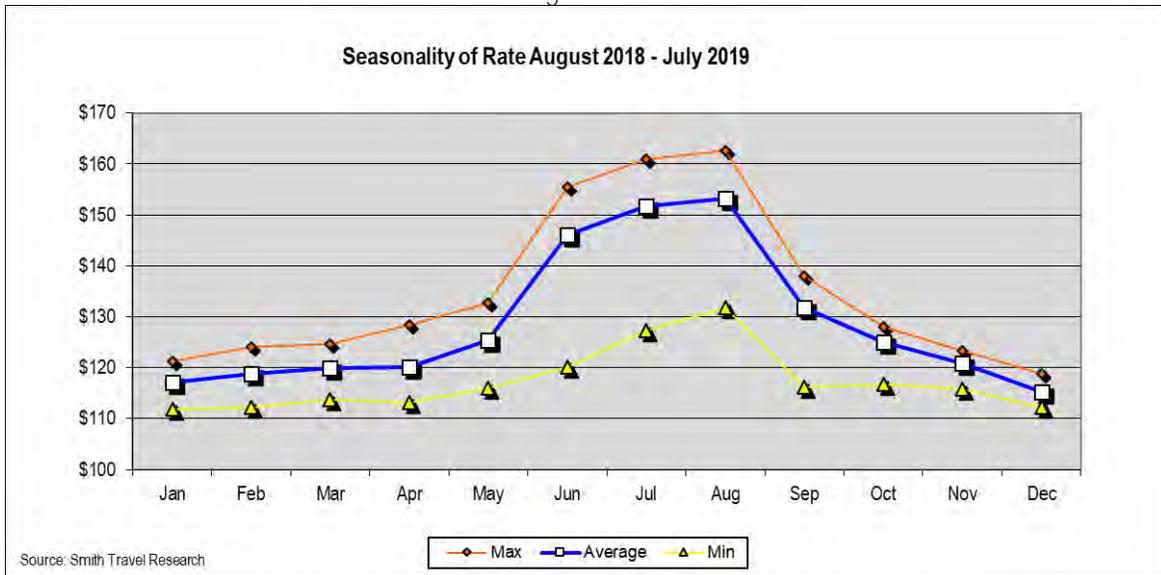
Figure 7-11



As shown, Lynnwood hotels experienced the greatest demand in the summer months (June – September), while spring is also a popular time. The lowest occupancy period of the annual calendar is during December and January, which is to be expected.

The following figure shows the seasonality of rate.

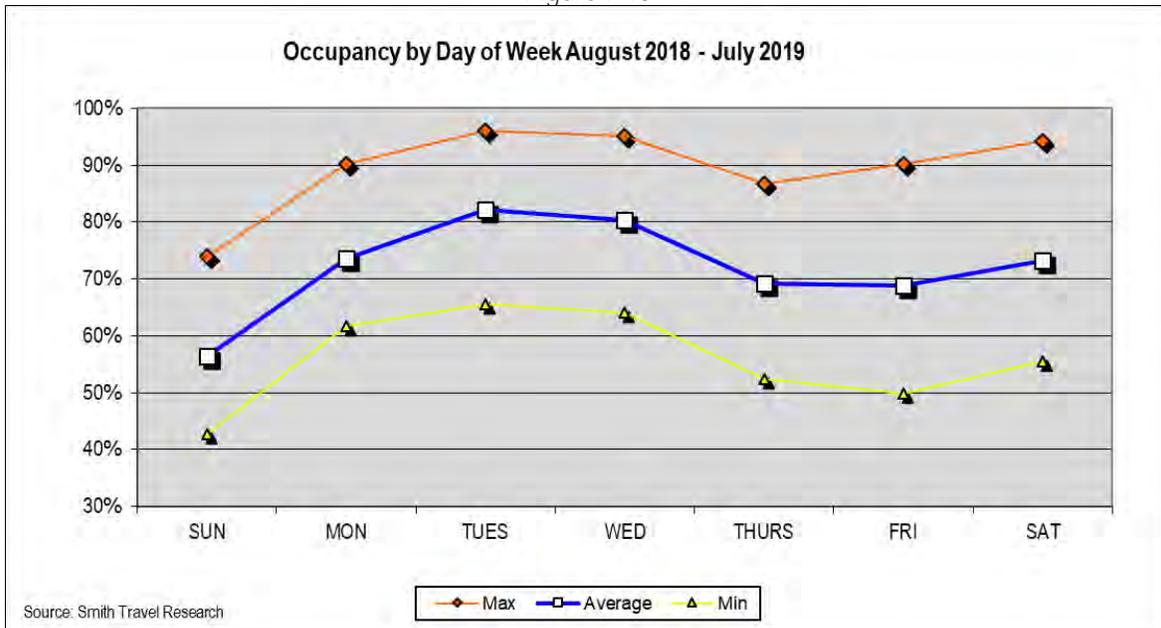
Figure 7-12



Rate generally mirrors occupancy demonstrating that local hotel options are appropriately compressing rates when demand is highest. Even with elevated occupancy rates in the spring, rates are not compressed upward until June, which peaks in August, before falling off sharply during autumn.

The following figure shows the occupancy and average daily rate (ADR) by day of the week.

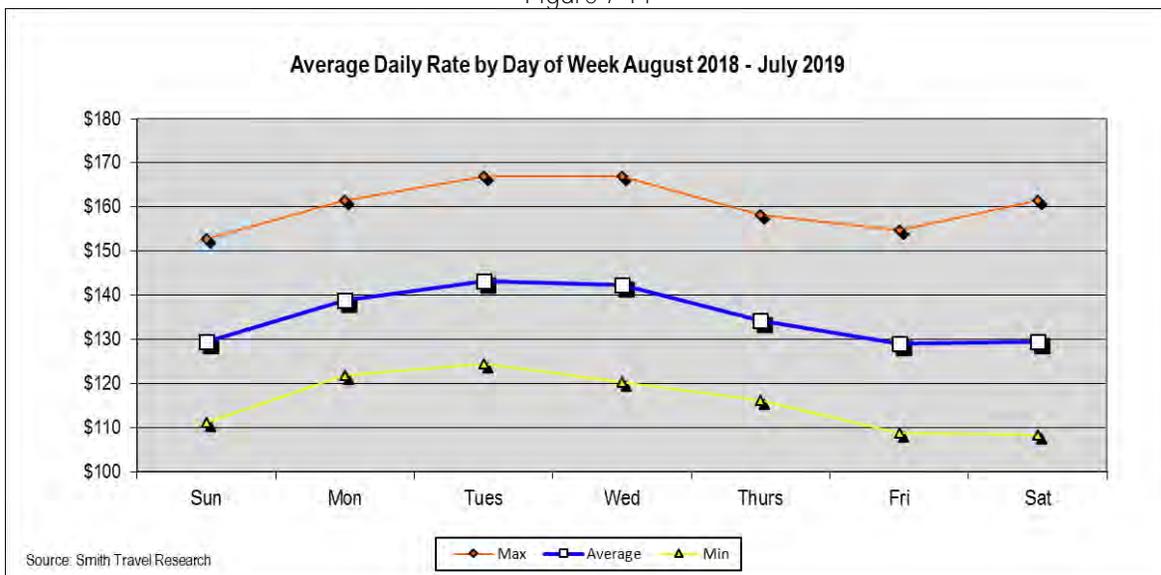
Figure 7-13



Mid-week and weekend occupancy averages more than 70 percent, which shows that corporate demand during the week and leisure travelers on weekends are supporting the local hotels well.

The following figure shows ADR for the Lynnwood competitive hotel set by day of week.

Figure 7-14



ADR follows a similar yet less pronounced arc as occupancy throughout the week with mid-week rates averaging \$10+ more per night than the weekend. This suggests that leisure travelers coming to or through Lynnwood are more price sensitive than the weekday corporate visitors.

### Unaccommodated Demand

Unaccommodated demand is defined as demand that would have been captured by the market but was not due to a lack of available or quality rooms. This demand is therefore deferred to later dates, accepts lesser-preferred accommodations, moves just outside the competitive set, moves its business to another area, or cancels plans altogether. Therefore, as new properties are added to the market, it is expected that this demand will be accommodated by the new supply. This suggests that when new hotels are added, they do not cannibalize existing market demand, but instead accommodate previously uncaptured demand.

The following table shows the occupancy by day of the week per month for the twelve months beginning August 2018. Days of the week with occupancy between 75 and 80 percent are shown in yellow, suggesting mild displacement and unaccommodated demand. Orange shows days with 80 to 90 percent occupancy, suggesting very likely displacement. Days in red are for times when occupancy was beyond 90 percent for the set, suggesting near-certain displacement.

Table 7-8

Occupancy Percent by Day of Week by Month - August 2018 - July 2019								
	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Avg
Aug - 18	73.9%	90.3%	94.6%	92.6%	86.8%	90.2%	94.3%	89.0%
Sep - 18	62.0%	75.0%	83.7%	83.2%	75.6%	77.1%	83.3%	76.8%
Oct - 18	55.4%	71.2%	81.1%	80.4%	71.7%	67.5%	73.1%	72.1%
Nov - 18	46.4%	61.6%	72.8%	72.0%	66.3%	65.4%	71.4%	65.2%
Dec - 18	42.8%	61.9%	69.6%	64.5%	52.5%	49.9%	55.5%	56.3%
Jan - 19	44.9%	65.7%	65.5%	64.1%	53.7%	51.1%	57.1%	57.8%
Feb - 19	53.9%	68.7%	79.1%	73.9%	57.5%	54.4%	59.7%	63.9%
Mar - 19	53.7%	79.6%	91.4%	90.3%	69.1%	64.3%	70.1%	73.0%
Apr - 19	50.0%	70.2%	79.8%	81.1%	63.9%	67.7%	69.1%	69.2%
May - 19	59.0%	69.3%	82.8%	81.2%	67.7%	71.0%	75.7%	72.5%
Jun - 19	65.0%	88.7%	96.1%	95.1%	85.4%	81.0%	82.9%	84.2%
Jul - 19	68.9%	81.8%	88.7%	85.8%	79.8%	85.7%	86.3%	82.7%
<b>Average</b>	<b>56.3%</b>	<b>73.5%</b>	<b>81.8%</b>	<b>80.4%</b>	<b>69.1%</b>	<b>69.1%</b>	<b>73.2%</b>	

Sources: Smith Travel Research

As shown, occupancy peaks in the summer months, exceeding 80 percent June - August. As previously mentioned, room nights demand is slightly greater midweek compared to weekends, as evidence by the Tuesday and Wednesday performance throughout the year.

The following table shows the ADR by day of the week per month for the twelve months beginning August 2018.

Table 7-9

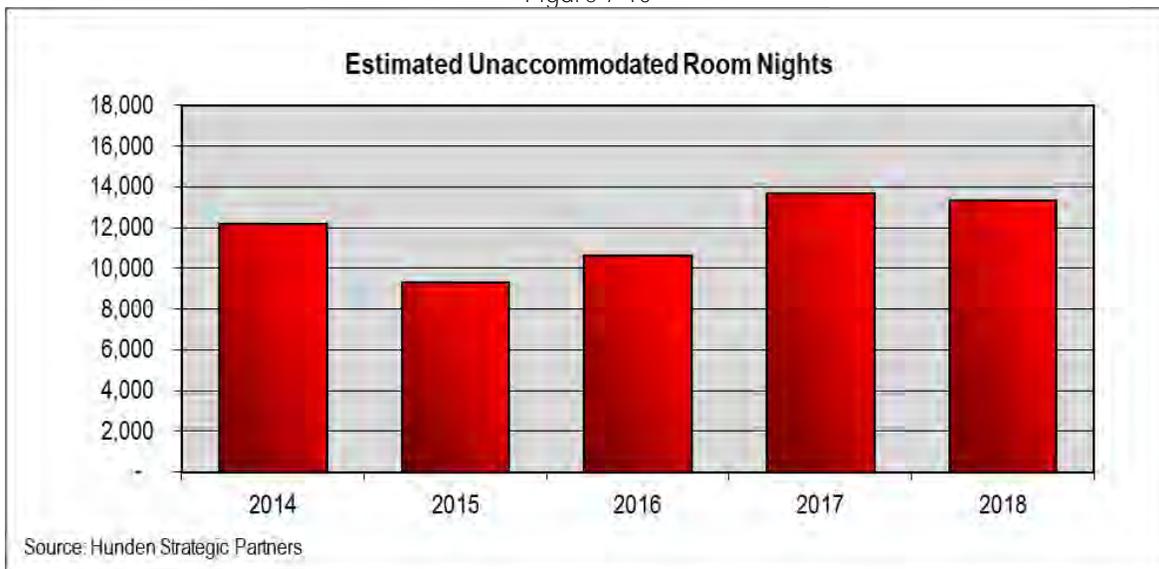
ADR by Day of Week by Month - August 2018 - July 2019								
	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Avg
Aug - 18	152.73	160.72	166.84	166.85	158.22	154.73	161.53	160.47
Sep - 18	129.27	141.36	146.04	144.94	135.43	129.10	132.13	136.84
Oct - 18	122.09	128.30	131.74	131.38	124.95	120.53	121.40	126.59
Nov - 18	118.10	125.77	129.67	130.02	120.20	117.51	116.34	122.55
Dec - 18	111.06	121.93	124.44	120.32	116.19	108.73	108.24	116.39
Jan - 19	116.64	124.00	126.26	125.69	119.18	109.84	110.99	119.98
Feb - 19	119.65	127.64	132.21	127.69	122.63	115.54	117.71	124.05
Mar - 19	120.86	128.92	134.01	133.65	125.70	113.94	113.93	124.69
Apr - 19	120.98	132.40	136.85	135.29	126.71	120.34	118.55	128.49
May - 19	127.15	136.83	142.14	138.30	130.21	126.09	126.38	132.76
Jun - 19	142.02	159.68	165.92	163.88	151.34	145.22	141.92	153.09
Jul - 19	150.52	161.56	166.32	165.87	155.05	152.79	157.50	159.39
Average	129.48	138.88	143.15	142.37	134.18	128.97	129.37	

Sources: Smith Travel Research

As shown, average daily rate experiences less variation throughout the year, though the peaks in ADR match those in occupancy. Based upon national trends and multiple conversations with meeting planners familiar with the LCC, HSP set the thresholds for ADR. Cells highlighted in yellow have an ADR between \$135 and \$150, orange cells are between \$150 and \$165 and red cells are above \$165. This graduated scale illustrates the typical willingness to pay by group hotel guests similar to the demand mix for the LCC. As ADR approaches \$150 per night, lower rated group attendees begin looking for alternative hotels, lodging types (VRBO, AirBnB) or potentially even driving to and from the LCC each day of the event in order to sleep at home. This effect increases once \$150 per night is surpassed and is further exacerbated beyond \$165 per night. However, some groups, such as corporate and high-rated associations (professional, medical) are less price sensitive, but expect higher quality lodging options, meeting facilities and destinations in order to spend more on their hotel. These are the groups that would be most valuable for the LCC to capture.

