

Tompkins County Strategic Tourism Planning Board

Wednesday May 17th, 2017; 3:00 pm – 4:30 pm

CVB, 904 East Shore Drive, Ithaca

RECEPTION TO FOLLOW AT 4:30

AGENDA	Start
1. April 2017 STPB Meeting Minutes	3:00
• ACTION – Approve Meeting Minutes	
2. Privilege of the Floor	
• Limit of 3 minutes per person for members of the public to address the board	
3. Chair’s REPORT – Anne Gossen	3:05
4. Staff REPORT – Tom Knipe	
5. STPB Membership & Bylaws Committee	3:10
• ACTION – Recommend two new STPB Members representing Arts & Culture	
6. Tompkins County Room Tax Investments 2004-2016 – Dylan Tuttle Report	3:20
• ACTION – Vote to Accept Report	
7. Room Tax and Budget Process – Tom	3:25
8. CVB Monthly Report – Peggy Coleman	3:35
9. Understanding and Addressing the Growth of Short Term Rentals in Tompkins County	3:45
• PRESENTATION – Tom	
10. Downtown Conference Center Feasibility Study – Gary Ferguson	4:10
• DISCUSSION	
	END 4:30

Please join the STPB at 4:30pm for a celebration of Jodi LaPierre’s 20 years of service to the CVB!

Agenda Packet

- A. April 2017 draft STPB meeting minutes (to be sent under separate cover)
- B. STPB Arts & Culture Applications (to be sent under separate cover)
- C. Tompkins County Room Tax Investments 2004-2016 – Final report for adoption. LINK:
http://www.tompkinscountyny.gov/files/tourism/2004-2016%20use%20of%20room%20tax_FINAL%20REPORT.pdf
- D. Chart - Tompkins County Room Tax revenues 2001-2017
- E. 2018 Tompkins County Tourism Program Budget Scenario
- F. Downtown Ithaca Conference Center Feasibility Study Report - Executive Summary



MISSION: The Strategic Tourism Planning Board is charged by the Tompkins County Legislature with providing oversight and strategic direction for tourism initiatives that ***promote economic development*** and ***enhance the quality of life*** in Tompkins County.

Tompkins County Hotel Room Occupancy Tax Revenues 2001-2016

Quarter	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Q1	80,227	82,981	125,579	146,117	154,478	166,984	190,237	224,245	185,733	205,629	198,559	249,508	246,795	239,394	255,511	272,677	306,561
Q2	159,057	188,101	269,348	302,502	306,373	357,732	389,309	425,802	411,982	450,117	462,564	515,379	530,995	518,257	588,301	613,413	
Q3	237,120	325,523	402,308	439,543	459,899	532,705	609,916	652,904	613,173	642,496	688,976	712,305	742,300	791,531	816,604	876,679	
Q4	173,243	252,605	321,522	350,683	396,604	434,023	506,389	500,553	482,818	493,815	566,231	558,170	586,547	607,263	673,415	696,084	
TOTAL	649,646	849,209	1,118,757	1,238,845	1,317,354	1,491,443	1,695,852	1,803,504	1,693,706	1,792,057	1,916,329	2,035,361	2,106,637	2,156,446	2,333,832	2,458,853	
ADDITIONAL TAX	12,651	1,268	18,028	1,107	28,210	32,791	42,400	(8,616)	(22,625)	(8,759)	5,102	45,069	42,079	107,084	34,425	19,043	

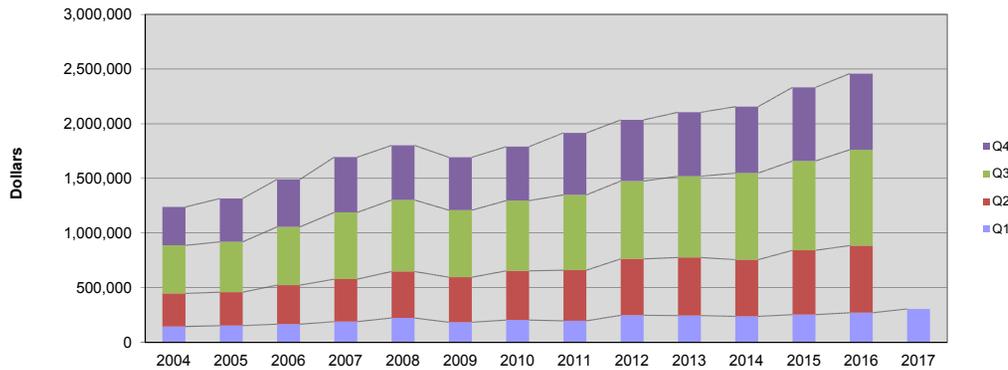
COLLECTED DURING QUARTER (i.e. NOT FOR CURRENT QUARTER)