The following figure shows the estimate of unaccommodated room nights since 2014.

Figure 7-10



As previously mentioned, an unaccommodated room night is a night when a traveler seeking accommodations within the market must either cancel their stay or settle for accommodations of lesser quality because the desired facilities have no vacancies. The number of estimated unaccommodated room nights is determined in any month when occupancy is higher than 66 percent.

Based on the existing occupancy levels, HSP estimates that there have been between 9,000 and 14,000 each year unaccommodated room nights within the Lynnwood competitive set from 2014 through 2018.

### Implications

While the walkable hotel room count for the Lynnwood Convention Center is comparable to other centers on at first glance, the Best Western Alderwood **and America's Best Value Inn are not at the level of quality that regional meeting planners require.** The Hilton Garden Inn, once completed, will help with this issue, but even the walking distance between it and the LCC is a concern, especially considering the width of 196<sup>th</sup> Street. Meeting planners are requesting that something of similar quality to a Hilton Garden Inn or a full-service property like the Embassy Suites be added adjacent or connected to the LCC.

There is, however, a balancing act between the price point of the hotel that would be acceptable to lower-rated clients and the quality of the hotel, which should be able to satisfy the expectations of higher-rated groups. HSP expects that a 3.5-star brand would be most appropriate as part of the LCC expansion. A headquarter hotel should push the ceiling of the market a half or full step in quality, so as to induce additional demand, yet not over-improving the Project.

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## RECOMMENDATIONS

This chapter highlights the implications of an expanded Lynnwood Convention Center. Based on the implications, HSP made a specific set of recommendations for the Project. The recommendations included:

- 58,000-square foot total expansion
- 250-room full service or “**full service lite**” onsite connected hotel with function space
- 700-space parking garage
- 20,000 – 24,000 square feet of restaurant/bar space (5 – 6 restaurants/bar)
- Green Space/Public Event Plaza
- Connector Road to the North
- Improved Ingress/Egress

From the HSP recommendations, LMN was tasked with creating preliminary conceptual site layouts, drawings and budgets for the expansion scenario.

### Implications of Market Analysis

#### *Overview*

Based upon the information HSP gathered throughout this analysis regarding the Lynnwood Convention Center’s historical performance, existing client feedback, local market dynamics, local and regional meetings market, local hotel market and significant missed opportunities, HSP determined that an expansion of the LCC is a prudent investment for the Lynnwood PFD and the community.

The LCC has been performing at essentially full capacity in recent years. The LCC has established itself as an economic engine in Lynnwood. However, based on the sentiments and constructive criticism provided by existing clients, the LCC appears to have latent demand (events and attendance) and impact (spending and tax generation) that is currently not being captured. This is also known as potentially opportunity that cannot be currently accommodated. Existing clients are beginning to outgrow the existing facility and other prospective clients are often unable to find a gap in the calendar, large enough space or any available room. The existing groups are the baseline of demand the LCC can expect to continue to capture if an expansion were to materialize, as well as new events and expanded existing events.

One of the challenges and realities of the current LCC is that it mostly attracts localized business, which does not generate much overnight hotel business or even later evening restaurant spending. So while the facility is busy, it is often just retaining existing daytrip spending in the community and not inducing significant overnight and higher spending customers. Making the LCC truly and economic driver requires the inducement of more out-of-market business.



Another element that keeps the LCC from capturing more and larger overnight-oriented business is the lack of walkable, blockable, quality hotels. Meeting planners can easily go to other large hotels with function space or other convention centers to get the package of space and hotel rooms all in one location. If the LCC is to truly optimize its expansion, it will need to mitigate the hotel issue and HSP has addressed that herein.

The current quasi-urban, yet suburban set up is currently a bit of a challenge, but with proper planning and investment can be leveraged to create a very attractive, walkable environment that will appeal to both planners and local citizens. Using visitor facilities to improve local quality of life and a sense of place is a goal that should be primary in this effort.

The Pacific Northwest, the Seattle Metro and Lynnwood are all growing, as well. Population growth has been strong during the past decade in the region, and tourism to the area has followed a very similar, if not more aggressive, trajectory. As more people come to the area for jobs or just to visit, they will generate additional demand for meeting space. The thriving market that the LCC finds itself situated in will act as a rising tide.

The rest of the regional meetings market is already investing \$2.1 billion to capture the growing demand for meeting space in and around Seattle and the Pacific Northwest. Eight of the 11 major convention centers across Washington State and neighboring metropolitan areas are expanding, renovating or otherwise investing in their facilities to better attract and accommodate groups and events. They are reacting to the exploding economy and population in the area, which is seeing record demand on an annual basis. The LCC has the ability to grow with the market in order to recapture the latent demand mentioned above and expand its offerings and thereby its target market to more impactful groups and events than what it services currently. Even with the expanded supply, HSP believes it will be prudent and in fact, important for the LCC to expand and create a true event-hosting package. If not, it will continue to be boxed in by improving competitors and will be left to manage with lower-rated localized business as others fill the supply void.

The LCC also possesses various advantages compared to its regional competitors. Many groups base the venue they use on geographic location and convenience. It is positioned geographically in a part of the Seattle Metro that is convenient to groups north of downtown Seattle and groups to the north and east of Lynnwood beyond the Seattle Metro. Downtown Seattle and Bellevue facilities are also becoming less convenient and more expensive, and in the case of Washington State Convention Center, which has outgrown its smaller clients. Lynnwood, by comparison, is already considered very convenient and has a strong value proposition based on its facility and hotel room pricing. The changes in the market offer an opportunity to the LCC to capture groups being pushed away from downtown and those outside the Seattle Metro. HSP has seen this phenomenon play out in many markets, from St. Louis and Kansas City to the West Coast and elsewhere. Small to mid-sized groups simply do not want to deal with the headaches and costs of a major downtown event facility, hotels, expensive parking and perceptions of crime. Not to mention, the labor and work rules in these large urban convention centers can be frustrating and expensive as well. Suburban facilities like the LCC mitigate all of those issues and the market has rewarded every well-conceived example.

In addition to growing local and metro demand, there is statewide and Pacific Northwest demand that mostly cannot be accommodated at the LCC now. HSP's interviews with event planners suggested that with the right package (expanded space, hotel block, parking and walkable "things to do") the LCC will be able to capture many types of larger regional events.



As a result of the analysis, HSP is recommending investment that will move the LCC from a small conference-style facility to full-service convention facility complex, with hotel, parking and food/beverage options that will appeal to a wide range of events. The expansion was based on market needs and opportunities as well as the site and financial constraints that are the reality of any real estate expansion. If developed, HSP believes that the LCC will truly be an economic and tourism engine that generates significant impact for the city, PFD and county.

### *Economic & Demographic Analysis of Lynnwood*

Beyond the Lynnwood Convention Center's performance, Lynnwood has positive economic and demographic trends to point to when considering whether the community can support an expansion of the Lynnwood Convention Center. Population has increased by nearly ten percent in the past decade and employment is stronger in Lynnwood than Snohomish County, Washington state and the United States. Lynnwood also benefits from a high concentration of retail spending due to the Alderwood Mall, which can be leveraged to help support dining and entertainment options surrounding the current or an expanded LCC.

Regional access to Lynnwood is a valuable asset for the LCC, which is poised to continue to improve over the long term. With Paine Field being the newest commercial airport in the United States adding more direct flights to and from cities in the Pacific Northwest and the Sound Transit Light Rail station coming to Lynnwood City Center in 2024, Lynnwood stands to benefit significantly from regional infrastructure projects.

Lynnwood Convention Center has the benefit of being located in a growing metropolitan area with improving infrastructure and demographics. However, growth has come at a cost, but potential benefit. Because traffic is so heavy throughout the majority of the day, it is very difficult for people to go from one part of the metro to the other. This has resulted in people, events and businesses wanting to shrink the geography within which they prefer to travel. While an easy to access market would keep the LCC as a suburban option only for conventions and events, traffic headaches elevate the status of convention centers in Lynnwood, Bellevue and Tacoma as their own legitimate economic area anchors. As the market becomes denser, the ability to leverage a northern location will inure to the benefit of the LCC and in HSP's estimation, supports eventual expansion.

### *Convention & Meetings Market Analysis*

The regional convention and meetings facility market is very competitive between the largest convention centers (Oregon CC & WSCC), the smaller convention centers around Washington and the range of conference hotels in the Seattle Metro. Currently, the LCC competes mostly with other smaller convention centers in the Seattle Metro (Meydenbauer, Greater Tacoma), as well as the small and mid-size conference hotels. Many groups are being pushed out of places like Bellevue due to stricter booking policies, which require a room night minimum to book 12-14+ months in advance.

The market is growing rapidly with eight of the 11 identified competitive convention centers in some phase of expansion or renovation projects. Meydenbauer CC, Yakima CC and Three Rivers CC are adding event space and Three Rivers CC and Greater Tacoma CC are adding a new headquarter hotel. Many of the smaller groups currently utilizing the WSCC will be pushed out by larger, more impactful groups. With the



other coming expansions around Washington, competition for this uprooted demand will increase, as well. LCC has a better position than convention centers outside the Seattle Metro to capture those groups, but a larger facility and headquarter hotel are needed.

Many of the Seattle Metro meeting facilities (Meydenbauer, Tacoma, Bellevue hotels) are targeting corporate and other high-rated demand. Lynnwood has been and could continue to capture the lower-rated association and SMERF groups that are being priced out of other areas, however there are more impactful events to be hosted if expanded properly. **Lynnwood's hotels are affordable for these types of groups, which are typically looking for hotel room rates up to \$150 per night.** However, the LCC package could be improved enough to broaden the pool of demand groups attract higher rated events to Lynnwood.

Convenience, easy access, affordability and quality facilities and service are the strengths that the LCC have to offer currently. Expanding **the LCC's footprint** and improving the infrastructure (HQ hotel, parking, walkable dining/shopping) would extend the types and sizes of groups/events Lynnwood would be able to attract.

Regional meeting planners believe Lynnwood offers a strong value, but not the right hospitality/conventions package. While downtown Seattle and Bellevue meeting facilities continue to become more expensive, busier and less convenient, the suburban meeting facilities become more attractive from a convenience and cost perspective. Lynnwood is convenient from I-5 and has very attractive hotel rates and event pricing. However, the space is often too small or already booked and/or there are too few nearby hotel rooms. By correcting for at least some of these deficiencies, the LCC would be able to attract and accommodate groups that are currently going elsewhere.

Current clients are mostly satisfied with the LCC's quality and space, but many are looking for additional space and more rooms. Clients that currently utilize the entire LCC express the importance of additional exhibit space, though most (85 percent) require 10,000 square feet or less of exhibit space for their event. Further, current clients desire a larger ballroom to host banquets of approximately 1,000 guests, which would require a ballroom approximately 3,500 square feet larger than 2DE. Having three to five additional breakout rooms has also been mentioned. Again, these are the opinions and desires of events that already generally fit in the LCC.

### *Convention & Meetings Facility Case Studies*

Most convention centers typically aim to induce economic and fiscal impact through attracting visitors and generating room nights. The examples profiled here have an emphasis on operating profitably or at a breakeven, a goal matched by LCC. This is not to say that other convention centers do not also focus on operating revenues and expenses, but there is typically a trade-off between operational profit and impact outside the facility.

On average, the facilities profiled also have fewer walkable hotel rooms than the facilities seen across Washington, even when excluding the downtown Seattle and Bellevue meeting facilities that are located in very dense areas. Despite the lack of a headquarters hotel, the LCC has more walkable hotel rooms than each of the case studies, albeit lower quality of said rooms. This point illustrates the opportunity for LCC to capture more impactful events with the development of a headquarter hotel and partnership with other nearby properties.



Stride Bank Center and Overland Park Convention Center are examples of convention/event centers implementing flexible spaces to maximize impact per dollar invested by consciously expanding the types of events they are able to host. They accomplished this through high ceilings, mid-level finishes able to be dressed up or down as needed, and in the case of Stride Bank Center, retractable chairback seating for sporting events and concerts.

In addition to the flexible nature of these facilities and likely the ultimate LCC, the performance of these mostly suburban facilities is indicative of what an enlarged LCC could achieve in terms of higher-rated business mix. The detailed performance data is helpful as HSP considers future projections.

### *Headquarter Hotel Realities*

HSP has tracked 35 public-private headquarter hotel projects in the United States that were developed since 1997, extending through future projects expected to open in 2023. These hotels are needed because meeting planners want to have a large block of rooms connected or adjacent to the meeting facility, with full-service amenities.

Headquarter hotels need to have their own function space to host groups when the convention center is not full. The added facilities and restaurants add cost. As a result, on average, the developments cost \$250k/room (not inflated) and are 36% funded by the public sector and 64% by the developer/ private sector.

### *Local Hotel Market Analysis*

While the walkable hotel room count for the Lynnwood Convention Center is comparable to other centers on at first glance, the Best Western Alderwood **and America's Best Value Inn are not at the level of quality that** regional meeting planners require. The Hilton Garden Inn, once completed, will help with this issue, but even the walking distance between it and the LCC is a concern, especially considering the width of 196<sup>th</sup> Street. Meeting planners are requesting that something of similar quality to a Hilton Garden Inn or a full-service property like the Embassy Suites be added adjacent or connected to the LCC.

There is, however, a balancing act between the price point of the hotel that would be acceptable to lower-rated clients and the quality of the hotel, which should be able to satisfy the expectations of higher-rated groups. HSP expects that an upper upscale brand, such as Marriott, Hyatt, Westin or similar, would be most appropriate as part of the LCC expansion. A headquarter hotel should push the ceiling of the market a half or full step in quality, so as to induce additional demand, yet not over-improving the Project.

### Recommendations

Based on the implications shown above and throughout this report, HSP determined a recommended expansion scenario for the LCC. With help from LMN, a site plan and estimated construction budget was created for the recommended scenario.

**The following table highlights HSP's recommendation for the expanded Lynnwood Convention Center and the associated cost estimates from LMN.**



Table 8-1

Lynnwood Convention Center Expansion Scenario & Estimated Construction Cost				
Project Element	Expansion	Unit	Low	High
LCC Expansion & Renovation				
Ballroom	18,000	SF	--	--
Meeting Rooms	10,000	SF	--	--
Prefunction and Back of House	30,000	SF	--	--
Total	58,000	SF	\$22,068,125	\$30,962,349
Renovation	--	SF	\$2,081,574	\$2,920,521
Total LCC Expansion (incl. Renovation)	58,000	SF	\$24,149,699	\$33,882,870
HQ Hotel Funding Gap (public funds)	250	Keys	\$29,200,000	\$29,200,000
Total Hotel Construction Cost	250	Keys	\$78,920,706	\$78,920,706
Parking	700	Spaces	\$15,750,000	\$22,097,798
Site Work			\$4,089,842	\$5,738,191
Subtotal			\$122,910,247	\$140,639,565
Cost Escalation to 1Q2022	10%		\$12,291,025	\$14,063,957
Estimated Construction Cost			\$135,201,272	\$154,703,522
Estimated Public Investment			\$85,480,566	\$104,982,816

Source: Hunden Strategic Partners, Rider Levett Bucknall

Overall, the recommended scenario would more than double the size of the LCC, as well as renovate the existing spaces, add a connected 250-room hotel with its own function space and a parking structure and expand walkable amenities for event attendees. The entire package is estimated to cost between \$135 million and \$155 million. The portion that is expected to be paid for by public investment, including a subsidy to fill the gap for the headquarter hotel, is expected to be between \$85 million and \$105 million. It is important to note that these construction costs *do not* include soft costs. While currently undetermined, soft costs generally add 20 – 30 percent to the construction costs.

Considering the large total cost of the recommended scenario, it is possible and may be necessary to phase the development of the Project. HSP suggests that the headquarter hotel be the project element held to a later phase, if any. Without the demand generation from the expanded LCC, the headquarter hotel would struggle to fill as many rooms as projected in the following chapter. Lower performance would in turn increase the level of public subsidy needed to incentivize a developer to construct the headquarter hotel. On the other hand, the expansion itself and parking to accommodate the larger groups is highly recommended to be constructed and opened simultaneously. Parking is already considered an issue by many LCC clients, so it would be best to alleviate not exacerbate the issue by slightly frontloading the development of additional parking.

*Note: The expansion scenario detailed below is HSP’s most recommended scenario. However, HSP also created an alternate scenario, requiring less public investment, which is detailed in Appendix B at the end of this report.*

Expansion. Based on the market opportunity and budget, HSP recommends 58,000 square feet of total expansion via the following items:



- 18,000-square foot Ballroom (with high ceiling that can flex to accommodate exhibit style events, but is still dressier than the current largest flex space)
- 10,000 square feet of Meeting Room space (10-12 divisions)
- 30,000 square feet of Pre-function and Back of House space

Hotel Onsite, Connected. The hotel should be “full-service” or “full-service lite” and offer 250 rooms with its own function space (7,500-square foot ballroom; 4,000-square foot meeting rooms). The hotel will likely require substantial subsidy. More analysis of the expected subsidy is presented in the following chapter.

Parking. Expansion and the addition of a new onsite hotel will require additional new parking as well as replacement of any current parking that is displaced from the proposed program. The expansion of LCC will require an additional 500 spaces just for convention center programming. Parking for a standard hotel without a function space component is one space per room. However, with the additional function space, HSP suggests additional 200 new parking spaces to accommodate large ballroom events. A minimal number of spaces should be added for restaurant/bar tenants. In total, HSP suggests that there are at least 700 parking spaces, although that number may be able to be reduced slightly given the shared use.

Retail/Restaurant. HSP recommends that an additional five to six restaurant/bar tenant spaces (20,000 to 24,000 square feet) be added. These will act as amenities to event attendees, especially non-local ones, that want to experience Lynnwood as well as the activities planned inside the LCC.

Green Space/Public Event Plaza. Public space in mild climate is a great way to create a sense of place and encourage civic usage. Such space can increase event options.

### Conceptual LCC Site and Facility Plan

The following figure is a conceptual drawing from LMN that shows an overall view of the proposed expansion programming within the existing PFD site.

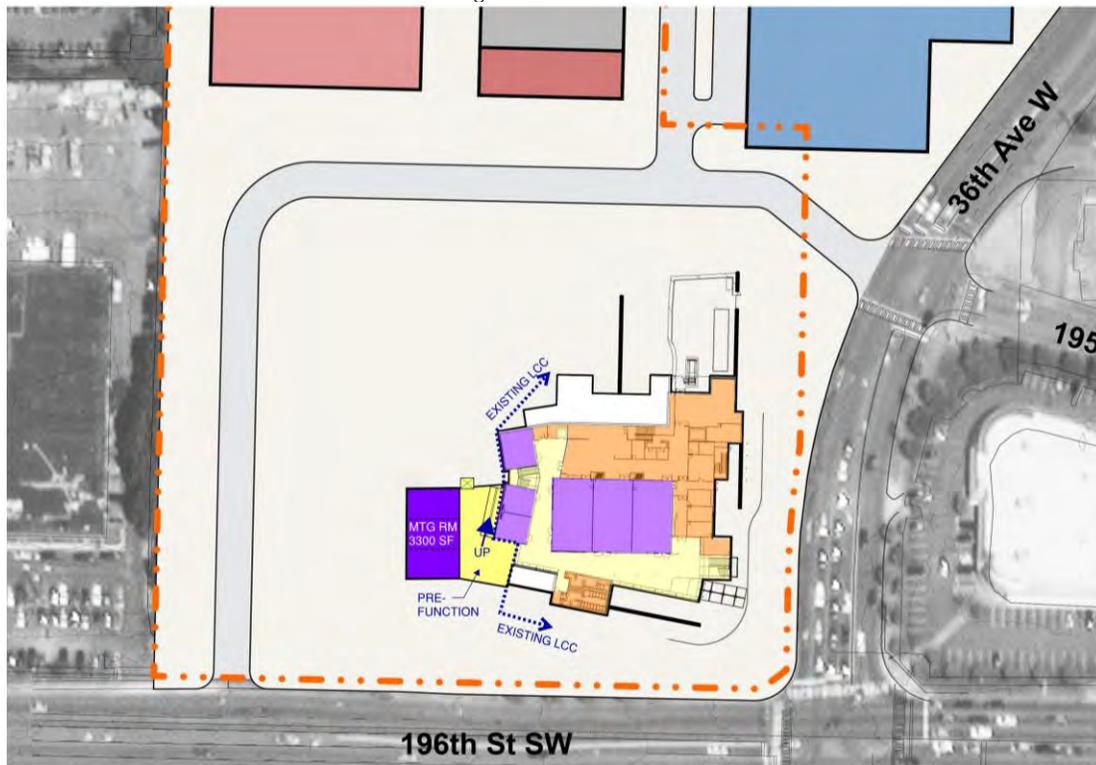
Figure 8-1



As the image above demonstrates, the expanded LCC will have the additional function space and back-of-house space added to the western and northern sides of the existing facility. The headquarter hotel is planned to be developed between the LCC and the existing Best Western Alderwood hotel. The parking garage is situated in the center of the site to offer proximity to the expanded LCC, headquarter hotel and existing and future retail/restaurant space. The LCC campus will open/green space throughout the site to enhance the civic use of the space and bring nature to event attendees. LCC will have direct access from 196<sup>th</sup> Street SW, 36<sup>th</sup> Avenue West and the future 194<sup>th</sup> Street Extension. There will also be a parcel available for future development, which could be used to add another hotel, additional parking and/or retail or other uses not studied in this report.

The drawing below from LMN is a view of the lower level layout of the expanded LCC.

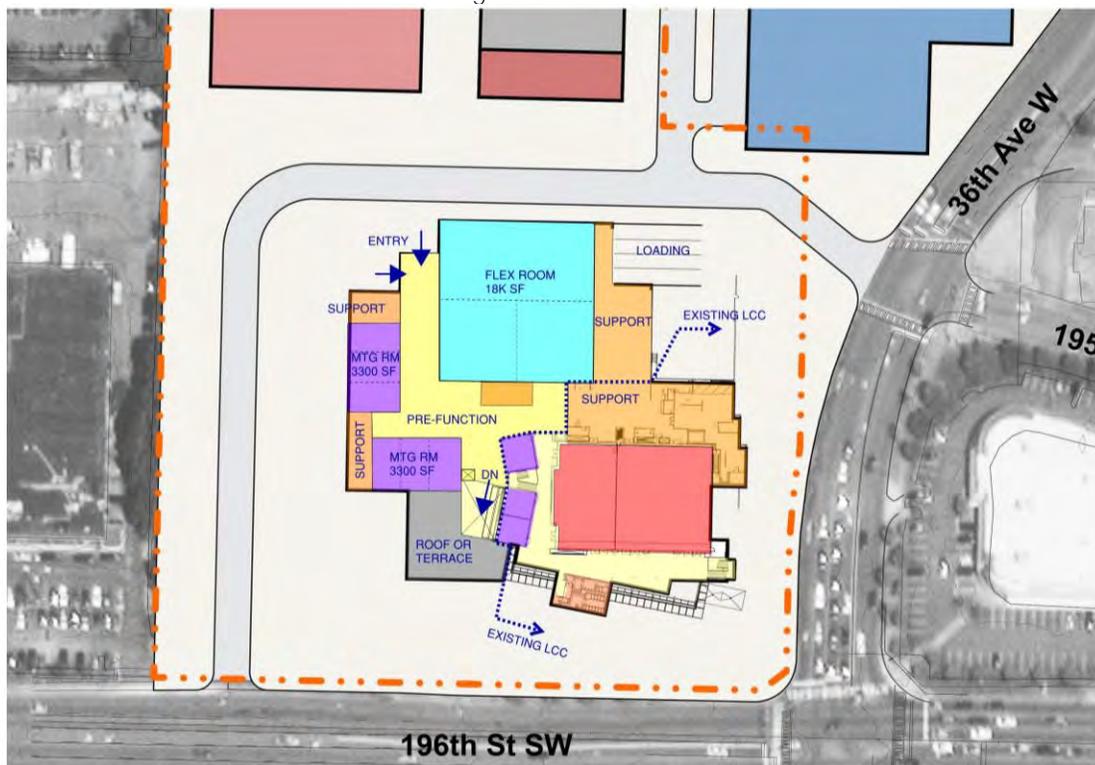
Figure 8-2



The lower level of the LCC is expected to remain mostly unchanged, though it will be part of the renovation project that is being conducted separate from this analysis.

The drawing below from LMN is the expanded upper level of the LCC.

Figure 8-3



The additional 58,000 square feet of function, pre-function and back-of-house space is shown to be added to the existing upper level of the LCC. As mentioned previously, this includes a new 18,000-square foot flex space and nearly 10,000 square feet of meeting space.

### Implications

The recommended LCC expansion, headquarter hotel, parking garage and other elements all fit within the existing PFD site and offer space for additional future development once completed. Due to the high cost of the entire recommended package, HSP recommends that the headquarter hotel be the piece that is delayed for development, though still remains a very critical part of the Project in order to maximize the performance and utilization of the others.

HSP also projected the performance of the expanded Lynnwood Convention Center, as well as the headquarter hotel, informed by the previously presented market analyses. These projections were then used to estimate the economic, employment and fiscal impact of the overall Project on the local community. This information is presented in the next two chapters.

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## DEMAND AND FINANCIAL PROJECTIONS

Based on information that was provided to and gathered by HSP regarding the Project and the markets within which it will participate demand and financial projections were made for an expanded Lynnwood Convention Center (LCC) and the development of a 250-room headquarter hotel.

### Expanded Lynnwood Convention Center

The following table shows the projected number of events at the expanded LCC.

Table 9-1

Projection of Events by Type - Expanded Lynnwood Convention Center					
Event Type	Year 1	Year 2	Year 3	Year 4	Year 5
Banquet	90	101	108	113	116
Conference	10	13	15	17	18
Consumer Show	22	24	26	27	27
Convention	30	34	37	38	39
Meeting	295	319	334	344	349
Special Event	40	43	45	47	47
Trade Show	8	10	12	13	13
<b>Total</b>	<b>495</b>	<b>544</b>	<b>576</b>	<b>597</b>	<b>610</b>

Source: Hunden Strategic Partners

Overall, HSP expects the expanded LCC to be able to operate similar to a two-piston engine, hosting simultaneous events with the use of two ballrooms and individual pods of supporting breakout rooms. The LCC is expected to host between 495 and 610 events per year during the first ten years of operation post-expansion. Essentially 35 percent of events are expected to utilize ballroom space, while the majority of the remaining events are small meetings. For Years 6 – 10, HSP projected forward Year 5 performance with the same number of total events and of each type.

The LCC is also expected to book between 70 and 98 exhibit events per year during the period, most of which will be conventions and consumer shows. Conferences are also expected to more than triple compared to the average in recent years.

The following table shows the projected average number of event days per event for the expanded LCC.

Table 9-2

Projection of Event Days - Expanded Lynnwood Convention Center					
Event Type	Year 1	Year 2	Year 3	Year 4	Year 5
Banquet	1.00	1.00	1.00	1.00	1.00
Conference	2.67	2.75	2.83	2.92	3.01
Consumer Show	2.33	2.40	2.47	2.55	2.62
Convention	2.25	2.32	2.39	2.46	2.53
Meeting	1.20	1.24	1.27	1.31	1.35
Special Event	1.30	1.34	1.38	1.42	1.46
Trade Show	1.67	1.72	1.77	1.82	1.88
<b>Total</b>	<b>1.77</b>	<b>1.82</b>	<b>1.87</b>	<b>1.93</b>	<b>1.98</b>

Source: Hunden Strategic Partners

Due to an expectation of larger groups and more statewide and regional groups hosting events at the LCC, HSP projects that the length of events will increase once the LCC is expanded. Banquets are expected to remain as single-day events, while nearly every other event type is projected to be incrementally longer during the period shown.