TOTAL Revenue	662,297	850,477	1,136,784	1,239,952	1,345,564	1,524,234	1,738,251	1,794,887	1,671,081	1,783,299	1,921,431	2,080,430	2,148,716	2,263,529	2,368,257	2,477,896	
Budgeted Revenue	617,850	683,300	1,115,530	1,220,000	1,349,200	1,328,865	1,461,752	1,773,138	1,552,161	1,700,000	1,859,659	2,036,716	2,152,700	2,260,335	2,373,352	2,495,315	2,635,870
Revenue Growth		28.4%	33.7%	9.1%	8.5%	13.3%	14.0%	3.3%	-6.9%	6.7%	7.7%	8.3%	3.3%	5.3%	4.6%	4.6%	

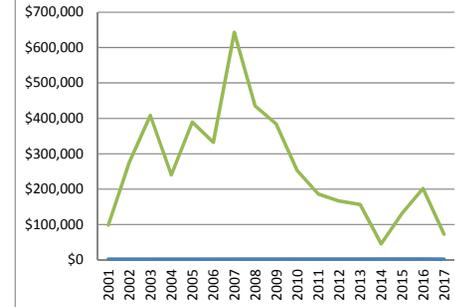
Actual minus (Actual revenue less budgeted revenue; does not include expenditure side)

Budgeted	44,447	167,177	21,254	19,952	(3,636)	195,369	276,499	21,749	118,920	83,299	61,772	43,714	(3,984)	3,194	(5,095)	(17,419)	
Reserve Balance (Reserve balances from County CFO)	97,973	275,409	408,360	239,978	389,484	332,253	643,291	434,692	384,202	252,411	186,228	165,892	156,000	45,162	131,042	201,504	72,449

Tompkins County Hotel Room Occupancy Tax Revenues By Quarter 2004-2017



Tompkins County Room Tax Reserve Balance History



Note - 2016 reserve balance figure does not include funds to be rebudgeted in 2016 to TCG, ACOD & STI
2017 reserve balance includes the recommended rebudgeted figures for 2017

Tompkins County Tourism Program 2018 Budget Forecast Summary

<u>2016 Revenues</u>	<u>Comment</u>
\$2,476,482	Actual room tax revenue 2016*
\$2,486,670	Budgeted room tax revenue 2016 (modified)
-\$10,188	

4.6% Actual room tax growth 2015-2016
6.4% Growth - 2016 actual to 2017 budgeted
6.4% Growth - Revised Projected 2016-2017
5.0% Growth - Projected 2017-2018

<u>2017 Approved Budget</u>	<u>Comment</u>
\$2,635,870	Budgeted room tax revenue 2017
\$4,869	Budgeted use of reserves
\$2,640,739	Established 2017 Budget
6.4%	Growth - 2016 actual to 2017 budgeted

<u>2017 Revised Revenue</u>	<u>Comment</u>
\$2,476,482	Actual room tax revenue 2016
\$159,388	Difference, maintaining 2017 budget
\$2,635,870	Room tax revenue reforecast 2017
6.4%	Growth - Revised Projected 2016-2017

<u>2017 Revised Year End</u>	<u>Comment</u>
\$2,635,870	Revenue reforecast 2017
\$2,635,870	Budgeted room tax revenue 2017
\$0	Additional from reserves 2017

<u>2017 Year End Reserves</u>	<u>Comment</u>
\$393,174	4/1/2017 unapplied reserves from County*
\$0	Additional from reserves 2017
\$320,725	2016 Allocated/Unspent to 2017 Modified Budget
\$72,449	Projected 2017 year end reserves

<u>2018 Room Tax Revenue Projection</u>	<u>Comment</u>
\$2,635,870	Revenue reforecast 2017
5.0%	Growth - Projected 2017-2018
\$131,794	Projected real growth over 2017
\$2,767,664	Revenue projection 2018

<u>2016 Allocated but unspent</u>	<u>Comment - Reallocate to 2017 Budget through budget adjustments</u>
\$265,000	STI
\$5,173	ACOD
\$3,215	Celebrations
\$47,337	TCG
\$320,725	subtotal

*Unapplied room tax reserves = a) room tax fund balance minus b) current encumbrances, minus c) reserves applied to budget