It is also important to note as events become longer, additional room nights will be generated, causing more spending and impact in the Lynnwood community and surrounding area.

The following table shows the number of event days hosted annually at the expanded LCC.

Table 9-3

Projection of Event Days by Type - Expanded Lynnwood Convention Center					
Event Type	Year 1	Year 2	Year 3	Year 4	Year 5
Banquet	90	101	108	113	116
Conference	27	36	43	50	54
Consumer Show	51	58	63	68	71
Convention	68	79	87	94	100
Meeting	354	394	425	450	472
Special Event	52	58	62	66	69
Trade Show	13	17	20	23	25
<b>Total</b>	<b>655</b>	<b>742</b>	<b>810</b>	<b>864</b>	<b>907</b>

Source: Hunden Strategic Partners

With the number and length of events increasing, total event days for the LCC are expected to increase significantly. In the five years shown, total event days are expected to increase by approximately 80 percent from the 514 reported in 2018 to more than 900 in Year 5.

The following table shows the projected average attendance per event by type at the LCC once expanded.

Table 9-4

Projection of Attendance by Type - Expanded Lynnwood Convention Center					
Event Type	Year 1	Year 2	Year 3	Year 4	Year 5
Banquet	225	248	262	272	278
Conference	333	380	412	432	445
Consumer Show	1,250	1,450	1,589	1,681	1,739
Convention	500	560	600	626	642
Meeting	100	110	117	121	123
Special Event	500	560	600	626	642
Trade Show	250	300	336	360	376

Source: Hunden Strategic Partners

Based on the recommended scenario presented in the previous chapter, the LCC would have an additional 28,000 square feet of sellable space, representing an increase of 133 percent. The new, larger ballroom could host up to 1,200 attendees for a banquet, which is an increase of nearly 500 compared to Room 2DE, which is the largest space the LCC offers currently. The expanded largest room capacity and total sellable space will allow and is expected to encourage the growth of events to larger attendee counts on average.

The following table shows the projected annual attendance by event type at the LCC once expanded.

Table 9-5

Projection of Attendance - Expanded Lynnwood Convention Center					
Event Type	Year 1	Year 2	Year 3	Year 4	Year 5
Banquet	20,000	25,000	28,000	31,000	32,000
Conference	3,000	5,000	6,000	7,000	8,000
Consumer Show	28,000	35,000	41,000	45,000	47,000
Convention	15,000	19,000	22,000	24,000	25,000
Meeting	30,000	35,000	39,000	41,000	43,000
Special Event	20,000	24,000	27,000	29,000	30,000
Trade Show	2,000	3,000	4,000	5,000	5,000
<b>Total</b>	<b>118,000</b>	<b>146,000</b>	<b>167,000</b>	<b>182,000</b>	<b>190,000</b>

Source: Hunden Strategic Partners

HSP projects that the expanded LCC will attract approximately 190,000 attendees once the expansion stabilizes in Year 5. The majority of these attendees will come from consumer shows, followed by meetings and banquets. This level of attendance would be nearly double that of the average annual attendance at the LCC in the past five years.

The following table shows the projected average revenue per attendee for the expanded LCC.

Table 9-6

Lynnwood Convention Center - Average Revenue per Attendee					
Event Type	Year 1	Year 2	Year 3	Year 4	Year 5
Banquet	\$69	\$71	\$72	\$74	\$75
Conference	\$63	\$64	\$66	\$67	\$69
Consumer Show	\$14	\$14	\$15	\$15	\$15
Convention	\$80	\$82	\$84	\$85	\$87
Meeting	\$35	\$36	\$37	\$37	\$38
Special Event	\$11	\$11	\$11	\$12	\$12
Trade Show	\$47	\$48	\$49	\$50	\$51

Source: Hunden Strategic Partners

Based upon the data provided by LCC management and expected increases in food and beverage services and other revenue streams, HSP projected increases to the average revenue per attendee by event type. The per attendee revenue figures in Year 1 are based on the average of the most recent three years of data (2015 – 2018). From there HSP projected these figures forward by inflating them 2.2 percent each year, which is essentially just an actual CPI inflation adjustment.

The following table shows the projected average revenue per event for the expanded LCC.

Table 9-7

Projection of Revenue by Event - Expanded Lynnwood Convention Center					
Event Type	Year 1	Year 2	Year 3	Year 4	Year 5
Banquet	\$15,525	\$17,453	\$18,907	\$20,019	\$20,901
Conference	\$20,979	\$24,442	\$27,078	\$29,069	\$30,607
Consumer Show	\$17,500	\$20,747	\$23,239	\$25,118	\$26,558
Convention	\$40,000	\$45,786	\$50,162	\$53,480	\$56,073
Meeting	\$3,500	\$3,935	\$4,263	\$4,513	\$4,712
Special Event	\$5,500	\$6,296	\$6,897	\$7,354	\$7,710
Trade Show	\$11,750	\$14,410	\$16,494	\$18,071	\$19,267

Source: Hunden Strategic Partners

The table above is the result of the projected attendance per event and revenue per attendee figures shown previously in this chapter. Conventions are expected to generate the most revenue per event with more than \$56,000 in revenue in Year 5 for each convention hosted. Other than meetings and special events, most events expected to generate approximately \$20,000 or more each.

The following table shows the pro forma for the expanded LCC.

Table 9-8

Projection of Revenue & Expense - Expanded Lynnwood Convention Center					
Revenue by Event Type	Year 1	Year 2	Year 3	Year 4	Year 5
Banquet	\$1,400,000	\$1,760,000	\$2,040,000	\$2,260,000	\$2,420,000
Conference	\$210,000	\$320,000	\$420,000	\$490,000	\$550,000
Consumer Show	\$390,000	\$500,000	\$600,000	\$670,000	\$720,000
Convention	\$1,200,000	\$1,550,000	\$1,830,000	\$2,050,000	\$2,210,000
Meeting	\$1,030,000	\$1,250,000	\$1,420,000	\$1,550,000	\$1,650,000
Special Event	\$220,000	\$270,000	\$310,000	\$340,000	\$370,000
Trade Show	\$90,000	\$140,000	\$190,000	\$230,000	\$250,000
<b>Total</b>	<b>\$4,540,000</b>	<b>\$5,790,000</b>	<b>\$6,810,000</b>	<b>\$7,590,000</b>	<b>\$8,170,000</b>
Direct Event Expenses	\$1,740,000	\$2,280,000	\$2,750,000	\$3,140,000	\$3,460,000
Indirect Expenses					
Employee Wages and Benefits	\$1,640,000	\$1,722,000	\$1,808,000	\$1,898,000	\$1,993,000
Operations	\$309,000	\$394,000	\$463,000	\$516,000	\$556,000
Repairs and Maintenance	\$70,000	\$90,000	\$110,000	\$120,000	\$130,000
Supplies	\$200,000	\$250,000	\$300,000	\$330,000	\$350,000
Insurance	\$55,000	\$57,000	\$59,000	\$61,000	\$63,000
Utilities	\$222,000	\$229,000	\$236,000	\$243,000	\$250,000
General and Administration	\$163,000	\$168,000	\$173,000	\$178,000	\$183,000
FF&E	\$18,000	\$19,000	\$20,000	\$21,000	\$22,000
Management Fee	\$120,000	\$120,000	\$120,000	\$120,000	\$120,000
<b>Total</b>	<b>\$2,797,000</b>	<b>\$3,049,000</b>	<b>\$3,289,000</b>	<b>\$3,487,000</b>	<b>\$3,667,000</b>
Total Expenses	\$4,537,000	\$5,329,000	\$6,039,000	\$6,627,000	\$7,127,000
Reserve for Replacement	\$136,200	\$173,700	\$204,300	\$227,700	\$245,100
<b>LCC Net Income (Loss)</b>	<b>(\$133,200)</b>	<b>\$287,300</b>	<b>\$566,700</b>	<b>\$735,300</b>	<b>\$797,900</b>

Source: Hunden Strategic Partners

The LCC is expected to generate between \$4.5 million and \$8.2 million per year in operating revenues, 30 percent of which is expected to come from banquets, which mostly consist of food and beverage revenues. Again, these revenues for each event type are calculations of the revenue per event and number of events shown previously.

Based on data provided by LCC management, HSP projected the direct event expenses based on the average percentage of revenues represented thereby, beginning at 38 percent in Year 1. This percentage then increases marginally each year. Direct event expenses are expected to total between \$1.7 million in the first year and up to \$3.5 million in Year 5. Salaries and wages far outweigh other expenses at \$2 million or 54 percent in Year 5. The management fee is currently \$120,000 per year for SMG's services, so HSP assumed the fee would remain consistent post-expansion.

These figures lead to an operation deficit in the first year, however, as there is already latent demand in the market, events and attendance are expected to ramp up quickly once the expansion is opened. Starting Year 2 the LCC is expected to become operationally profitable, generating nearly \$250,000 in net income. Net income is expected to increase to nearly \$750,000 in Year 5.

## 250-room Headquarter Hotel

This section shows the projections for the 250-room Headquarter Hotel for the LCC.

The following table shows the estimated performance for the Headquarter Hotel's competitive set in 2018.

Table 9-9

Competitive Set Hotels Estimated Occupancy, Rate & Market Segmentation for 2018								
Hotel	Rooms	Occupancy	Avg. Daily		RevPAR Yield	Market Segmentation		
			Rate	RevPAR		Corp. Transient	Group	Leisure
Best Western Alderwood	137	64%	\$107	\$68	71%	35%	25%	40%
Hampton Inn Seattle North Lynnwood	152	75%	\$125	\$94	97%	55%	15%	30%
Holiday Inn Express & Suites Seattle North Lynnwood	80	71%	\$127	\$90	93%	45%	15%	40%
Embassy Suites by Hilton Seattle North Lynnwood	240	74%	\$144	\$107	110%	55%	20%	25%
Residence Inn Seattle North Lynnwood	120	75%	\$138	\$104	107%	50%	15%	35%
Homewood Suites by Hilton Lynnwood Seattle Everett	170	74%	\$126	\$93	96%	45%	20%	35%
Hilton Garden Inn Seattle Bothell	128	68%	\$169	\$115	119%	50%	15%	35%
Total/Weighted Averages	1,027	71.9%	\$134.46	\$97	100%	49%	18%	33%

Source: Hunden Strategic Partners

HSP has estimated the 2018 performance of the competitive set of hotels that will compete with the Headquarter Hotel once constructed. The estimates are based upon conversations with various hotel managers and other stakeholders in Lynnwood. The competitive set had an ADR of \$134.46 and nearly 72 percent occupancy during 2018.

The following table show the estimated competitive set segmentation.

Table 9-10

Estimated Competitive Set Segmentation	
Corporate Transient	49%
Group	18%
Leisure	33%
Total	<u>100%</u>

Source: Hunden Strategic Partners

Based on the same conversations mentioned on the previous slide, HSP has estimated the segmentation of the Lynnwood hotel market. Nearly 50% is corporate, another third is generated by leisure demand.

The following table shows the estimated competitive set demand growth.

Table 9-11

Estimated Competitive Set Demand Growth by Segment												
Year	Corporate Transient	% Change	Group	% Change	Leisure	% Change	Total Demand	% Change	Total Supply	% Change	Total Rooms	Occupancy
2013	133,441	--	49,715	--	89,408	--	272,564	--	374,125	--	1,025	72.9%
2014	150,146	12.5%	55,938	12.5%	100,601	12.5%	306,685	--	414,550	--	1,136	74.0%
2015	149,733	-0.3%	55,784	-0.3%	100,325	-0.3%	305,842	-0.3%	435,575	5.1%	1,193	70.2%
2016	151,795	1.4%	56,552	1.4%	101,706	1.4%	310,053	1.4%	436,175	0.1%	1,195	71.1%
2017	154,141	1.5%	57,427	1.5%	103,278	1.5%	314,846	1.5%	436,175	0.0%	1,195	72.2%
2018	153,075	-0.7%	57,030	-0.7%	102,564	-0.7%	312,669	-0.7%	435,075	-0.3%	1,192	71.9%
2019	153,075	0.0%	57,030	0.0%	102,051	-0.5%	312,156	-0.2%	435,075	0.0%	1,192	71.7%
2020	160,729	5.0%	60,451	6.0%	105,113	3.0%	326,293	4.5%	489,825	12.6%	1,342	66.6%
2021	165,551	3.0%	62,869	4.0%	107,215	2.0%	335,635	2.9%	489,825	0.0%	1,342	68.5%
2022	168,862	2.0%	64,441	2.5%	108,287	1.0%	341,590	1.8%	489,825	0.0%	1,342	69.7%
2023	175,617	4.0%	80,551	25.0%	111,536	3.0%	367,704	7.6%	581,075	18.6%	1,592	63.3%
2024	180,885	3.0%	91,829	14.0%	113,766	2.0%	386,480	5.1%	581,075	0.0%	1,592	66.5%
2025	184,503	2.0%	99,175	8.0%	115,473	1.5%	399,151	3.3%	581,075	0.0%	1,592	68.7%
2026	186,348	1.0%	104,134	5.0%	116,628	1.0%	407,109	2.0%	581,075	0.0%	1,592	70.1%
2027	186,348	0.0%	104,134	0.0%	116,628	0.0%	407,109	0.0%	581,075	0.0%	1,592	70.1%
2028	186,348	0.0%	104,134	0.0%	116,628	0.0%	407,109	0.0%	581,075	0.0%	1,592	70.1%
2029	186,348	0.0%	104,134	0.0%	116,628	0.0%	407,109	0.0%	581,075	0.0%	1,592	70.1%
2030	186,348	0.0%	104,134	0.0%	116,628	0.0%	407,109	0.0%	581,075	0.0%	1,592	70.1%
2031	186,348	0.0%	104,134	0.0%	116,628	0.0%	407,109	0.0%	581,075	0.0%	1,592	70.1%
2032	186,348	0.0%	104,134	0.0%	116,628	0.0%	407,109	0.0%	581,075	0.0%	1,592	70.1%

Source: Hunden Strategic Partners

Demand for the competitive set is expected to grow from 313,000 room nights in 2018 to 407,000 in 2026, which is when the Headquarter Hotel is expected to stabilize. Supply of hotel room nights is expected to spike from 435,000 to 581,000 during the same period due to the development of the 150-room Hilton Garden Inn expected to open in 2020, as well as the 250-room Headquarter Hotel in 2023.

Due to the additional supply and the time expected for the market to absorb these room nights, occupancy is expected to decrease from 71.9 percent in 2018 to 63.3 percent the year the Headquarter Hotel opens before rebounding to 70.1 percent in 2026.

The following table shows the estimated difference in competitive set hotel room nights from the baseline.

Table 9-12

Competitive Set Room Night Demand Growth by Segment											
Segment	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Corporate Transient	6,754	12,023	15,641	17,486	17,486	17,486	17,486	17,486	17,486	17,486	
Group	16,110	27,387	34,734	39,693	39,693	39,693	39,693	39,693	39,693	39,693	
Leisure	3,249	5,479	7,186	8,341	8,341	8,341	8,341	8,341	8,341	8,341	
Total	26,113	44,890	57,560	65,519	65,519	65,519	65,519	65,519	65,519	65,519	

Source: Hunden Strategic Partners

Demand is expected to grow by 65,500 room nights following the completion and stabilization of the Headquarter Hotel. Most of this growth is expected to come from the group segment, considering the expansion of the LCC will drive many of the new room nights in the market.

The following table shows the Headquarter Hotel's estimated market penetration.

Table 9-13

Estimated Market Penetration - 250-Room HQ Hotel						
Year	Corporate Transient	Group	Leisure	Total Penetration	Projected Set Occupancy	Subject Occupancy
2023	98%	160%	50%	97%	63%	61%
2024	105%	170%	45%	103%	67%	68%
2025	107%	180%	40%	106%	69%	73%
2026	107%	180%	40%	106%	70%	75%
2027	107%	180%	40%	106%	70%	75%
2028	107%	180%	40%	106%	70%	75%
2029	107%	180%	40%	106%	70%	75%
2030	107%	180%	40%	106%	70%	75%
2031	107%	180%	40%	106%	70%	75%
2032	107%	180%	40%	106%	70%	75%

Source: Hunden Strategic Partners

The Headquarter Hotel is projected to outperform the competitive set by 80 percent in group segmentation and virtually match the competitive set in corporate segmentation, while underperforming in the leisure market, which tends to be more prices sensitive in Lynnwood. On an occupancy basis, the Headquarter Hotel is expected to outperform the competitive set by five percentage points upon stabilization.

The following table shows the project demand for the Headquarter Hotel.

Table 9-14

Projected Demand for Proposed 250-Room HQ Hotel											
Year	Corporate Transient	% Change	Group	% Change	Leisure	% Change	Total Demand	% Change	Total Supply	Total Rooms	Occupancy
2023	27,027	--	20,239	--	8,758	--	56,023	--	91,250	250	61%
2024	29,826	10.4%	24,515	21.1%	8,039	-8.2%	62,380	11.3%	91,250	250	68%
2025	31,002	3.9%	28,033	14.4%	7,253	-9.8%	66,289	6.3%	91,250	250	73%
2026	31,312	1.0%	29,435	5.0%	7,326	1.0%	68,073	2.7%	91,250	250	75%
2027	31,312	0.0%	29,435	0.0%	7,326	0.0%	68,073	0.0%	91,250	250	75%
2028	31,312	0.0%	29,435	0.0%	7,326	0.0%	68,073	0.0%	91,250	250	75%
2029	31,312	0.0%	29,435	0.0%	7,326	0.0%	68,073	0.0%	91,250	250	75%
2030	31,312	0.0%	29,435	0.0%	7,326	0.0%	68,073	0.0%	91,250	250	75%
2031	31,312	0.0%	29,435	0.0%	7,326	0.0%	68,073	0.0%	91,250	250	75%
2032	31,312	0.0%	29,435	0.0%	7,326	0.0%	68,073	0.0%	91,250	250	75%

Source: Hunden Strategic Partners

HSP projects that the Headquarter Hotel will sell approximately 68,000 room nights each year upon stabilization, which implies an occupancy rate of 75 percent.

The following table compares the stabilized segmentation mix between the competitive set and the Headquarter Hotel.

Table 9-15

Projected Hotel Stabilized Demand Mix vs. Comp Set		
Segment	Hotel at Stabilization	Comp Set
Corporate	46%	49%
Group	43%	19%
Leisure	11%	32%
Total	100%	100%

Source: Hunden Strategic Partners

The Headquarter Hotel is expected to have approximately 46 percent of its room nights generated by corporate, while 43 percent comes from group. The competitive set is projected to be more leisure focused than the Headquarter Hotel.

The following table shows the average daily rate projections for the Headquarter Hotel.

Table 9-16

Average Daily Room Rate Projections - 250-Room HQ Hotel					
Year	Comp. Set ADR	Annual Increase	Hotel Rate Penetration	Projected Hotel Rate	Annual Increase
2013	\$118	--	--	--	--
2014	\$126	6.9%	--	--	--
2015	\$134	5.8%	--	--	--
2016	\$134	0.2%	--	--	--
2017	\$135	0.5%	--	--	--
2018	\$134	-0.1%	--	--	--
2019	\$137	2.0%	--	--	--
2020	\$140	2.2%	--	--	--
2021	\$143	2.2%	--	--	--
2022	\$146	2.2%	--	--	--
2023	\$150	2.2%	123%	\$185	--
2024	\$153	2.2%	123%	\$188	2.0%
2025	\$156	2.2%	123%	\$192	1.8%
2026	\$160	2.2%	122%	\$195	1.9%
2027	\$163	2.2%	122%	\$200	2.2%
2028	\$167	2.2%	122%	\$204	2.2%
2029	\$170	2.2%	122%	\$209	2.2%
2030	\$174	2.2%	122%	\$213	2.2%
2031	\$178	2.2%	122%	\$218	2.2%
2032	\$182	2.2%	122%	\$223	2.2%

Source: Hunden Strategic Partners



HSP projects that the Headquarter Hotel will begin at \$185 ADR and increase to \$233 by 2032. These rates indicate a penetration of the market of 122 percent, meaning the Headquarter Hotel will generate rates 22 percent higher than the competitive set.

The following table shows the projected average daily rate and occupancy for the Headquarter Hotel.

Table 9-17

Performance Projections				
Year	Average Daily Rate	Occupancy	Revenue per Available Room	Annual Increase
Year 1	\$185	61%	\$113	--
Year 2	\$188	68%	\$129	13.6%
Year 3	\$192	73%	\$139	8.2%
Year 4	\$195	75%	\$146	4.7%
Year 5	\$200	75%	\$149	2.2%
Year 6	\$204	75%	\$152	2.2%
Year 7	\$209	75%	\$156	2.2%
Year 8	\$213	75%	\$159	2.2%
Year 9	\$218	75%	\$163	2.2%
Year 10	\$223	75%	\$166	2.2%

Source: Hunden Strategic Partners

The Headquarter Hotel is expected to increase its performance during the ten-year period shown from \$113 of revenue per available room (RevPAR) to \$166.

The following table shows the pro forma for the Headquarter Hotel.

Table 9-18

Projection of Income & Expense (in \$000, inflated) - 250-Room Full-Service HQ Hotel									
	Year 1				Year 2	Year 3	Year 4	Year 5	Year 10
	\$	%	PAR	POR	\$	\$	\$	\$	
Room Count	250				250	250	250	250	250
Available Room Nights	91,250				91,250	91,250	91,250	91,250	91,250
Occupancy Rates	73%				75%	75%	75%	75%	75%
Occupied Room Nights	66,289				68,073	68,073	68,073	68,073	68,073
Average Daily Rate	\$185				\$185	\$188	\$192	\$195	\$218
RevPAR	\$134				\$138	\$141	\$143	\$146	\$163
Percent of Change from Prior Year	--				2.7%	2.0%	1.8%	1.9%	2.2%
<b>REVENUE</b>									
Rooms	\$12,243	68.0%	\$48,972	\$185	\$12,573	\$12,825	\$13,055	\$13,307	\$14,836
Hotel Food and Beverage/Catering	4,963	27.6%	\$19,854	\$75	5,112	5,231	5,341	5,444	6,069
Other Operated Departments	551	3.1%	\$2,206	\$8	568	581	593	605	674
Rentals and Other Income	368	2.0%	\$1,471	\$6	379	387	396	403	518
Total Revenue	\$18,015	100.0%	\$72,061	\$272	\$18,556	\$18,985	\$19,385	\$19,758	\$22,097
<b>DEPARTMENTAL EXPENSES</b>									
Rooms	\$3,110	25.4%	\$12,439	\$47	\$2,942	\$2,886	\$2,937	\$2,994	\$3,338
Hotel Food and Beverage	3,325	67.0%	\$13,302	\$50	3,374	3,452	3,472	3,538	3,945
Other Operated Departments	105	19.0%	\$419	\$2	102	105	107	109	121
Rent and Other Income	22	6.0%	\$88	\$0	19	19	20	20	26
Total Departmental Expenses	\$6,562	36.4%	\$26,248	\$99	\$6,437	\$6,462	\$6,536	\$6,661	\$7,430
Gross Operating Income	\$11,453	61.6%	\$45,813	\$173	\$12,119	\$12,523	\$12,850	\$13,097	\$14,667
<b>UNDISTRIBUTED OPERATING EXPENSES</b>									
Administrative and General	\$1,423	7.9%	\$5,693	\$21	\$1,373	\$1,386	\$1,396	\$1,423	\$1,591
Marketing	\$1,009	5.6%	\$4,035	\$15	\$946	\$949	\$950	\$968	\$1,083
Utility Costs	\$865	4.8%	\$3,459	\$13	\$798	\$797	\$814	\$830	\$928
Property Operations and Maintenance	\$937	5.2%	\$3,747	\$14	\$872	\$873	\$892	\$909	\$1,016
Total Undistributed Expenses	\$4,234	23.5%	\$16,934	\$64	\$3,990	\$4,006	\$4,052	\$4,129	\$4,618
Gross Operating Profit	\$7,220	40.1%	\$28,879	\$109	\$8,129	\$8,518	\$8,798	\$8,967	\$10,049
Franchise Fees	\$1,081	6.0%	\$4,324	\$16	\$1,113	\$1,139	\$1,163	\$1,185	\$1,326
<b>FIXED EXPENSES</b>									
Property Taxes	\$238	1.3%	\$950	\$4	475	485	494	504	557
Insurance	198	1.1%	\$793	\$3	186	171	174	178	199
Management Fee	631	3.5%	\$2,522	\$10	649	664	678	692	773
Reserve for Replacement	\$360	2.0%	\$1,441	\$5	\$371	\$570	\$678	\$692	\$773
Total Fixed Expenses	\$1,427	7.9%	\$5,706	\$22	\$1,681	\$1,889	\$2,026	\$2,065	\$2,302
Cash Flow from Operations	\$4,712	26.2%	\$18,849	\$71	\$5,335	\$5,489	\$5,609	\$5,717	\$6,421

Source: Hunden Strategic Partners

The Headquarter Hotel is expected to generate \$18 million in revenue in Year 1, with this figure increasing to \$22.1 million in Year 10. Room revenue is expected to be approximately 67 percent of total revenue with the food and beverage accounting for an additional 27 percent of revenue.

In Year 1, calculations are shown for PAR, per available room, which means the revenue, expense, etc. for each room in the Headquarter Hotel during the entire year, as well as POR, per occupied room, which shows the same items per room night that was sold.

Departmental expenses, such as for rooms and food and beverage, are projected to increase from nearly \$6.6 million in Year 1 to \$7.4 million in Year 10. Undistributed expenses add an additional \$4.2 million to \$4.6 million each year. Fixed expenses also add another \$1.4 million to \$2.3 million each year throughout the period.

The bottom line shows a profit of \$4.7 million in Year 1, increasing to more than \$6.4 million by Year 10. These profits represent a profit margin of approximately 26 percent to 30 percent per year.

The following table shows the supportable financing for the Headquarter Hotel.

Table 9-19

ROI and Financial Structure Assumptions - 150-Room Full Service HQ Hotel												
	Constr. Yr1	Constr. Yr2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Net Operating Income	\$0	\$0	\$4,712	\$5,335	\$5,489	\$5,609	\$5,717	\$5,885	\$6,014	\$6,147	\$6,282	\$6,421
Interest and Debt Reserve W/D	\$770	\$2,310	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Debt Service Payment	(\$770)	(\$2,310)	(\$3,776)	(\$3,776)	(\$3,776)	(\$3,503)	(\$3,503)	(\$3,503)	(\$3,503)	(\$3,503)	(\$3,503)	(\$3,503)
Net Income to Repay Equity	\$0	\$0	\$937	\$1,559	\$1,713	\$2,106	\$2,214	\$2,382	\$2,511	\$2,644	\$2,779	\$2,917
Princ. Amount***	\$11,000	\$33,000	\$44,000	\$43,304	\$42,560	\$41,760	\$41,076	\$40,345	\$39,565	\$38,733	\$37,844	\$36,896
Interest	\$770	\$2,310	\$3,080	\$3,031	\$2,979	\$2,819	\$2,773	\$2,723	\$2,671	\$2,614	\$2,554	\$2,490
Less Payment	(\$770)	(\$2,310)	(\$3,776)	(\$3,776)	(\$3,776)	(\$3,503)	(\$3,503)	(\$3,503)	(\$3,503)	(\$3,503)	(\$3,503)	(\$3,503)
Loan Balance	\$11,000	\$33,000	\$43,304	\$42,560	\$41,764	\$41,076	\$40,345	\$39,565	\$38,733	\$37,844	\$36,896	\$35,883
Assumptions						Refi						
Loan Amount (\$000's)	\$44,000					\$41,760						
Amortization Period (Years)	25					25						
Loan Interest Rate	7.00%					6.75%						
Annual Debt Service Payment (\$000's)	(\$3,776)					(\$3,503)						
Equity:												
Developer's Equity (\$000's)	\$12,000	15%										
Private Debt	\$44,000	56%										
Total Supportable Private Financing	\$56,000	71%	\$224,000	per room								
Gap/Subsidy/Grants	\$22,920	29%	\$92,000	per room								
Project Amount (\$000's)	\$78,920	100%	\$316,000	per room								
Debt (Private) Coverage Ratio			1.25	1.41	1.45	1.60	1.63	1.68	1.72	1.75	1.79	1.83
Return on Private Equity*			7.8%	13.0%	14.3%	17.6%	18.4%	19.8%	20.9%	22.0%	23.2%	24.3%
Return on Assets**			6.0%	6.8%	7.0%	7.1%	7.2%	7.5%	7.6%	7.8%	8.0%	8.1%
*On developer's equity only.												
**On project cost.												
***Assumes 50% draw in Construction Year 1; 75% average during Construction Year 2												
Source: Hunden Strategic Partners												

The recommended Headquarter Hotel is expected to cost nearly \$79 million for 250 rooms, which is a cost of \$316,000 per room. Based on the assumptions in this model, the NOI would be able to support developer equity of \$12 million and an additional \$44 million in private debt. This leaves a funding gap of \$22.9 million for the development of the Headquarter Hotel, which will need to be subsidized by public funds.

These projections are used for calculating the impact of the Project on the local economy, employment and tax collections. The impacts of the Project are presented in the following chapter.

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## ECONOMIC, EMPLOYMENT & FISCAL IMPACT ANALYSIS

This chapter will analyze the expected economic, employment, and fiscal impact expected as a result of the Project.

### Assumptions

The following table shows the assumed per-person spending per day or night on various items.

Table 10-1

Estimated Spending Per Visitor per Day										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Spending per New Visitor - Overnight</b>										
Onsite Food & Beverage	\$27.86	\$28.47	\$29.10	\$29.74	\$30.39	\$31.06	\$31.74	\$32.44	\$33.15	\$33.88
Offsite Food & Beverage	\$30.64	\$31.32	\$32.01	\$32.71	\$33.43	\$34.17	\$34.92	\$35.68	\$36.47	\$37.27
<b>Total Food &amp; Beverage</b>	<b>\$58.50</b>	<b>\$59.79</b>	<b>\$61.10</b>	<b>\$62.45</b>	<b>\$63.82</b>	<b>\$65.22</b>	<b>\$66.66</b>	<b>\$68.13</b>	<b>\$69.62</b>	<b>\$71.16</b>
Lodging Spending	\$126.82	\$130.63	\$134.55	\$138.58	\$142.74	\$147.02	\$151.43	\$155.98	\$160.66	\$165.47
Retail Spending	\$15.55	\$15.89	\$16.24	\$16.60	\$16.96	\$17.34	\$17.72	\$18.11	\$18.51	\$18.91
Transportation Spending	\$12.64	\$12.92	\$13.21	\$13.50	\$13.79	\$14.10	\$14.41	\$14.72	\$15.05	\$15.38
Other Spending	\$12.44	\$12.71	\$12.99	\$13.27	\$13.57	\$13.86	\$14.17	\$14.48	\$14.80	\$15.13
<b>Total Direct Spending</b>	<b>\$225.95</b>	<b>\$231.94</b>	<b>\$238.08</b>	<b>\$244.40</b>	<b>\$250.88</b>	<b>\$257.55</b>	<b>\$264.39</b>	<b>\$271.42</b>	<b>\$278.63</b>	<b>\$286.05</b>
<b>Spending per Visitor - Day Trip</b>										
Onsite Food & Beverage	\$19.50	\$19.93	\$20.37	\$20.82	\$21.27	\$21.74	\$22.22	\$22.71	\$23.21	\$23.72
Offsite Food & Beverage	\$21.45	\$21.92	\$22.40	\$22.90	\$23.40	\$23.92	\$24.44	\$24.98	\$25.53	\$26.09
<b>Total Food &amp; Beverage</b>	<b>\$40.95</b>	<b>\$41.85</b>	<b>\$42.77</b>	<b>\$43.71</b>	<b>\$44.67</b>	<b>\$45.66</b>	<b>\$46.66</b>	<b>\$47.69</b>	<b>\$48.74</b>	<b>\$49.81</b>
Retail Spending	\$9.33	\$9.53	\$9.74	\$9.96	\$10.18	\$10.40	\$10.63	\$10.86	\$11.10	\$11.35
Transportation Spending	\$7.59	\$7.75	\$7.92	\$8.10	\$8.28	\$8.46	\$8.64	\$8.83	\$9.03	\$9.23
Other Spending	\$7.46	\$7.63	\$7.79	\$7.96	\$8.14	\$8.32	\$8.50	\$8.69	\$8.88	\$9.08
<b>Total Direct Spending</b>	<b>\$65.33</b>	<b>\$66.76</b>	<b>\$68.23</b>	<b>\$69.73</b>	<b>\$71.27</b>	<b>\$72.84</b>	<b>\$74.44</b>	<b>\$76.08</b>	<b>\$77.75</b>	<b>\$79.46</b>

Source: Hunden Strategic Partners

Over the 10-year period, the spend per overnight visitor is expected to grow from \$226 in Year 1 (2023) to \$286 in Year 10 (2032). Day trip spending is projected to increase from \$65 in Year 1 to \$79 in Year 10. Other than lodging spending for overnight visitors, food and beverage spending is expected to be the largest expenditure for both visitor types.

### Impacts

HSP uses the IMPLAN input-output multiplier model, which determines the level of additional activity in the economy due to additional inputs. For example, for every dollar of direct new spending in Lynnwood, the IMPLAN model provides multipliers for the indirect and induced spending that will result.

The net new and recaptured direct spending discussed earlier in the chapter is considered to be the Direct Impact.

From the direct spending figures, further impact analyses will be completed.

- Indirect Impacts are the supply of goods and services resulting from the initial direct spending. For example, a **visitor's direct expenditure on a hotel room causes** the hotel to purchase linens and other items from suppliers. The portion of these hotel purchases that are within the local economy is considered an indirect economic impact.
- Induced Impacts embody the change in spending due to the personal expenditures by employees whose incomes are affected by direct and indirect spending. For example, a waitress at a restaurant may have more personal income as a result of the **visitor's visit**. The amount of the increased income that the employee spends in the area is considered an induced impact.
- Fiscal Impacts represent the incremental tax revenue collected by the City and County due to the net new economic activity. The fiscal impact represents the **government's** share of total economic benefit. Fiscal impacts provide an offset to the potential public expenditures required to support the development.
- Employment Impacts include the incremental employment provided not only onsite, but due to the spending associated with it. For example, the direct, indirect and induced impacts generate spending, support new and ongoing businesses, and ultimately result in ongoing employment for citizens. HSP will show the number of ongoing jobs supported by the project and provide the resulting income and income taxes generated.

The following table shows the projected direct net new spending related to the Project.

Table 10-2

Direct Net New/Recaptured Spending (000s)							
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Total
Food & Beverage	\$1,883	\$3,271	\$4,239	\$4,951	\$5,060	\$5,642	<b>\$46,424</b>
Lodging	\$2,975	\$5,170	\$6,700	\$7,825	\$7,998	\$8,917	<b>\$73,375</b>
Retail	\$490	\$851	\$1,103	\$1,288	\$1,316	\$1,468	<b>\$12,077</b>
Transportation	\$398	\$692	\$897	\$1,047	\$1,070	\$1,193	<b>\$9,821</b>
Other	\$392	\$680	\$882	\$1,030	\$1,053	\$1,174	<b>\$9,658</b>
<b>Total</b>	<b>\$6,138</b>	<b>\$10,663</b>	<b>\$13,821</b>	<b>\$16,142</b>	<b>\$16,497</b>	<b>\$18,393</b>	<b>\$151,354</b>

Source: Hunden Strategic Partners

Total direct net new spending is expected to total \$6.1 million in Year 1 (2023) and increase to \$18.4 million by 2032, totaling \$151 million over the 10-year period. The greatest impact is expected to be as a result of net new spending on lodging. Food and beverage spending is expected to account for approximately 31 percent of total direct net new spending.

The following table summarizes direct, indirect and induced net new spending due to the Project.

Table 10-3

<b>Direct, Indirect &amp; Induced Net New Spending (000s)</b>							
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 10</b>	<b>Total</b>
<b>Net New Spending</b>							
Direct	\$6,138	\$10,663	\$13,821	\$16,142	\$16,497	\$18,393	<b>\$151,354</b>
Indirect	\$2,058	\$3,576	\$4,635	\$5,413	\$5,532	\$6,168	<b>\$50,754</b>
Induced	\$2,420	\$4,205	\$5,450	\$6,365	\$6,505	\$7,252	<b>\$59,678</b>
<b>Total</b>	<b>\$10,616</b>	<b>\$18,444</b>	<b>\$23,906</b>	<b>\$27,920</b>	<b>\$28,534</b>	<b>\$31,814</b>	<b>\$261,785</b>

Source: Hunden Strategic Partners

In addition to the direct spending shown in Table 10-2, indirect spending is projected to total \$51 million and induced spending is projected to total \$60 million during the 10-year period.

Spending will generate earnings and full-time equivalent jobs in the local economy and these projections are shown below and are based on the multipliers for the various types of spending.

Table 10-4

<b>Net New Earnings from Direct, Indirect &amp; Induced Spending (000s)</b>							
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 10</b>	<b>Total</b>
<b>Net New Earnings</b>							
From Direct	\$1,945	\$3,380	\$4,381	\$5,116	\$5,229	\$5,830	<b>\$47,972</b>
From Indirect	\$668	\$1,160	\$1,503	\$1,756	\$1,794	\$2,000	<b>\$16,461</b>
From Induced	\$730	\$1,267	\$1,643	\$1,919	\$1,961	\$2,186	<b>\$17,990</b>
<b>Total</b>	<b>\$3,342</b>	<b>\$5,807</b>	<b>\$7,527</b>	<b>\$8,791</b>	<b>\$8,984</b>	<b>\$10,017</b>	<b>\$82,423</b>

Source: Hunden Strategic Partners

New earnings are projected to total nearly \$82 million over the 10-year period.

There is a one-time construction impact from the Project's development in both spending and jobs. Since not all labor and materials will be purchased locally, HSP only counted about one-third of the spending as local.

Table 10-5

<b>Construction Impact</b>	
	<b>Impact</b>
Direct Materials Spending	\$ 22,280,000
Indirect Spending	\$ 6,240,000
Induced Spending	\$ 9,940,000
Total	\$ 38,460,000
Direct Labor Spending	\$ 33,415,000
Local New Employment (Job Years)	617
Source: Hunden Strategic Partners	

The Project is expected to cost \$155 million to develop. Impact from direct materials spending is expected to be \$22 million. Indirect and induced spending together is expected to result in \$16 million of impact. Total earnings from construction are expected to be more than \$33 million. Construction is expected to support a total of 617 job-years, which is one full-time equivalent job for one year.

The table below summarizes all expected impacts from the Project.

Table 10-6

<b>Summary of 10-Year Impacts</b>	
<b>Net New Spending</b>	<b>(millions)</b>
Direct	\$151
Indirect	\$51
Induced	\$60
<b>Total</b>	<b>\$262</b>
<b>Net New Earnings</b>	<b>(millions)</b>
From Direct	\$48
From Indirect	\$16
From Induced	\$18
<b>Total</b>	<b>\$82</b>
<b>Net New FTE Jobs</b>	<b>Actual</b>
From Direct	132
From Indirect	45
From Induced	52
<b>Total</b>	<b>229</b>
<b>Taxes Collected</b>	<b>(millions)</b>
Property Tax	\$4.87
City Hotel Tax (2%)	\$1.47
City Sales Tax (4%)	\$4.01
County Hotel Tax (2%)	\$1.47
County Sales Tax (1.3%)	\$1.30
<b>Total</b>	<b>\$13.12</b>
<b>Construction Impact</b>	<b>(millions)</b>
New Materials Spending	\$38.5
New Labor Spending	\$33.4
<b>Job-Years, Actual</b>	<b>617</b>
Source: Hunden Strategic Partners	

With \$262 million in new spending, \$82 million in earnings supporting 229 ongoing jobs, the Project is projected to generate over \$13 million in taxes collected. Construction impact is projected to total over \$70 million from spending and earnings, supporting 617 job-years.

## Conclusion

Based on the impact analysis presented here and the facility-specific projections in the previous chapter, HSP concludes that an expansion of the Lynnwood Convention Center and the additional of a headquarter hotel along with supportive infrastructure and amenities is a compelling opportunity for the Lynnwood PFD



and related bodies to consider as a next in evolving with the growing marketplace for conventions and meetings in the Seattle Metro. Many resources will be needed to bring the Project to fruition, however, with a phased approach and focused effort, the vision presented in this report is attainable and overall would be an asset to Lynnwood and the surrounding community.

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## EXISTING CLIENT MEETING PLANNER SURVEY

HSP conducted a survey of meeting planners and user groups in the region surrounding Lynnwood to understand what these groups desire and require to host their largest events.

HSP summarized the important stakeholder feedback below.

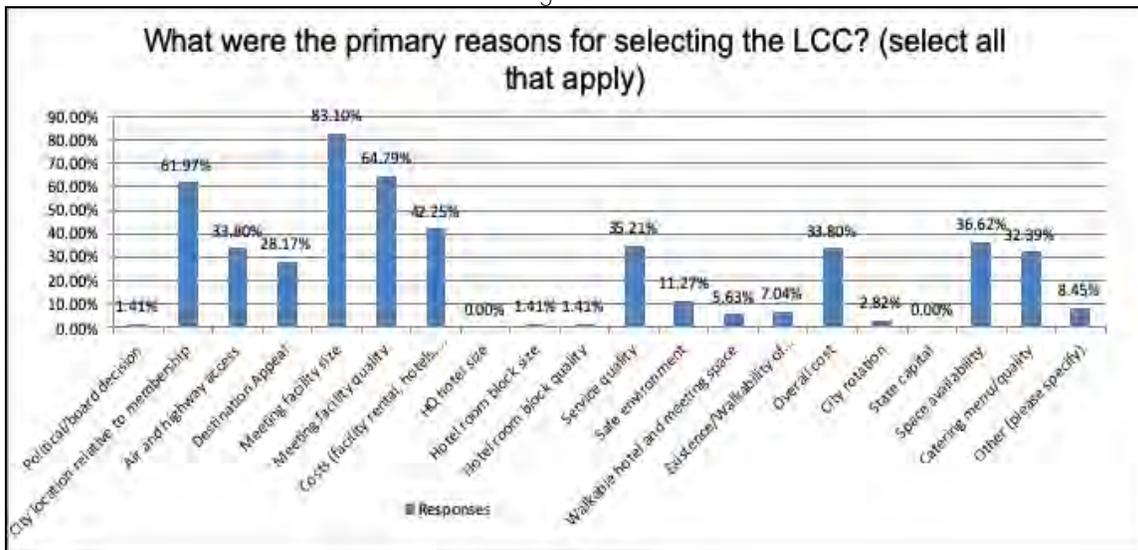
- Regional meeting planners believe Lynnwood offers a strong value, but not the right hospitality/conventions package. While downtown Seattle and Bellevue meeting facilities continue to become more expensive, busier and less convenient, the suburban meeting facilities become more attractive from a convenience and cost perspective. Lynnwood is convenient from I-5 and has very attractive hotel rates and event pricing. However, the space is often too small or already booked and/or there are too few nearby hotel rooms.
- Meeting planners perceive market supply expansion as necessary and likely to continue. Despite the heavy investment and significant growth in the supply of available square feet of meeting space in the Seattle Metro, meeting planners believe that space will continue to be at a premium in the long term. With additional and growing tech and corporate organizations, as well as just greater population, the demand for meeting space may likely continue to outpace that of supply.
- Most respondents (91%) represent current/past clients of the LCC. The majority of survey respondents have held or continue to hold events at the LCC, which means that groups which are too big or otherwise currently do not host events at the LCC are unrepresented or underrepresented.
- **LCC's current clientele** are typically low-rated, low impact groups. The current and past clients that responded to the survey are in categories that are often budget-conscious and value-oriented, meaning they reduce costs for the organization and their attendees as much as possible. More than half (55%) of respondents organize events that generate no room nights at all. **One-third of respondents' events generated 150 or fewer room nights. Many of these groups are local in nature and host most of their events at the LCC or other neighboring communities (Seattle, Bellevue), which lends to most attendees driving in and sleeping at home even during multi-day events. The character of the LCC's clientele matches what is offered currently.**
- Current clients are mostly satisfied with the LCC in terms of quality and space. Clients that currently utilize the entire LCC express the importance of additional exhibit space, though most (85%) require 10,000 square feet or less of exhibit space for their event. Further, current clients desire a larger ballroom to host banquets of approximately 1,000 guests, which would require a ballroom approximately 3,500 square feet larger than 2DE. Having 3-5 additional breakout rooms has also been mentioned. Again, these are the opinions and desires of events that already generally fit in the LCC.
- Parking is a heavily requested enhancement for the LCC. More than one-third of respondents are concerned with available parking at the LCC.

Of the 79 respondents, non-profit (26.6 percent), professional associations (13.9 percent) and corporate organizations (12.7 percent) provided the largest share of the feedback. Non-profit organizations include

Olympic Ballet Theatre and School and the Washington Society of Certified Public Accountants. Professional associations include the Northwest Construction Council and the Washington Association of Naturopathic Physicians. Corporate organizations include Washington Energy and Molina Health Care.

The following figure shows the top reasons respondents gave for not selecting the LCC.

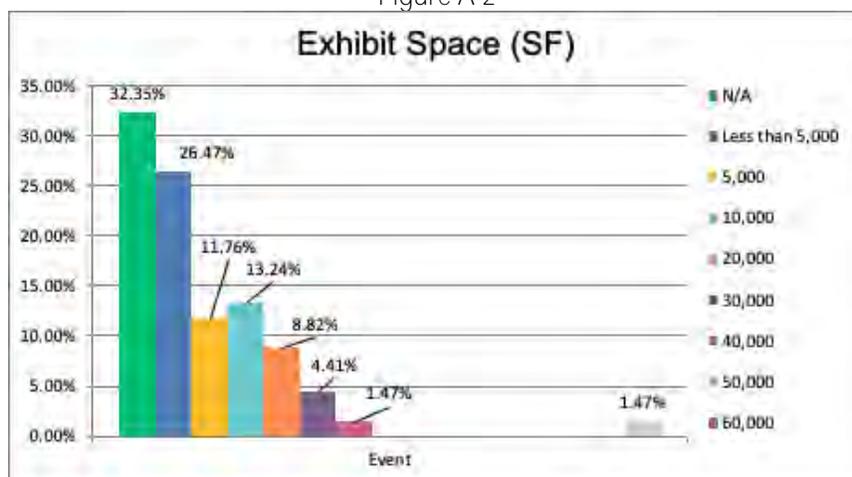
Figure A-1



Respondents overwhelmingly showed more interest in responding to reasons why they chose LCC versus reasons why they did not. Meeting facility size, meeting facility quality, city location relative to membership and costs were often cited positives for organizations who select LCC for functions.

The following figure shows the survey response in regard to minimum exhibit space for largest event.

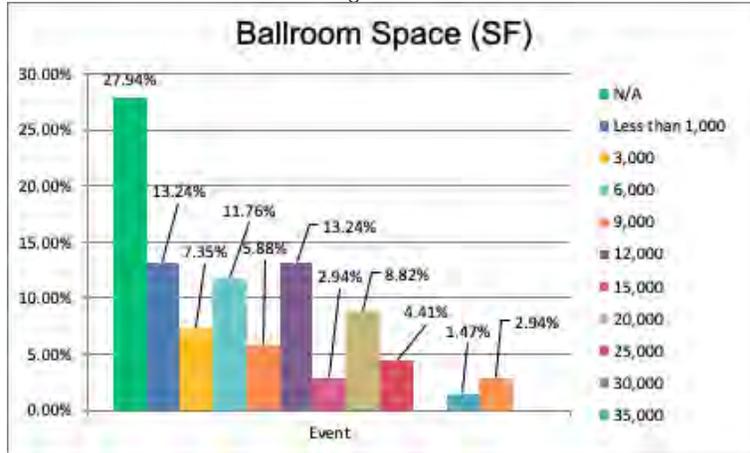
Figure A-2



While the LCC does not currently have dedicated exhibit hall space, many groups utilize 2DE and/or 1DEF for booths. Again, essentially 1/3 of respondents claim to not need any exhibit space whatsoever.

The following figure shows the survey response in regard to minimum ballroom space for largest event.

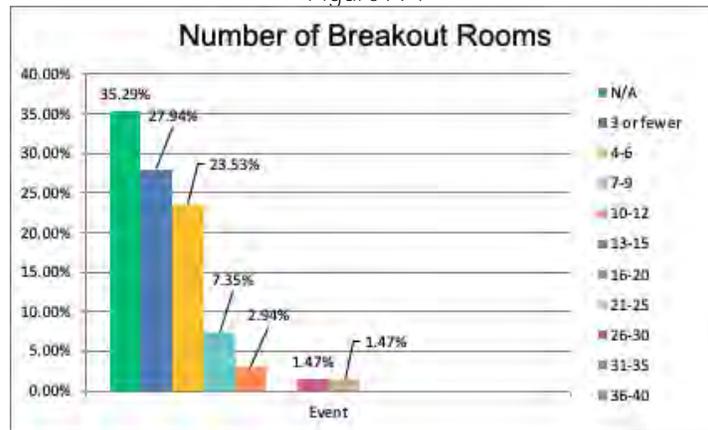
Figure A-3



Nearly 30 percent of respondents do not need ballroom space. While some groups require up to 40,000 square feet of ballroom space, the majority (51 percent) need 12,000 square feet or less, which is what is currently available at the LCC.

The following figure shows the survey response in regard to minimum number of breakout rooms for largest event.

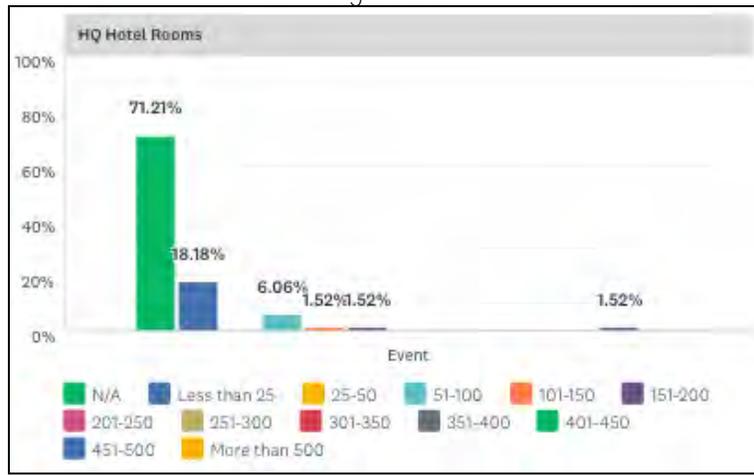
Figure A-4



More than 35 percent of respondents said they do not have a minimum number of breakout rooms. Another 50 percent need six or fewer for their events. The maximum amount requested was 25 breakout rooms, which was requested by only one respondent.

The following figure shows the survey response in regard to minimum number of HQ hotel rooms for largest event.

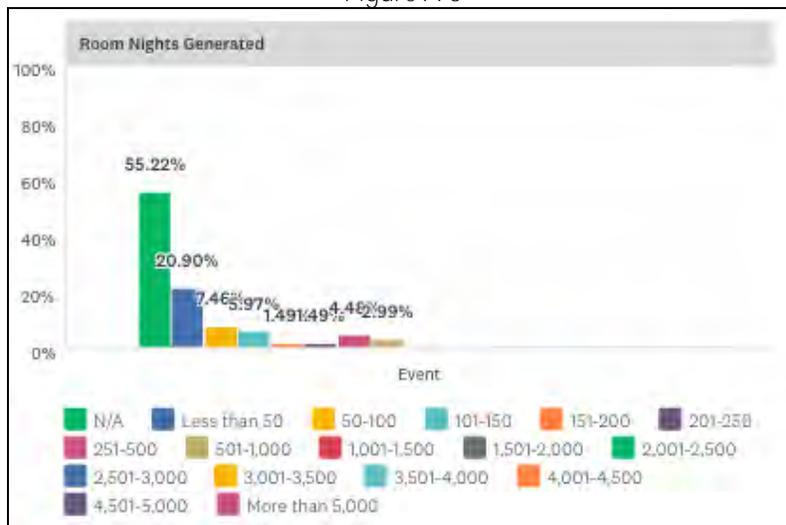
Figure A-5



Approximately 71 percent of respondents do not require any rooms in a headquarter hotel. This lines up very well with the local, drive-in nature of LCC's existing clientele.

The following figure shows the survey response in regard to number of room nights generated for largest event.

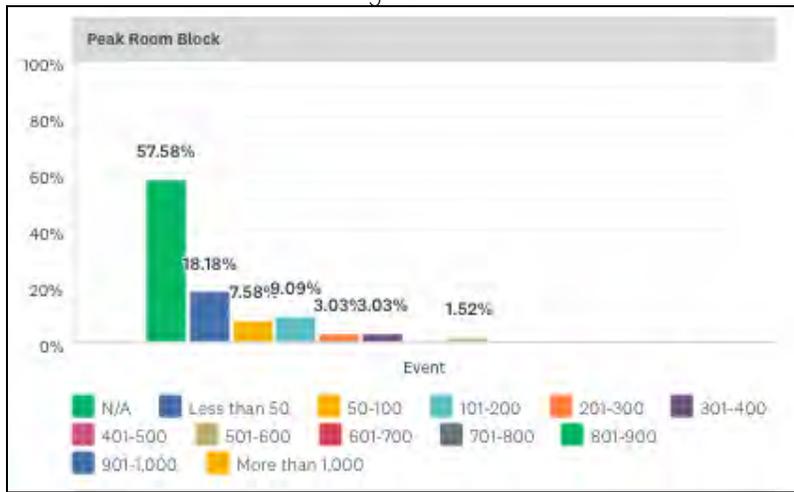
Figure A-6



More than half (55 percent) of respondents do not expect to generate any room nights at all. Another 25 percent expects to generate 100 or fewer. The current clientele of the LCC is generally low impact because relatively few overnight stays occur as a result of hosting their events.

The following figure shows the survey response in regard to peak room block for largest event.

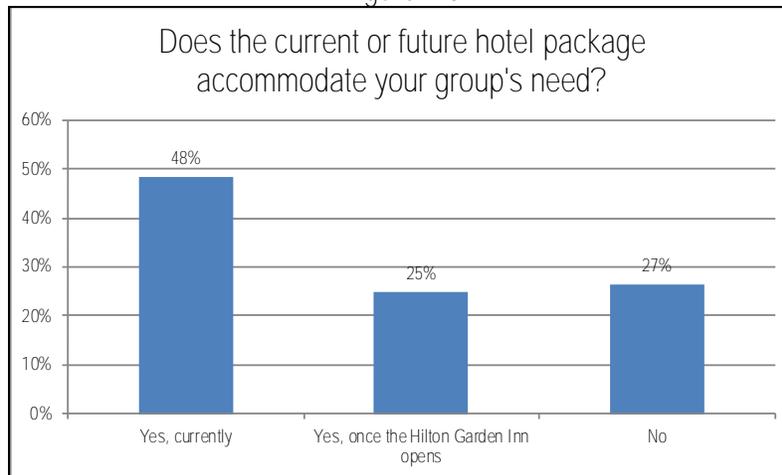
Figure A-7



Matching almost precisely with the previous question, more than half of respondents generate no room nights and therefore no peak room block.

HSP asked respondents if the current walkable hotel package at the LCC met their needs. The following figure illustrates the response.

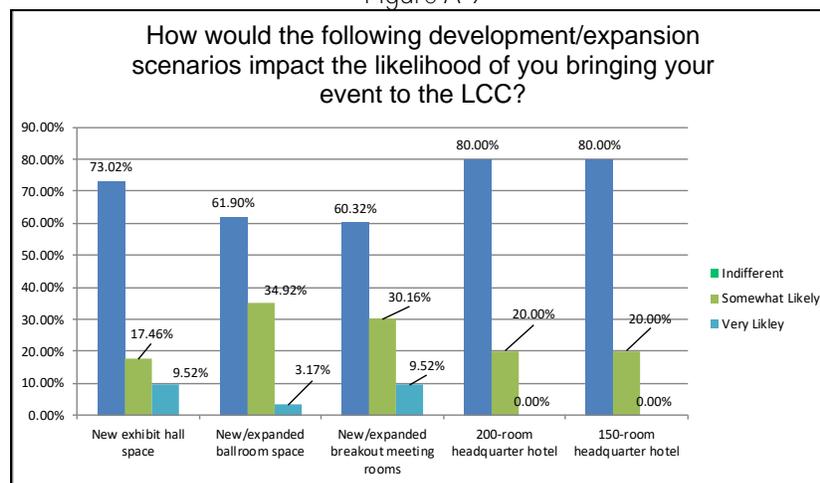
Figure A-8



Further reinforcing the trend for current clients, this question shows that with just the Best Western and **America's Best** Value Inn, nearly half of respondents are content with the walkable hotel package at the LCC. Another one-fourth says their groups will be fully accommodated once the Hilton Garden Inn opens.

HSP asked respondents how an expansion of the LCC would impact their usage. The following figure illustrates the response.

Figure A-9



### Survey Results Summary

Meeting planners are excited about the potential expansion. Being located just off of I-5 at the northern edge of the Seattle Metro, the LCC offers easy access in a more laidback setting than that of downtown Seattle or Bellevue. Further, the sentiments shared about the facility, service and food and beverage at the LCC has been almost exclusively positive. The issue that is brought up is the lack of larger spaces, more spaces, a connected headquarter hotel and additional parking. When prompted, planners and users agree that additional walkable options and walkability would be an advantage for the LCC.

Lynnwood currently offers a great value with generally lower costs for hosting events and hotel room rates. The LCC has found favor with the local groups that do not generate room nights due to restrictive policies at competing facilities. Many current clients do not need additional hotel options or blockable rooms, but as the LCC attempts to attract larger and more impactful meeting events a headquarter hotel will become pivotal to the **facility's success**.

While the walkable hotel room count for the LCC is comparable to other centers on paper, the Best Western and America's Best Value Inn are not at the level of quality that regional meeting planners are looking for. The Hilton Garden Inn, once completed, will help with this issue, but even the walking distance between it and the LCC is a concern, especially considering the width of 196<sup>th</sup> Street. Meeting planners are requesting that something of similar quality to a Hilton Garden Inn or a full-service property like the Embassy Suites be added adjacent or connected to the LCC.

Feedback regarding walkable amenities has been mixed. Staying with the juxtaposition of what some current clients desire and what the trends have been for convention centers (and similar facilities) in recent years, HSP received mixed opinions on the needs and desires of attendees. Some were ecstatic to hear of the possibility of a connected headquarter hotel and more walkable restaurants, while others expressed it would not affect their event whatsoever. Often depending on the size and duration of the event, meeting planners expressed that the lack of these amenities is what is holding back the LCC from being truly competitive, while others were mostly worried about any additional costs that may be associated with added amenities they did **not intend to utilize**. The LCC's clientele is a cross section of low-rated local events that cannot afford other

venues or cannot book far enough in advance due to booking policies and smaller regional events, which are utilizing every inch of the LCC because of the value proposition unavailable elsewhere in the Seattle Metro.

Parking is tight or insufficient for many groups. This is an issue that comes up at virtually all convention centers. However, parking is not an issue for the smaller groups coming to the LCC, but becomes more of a focus for groups greater than 450. **The groups that are outgrowing the LCC's function space also seem to be** having the most issues with parking, which implies that the current parking count is mostly accommodating the demand. Parking is highly requested as part of any expansion plan to alleviate the existing pressure and provide for the expanded capacity of the LCC.

The main takeaway from the juxtaposition of survey results, which are almost exclusively from current clients, and these interview results, is that a regional demand pool exists beyond what the LCC is currently capturing. Further, the local groups that are coming to Lynnwood are less impactful due to a lack of room night generation.

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## ALTERNATE RECOMMENDED SCENARIO

While the recommendations in Chapter 8 comprise the best-case scenario, HSP realizes that the combined elements therein are capital intensive. In light of this, HSP determined a secondary set of recommendations that will provide Lynnwood the opportunity to increase its presence in the meetings market while decreasing the resources necessary to develop the Project.

### Recommendations

Based on the implications presented throughout this report and feedback from current clients in Appendix A, HSP made a specific set of recommendations for the Project. The recommendations included:

- 46,000-square foot total expansion (21,400 square feet of function space)
- No headquarter hotel
- 400-space parking garage
- 20,000 – 24,000 square feet of restaurant/bar space (5 – 6 restaurants/bar)
- Green Space/Public Event Plaza
- Connector Road to the North
- Improved Ingress/Egress

From these secondary HSP recommendations, LMN was tasked with creating preliminary construction budgets.

**The following table highlights HSP's** alternate recommendation for the expanded Lynnwood Convention Center and the associated cost estimates from LMN.



Table B-1

Lynnwood Convention Center Alternate Scenario Estimated Construction Cost			
Project Element	Expansion	Unit	Cost
LCC Expansion & Renovation			
Ballroom	15,000	SF	--
Meeting Rooms	6,400	SF	--
Prefunction and Back of House	24,600	SF	--
Total	46,000	SF	\$23,850,000
Renovation	--	SF	\$2,920,521
Total LCC Expansion (incl. Renovation)	46,000	SF	\$26,770,521
Parking	400	Spaces	\$12,627,313
Site Work			\$5,738,191
Subtotal			\$45,136,025
Cost Escalation to 1Q2022	10%		\$4,513,603
Estimated Construction Cost			\$49,649,628

Source: Hunden Strategic Partners, Rider Levett Bucknall

Overall, the recommended scenario would virtually double the size of the LCC, renovate the existing spaces, add a parking structure and improved walkable amenities for event attendees. The entire package is estimated to cost approximately \$50 million, which is approximately half of the primary recommended scenario. It is important to note that these construction costs *do not* include soft costs. While currently undetermined, soft costs generally add 20 – 30 percent to the construction costs.

Expansion. Based on the market opportunity and budget, HSP recommends 46,000 square feet of total expansion via the following items:

- 15,000-square foot Ballroom (with high ceiling that can flex to accommodate exhibit style events, but is still dressier than the current largest flex space)
- 6,400 square feet of Meeting Room space (6 – 8 divisions)
- 24,600 square feet of Pre-function and Back-of-House space

The 15,000-square foot ballroom recommended above stems from the feedback of many meeting planners requesting a space capable of hosting a 1,000-seat banquet. This space combined with the additional meeting rooms will allow the LCC to host larger events, as well as simultaneous events of similar size to what the LCC currently hosts. Further, when a larger event is hosted at the LCC, exhibitor booths would be able to be set up in the new flex space or Room 2DE instead of being spread throughout the LCC’s upper and lower corridors.

No Headquarter Hotel. While HSP is not recommending a headquarter hotel for the LCC in this scenario, the Hilton Garden Inn should be a valuable partner. The Best Western and America’s **Best should** also be strongly encouraged to make significant reinvestments to bring quality and service to a level commensurate with convention attendee’s **expectations**.



Parking. Expansion and the addition of a new onsite hotel will require additional new parking as well as replacement of any current parking that is displaced from the proposed program. The expansion of LCC will require an additional 400 spaces for convention center programming. If development of the parking structure removes parking spaces, these should also be replaced.

Retail/Restaurant. HSP recommends that an additional five to six restaurant/bar tenant spaces (20,000 to 24,000 square feet) be added. These will act as amenities to event attendees, especially non-local ones, that want to experience Lynnwood as well as the activities planned inside the LCC.

Green Space/Public Event Plaza. Public space in mild climate is a great way to create a sense of place and encourage civic usage. Such space can increase event options.

### Demand and Financial Projections

The following table shows the projected number of events at the expanded LCC.

Table B-2

Projection of Events by Type - Expanded Lynnwood Convention Center					
Event Type	Year 1	Year 2	Year 3	Year 4	Year 5
Banquet	90	96	100	103	104
Conference	10	12	13	14	14
Consumer Show	22	23	24	25	25
Convention	30	32	33	34	35
Meeting	295	313	324	331	335
Special Event	40	42	44	45	45
Trade Show	8	9	10	10	10
<b>Total</b>	<b>495</b>	<b>528</b>	<b>549</b>	<b>562</b>	<b>570</b>

Source: Hunden Strategic Partners

Overall, HSP expects the expanded LCC to be able to operate similar to a two-piston engine, hosting simultaneous events with the use of two ballrooms and individual pods of supporting breakout rooms. The LCC is expected to host between 495 and 570 events per year during the first ten years of operation post-expansion. Essentially 35 percent of events are expected to utilize ballroom space, while the majority of the remaining events are small meetings. For Years 6 – 10, HSP projected forward Year 5 performance with the same number of total events and of each type.

The LCC is also expected to book between 70 and 85 exhibit events per year during the period, most of which will be conventions and consumer shows. Conferences are also expected to more than triple compared to the average in recent years.

The following table shows the projected annual attendance by event type at the LCC once expanded.



Table B-3

Projection of Attendance - Expanded Lynnwood Convention Center					
Event Type	Year 1	Year 2	Year 3	Year 4	Year 5
Banquet	20,000	23,000	25,000	26,000	27,000
Conference	3,000	4,000	5,000	5,000	6,000
Consumer Show	28,000	32,000	35,000	37,000	38,000
Convention	15,000	17,000	19,000	20,000	20,000
Meeting	30,000	33,000	36,000	37,000	38,000
Special Event	20,000	23,000	24,000	26,000	26,000
Trade Show	2,000	3,000	3,000	3,000	3,000
Total	118,000	135,000	147,000	154,000	158,000

Source: Hunden Strategic Partners

HSP projects that the expanded LCC will attract approximately 158,000 attendees once the expansion stabilizes in Year 5. The majority of these attendees will come from consumer shows and meetings, followed by banquets. This level of attendance would be approximately 40 percent greater than that of the average annual attendance at the LCC in the past five years.

The following table shows the pro forma for the expanded LCC.



Table B-4

Projection of Revenue & Expense - Expanded Lynnwood Convention Center					
Revenue by Event Type	Year 1	Year 2	Year 3	Year 4	Year 5
Banquet	\$1,400,000	\$1,620,000	\$1,790,000	\$1,910,000	\$2,010,000
Conference	\$210,000	\$270,000	\$320,000	\$360,000	\$390,000
Consumer Show	\$390,000	\$450,000	\$510,000	\$550,000	\$580,000
Convention	\$1,200,000	\$1,400,000	\$1,560,000	\$1,670,000	\$1,760,000
Meeting	\$1,030,000	\$1,190,000	\$1,300,000	\$1,390,000	\$1,450,000
Special Event	\$220,000	\$260,000	\$280,000	\$300,000	\$320,000
Trade Show	\$90,000	\$120,000	\$140,000	\$160,000	\$170,000
<b>Total</b>	<b>\$4,540,000</b>	<b>\$5,310,000</b>	<b>\$5,900,000</b>	<b>\$6,340,000</b>	<b>\$6,680,000</b>
Direct Event Expenses	\$1,740,000	\$2,090,000	\$2,380,000	\$2,620,000	\$2,830,000
Indirect Expenses					
Employee Wages and Benefits	\$1,640,000	\$1,722,000	\$1,808,000	\$1,898,000	\$1,993,000
Operations	\$309,000	\$361,000	\$401,000	\$431,000	\$454,000
Repairs and Maintenance	\$70,000	\$90,000	\$100,000	\$100,000	\$110,000
Supplies	\$200,000	\$230,000	\$260,000	\$270,000	\$290,000
Insurance	\$55,000	\$57,000	\$59,000	\$61,000	\$63,000
Utilities	\$222,000	\$229,000	\$236,000	\$243,000	\$250,000
General and Administration	\$163,000	\$168,000	\$173,000	\$178,000	\$183,000
FF&E	\$18,000	\$19,000	\$20,000	\$21,000	\$22,000
Management Fee	\$120,000	\$120,000	\$120,000	\$120,000	\$120,000
<b>Total</b>	<b>\$2,797,000</b>	<b>\$2,996,000</b>	<b>\$3,177,000</b>	<b>\$3,322,000</b>	<b>\$3,485,000</b>
Total Expenses	\$4,537,000	\$5,086,000	\$5,557,000	\$5,942,000	\$6,315,000
Reserve for Replacement	\$136,200	\$159,300	\$177,000	\$190,200	\$200,400
LCC Net Income (Loss)	<b>(\$133,200)</b>	<b>\$64,700</b>	<b>\$166,000</b>	<b>\$207,800</b>	<b>\$164,600</b>

Source: Hunden Strategic Partners

The LCC is expected to generate between \$4.5 million and \$6.7 million per year in operating revenues, 30 percent of which is expected to come from banquets, which mostly consist of food and beverage revenues. Again, these revenues for each event type are calculations of the revenue per event and number of events shown previously.

Based on data provided by LCC management, HSP projected the direct event expenses based on the average percentage of revenues represented thereby, beginning at 38 percent in Year 1. This percentage then increases marginally each year. Direct event expenses are expected to total between \$1.7 million in the first year and up to \$2.8 million in Year 5. Salaries and wages far outweigh other indirect expenses at \$2 million or 57 percent in Year 5. The management fee is currently \$120,000 per year for SMG's services, so HSP assumed this will remain consistent post-expansion.

These figures lead to an operation deficit in the first year, however, as there is already latent demand in the market, events and attendance are expected to ramp up quickly once the expansion is opened. Starting Year



2 the LCC is expected to become operationally profitable, generating nearly \$65,000 in net income. Net income is expected to increase up to \$208,000 in Year 4 before falling slightly in Year 5.

### Economic, Employment and Fiscal Impact Analysis

The following table shows the projection of visitors to the Project.

Table B-5

Summary of 10-Year Impacts	
Net New Spending	(millions)
Direct	\$55
Indirect	\$19
Induced	\$22
Total	\$96
Net New Earnings	(millions)
From Direct	\$18
From Indirect	\$6
From Induced	\$7
Total	\$31
Net New FTE Jobs	Actual
From Direct	50
From Indirect	17
From Induced	20
Total	87
Taxes Collected	(millions)
Property Tax	\$0.00
City Hotel Tax (2%)	\$0.31
City Sales Tax (4%)	\$1.89
County Hotel Tax (2%)	\$0.31
County Sales Tax (1.3%)	\$0.61
Total	\$3.12
Construction Impact	(millions)
New Materials Spending	\$12.4
New Labor Spending	\$10.8
Job-Years, Actual	199
Source: Hunden Strategic Partners	

With \$96 million in new spending, \$31 million in earnings supporting 87 ongoing jobs, the Project is projected to generate over \$3 million in taxes collected. Construction impact is projected to total more than \$22 million from spending and earnings, supporting 199 job-years.