2018 Possible Room Tax Budget Scenario: +6.4% in 2017; +4.5% in 2018; \$135,000 to STI/OTR

	actual 2016 growth at 4.6%	2017 growth at 6.4%	2018 growth at 4.5%	2017 to 2018 comparisons	
	2016 Budget	2017 Budget	2018 Budget	Difference	% change
REVENUES					
Actual / Projected Revenues	\$2,476,482	\$2,635,870	\$2,754,484	\$118,614	4.5%
EXPENSES					
CVB	\$948,822	\$999,826	\$1,044,818	\$44,992	4.5%
Other Marketing and Product Development	\$954,274	\$972,575	\$986,755	\$14,180	1.5%
Tourism Coordination	\$78,710	\$104,751	\$107,108	\$2,357	2.2%
County 10%	\$247,648	\$263,587	\$275,448	\$11,861	4.5%
Strategic Tourism Implementation & OTRs	\$165,000	\$100,000	\$135,000	\$35,000	35.0%
TCAD	\$125,000	\$200,000	\$205,000	\$5,000	2.5%
Total Expenses	\$2,519,454	\$2,640,739	\$2,754,129	\$113,390	4.3%
Revenues Minus Expenses	(\$42,972)	(\$4,869)	\$355	\$5,224	
Projected Reserves		\$72,449	\$72,804		
% of Revenues		2.7%	2.6%		



Ithaca Conference Center Market and Feasibility Study

Submitted to:

Gary Ferguson
Executive Director
Downtown Ithaca Alliance
171 E. State Street PMB #136
Center Ithaca
Ithaca, NY 14850

April 14, 2017



April 14, 2017

Gary Ferguson
Executive Director
Downtown Ithaca Alliance
171 E. State Street PMB #136
Center Ithaca
Ithaca, NY 14850

Dear Mr. Ferguson,

Downtown Ithaca Alliance (DIA or Client) engaged Hunden Strategic Partners (HSP) to conduct a two-phased market demand and financial feasibility analysis for a potential new conference center in downtown Ithaca. The study includes an analysis of the marketability and uses of conference centers and exhibit facilities, operating and development cost estimates and an economic, fiscal and employment impact analysis. The attached is our report.

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

- The findings presented herein reflect 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 yours,

Hunden Strategic Partners

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Chapter 7	Demand and Financial Projections
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EXECUTIVE SUMMARY

The Ithaca Downtown Alliance (Client) engaged Hunden Strategic Partners to conduct a market demand, financial feasibility, and economic impact analysis for a potential conference center or related meeting facility development in downtown Ithaca. The primary goal of the potential project would be to improve the quality of life, increase hotel stays, generate new ongoing jobs, and generate economic impact by attracting conference, meetings, banquets, and other events to downtown Ithaca from outside the area.

The primary questions that HSP was requested to answer include:

- What is the level of demand for meetings, group events and conference in a downtown Ithaca conference facility? What are Ithaca's potential markets that it is accommodating and not accommodating? With better facilities, would more events and meetings be likely to occur?
- Based on market realities and opportunities, is a new event facility recommended? If so, what spaces and amenities should a new conference center include?
- What is the projected usage of the recommended facility? What are the ranges of annual operating costs and net new economic benefits expected for the Ithaca community?
- What factors should be considered when analyzing site options for a new conference center development? What are the funding and governance options?

Located in the southern Finger Lakes region of Western New York, Ithaca is a small city, whose culture and economy is dominated by university life, complimented by scenic beauty. Ithaca is an exemplary college town, which is enhanced by its stunning natural setting and surrounding gorges and waterfalls. Adults enjoy college towns in large part because they tend to offer a wide variety of the arts, restaurants, nightlife, live theater and music, architecture, and other cultural amenities of a large city, yet in an easy to navigate smaller city setting. Ithaca is known throughout the northeastern U.S. for its combination of highly attractive natural settings combined with a high level of intellectual residents forming an island of sophisticated culture.

A 2003 Pinnacle Consulting Study for the Ithaca Downtown Alliance determined that an event center development in Ithaca was not feasible due to accessibility constraints, limited air service, lack of hotel options, and an adequate supply of competitive local and regional event venues to accommodate demand. What has changed during the ensuing years?

- While accessibility constraints continue to exist, the market has evolved over the last 13 years, due in part to the continued development of downtown Ithaca. The significant investment into the Ithaca Commons has revitalized the area and transformed downtown into an active center of restaurants, retail and entertainment. Downtown living, working and leisure activity is now sought after compared to the prior 30-year period, when people and businesses avoided or moved away from downtowns en masse. The reawakening of downtowns, including Ithaca's, is clearly evident in the amount and diversity of investment in restaurants, hotels, storefronts, gathering spaces, lodging, bars and residences.
- Tourism and visitation to Ithaca has increased, as evidenced by the development of two new downtown hotels, the 159-room Marriott Ithaca Downtown (currently opening) and the 123-room Canopy by Hilton the Commons, which is projected to open in 2018. Hotel occupancy and demand is at an all-time high and is supported by structural and institutional demand generators

like Cornell and Ithaca College, yet also by the flourishing wine and recreation industries that surround Ithaca. Hoteliers, especially, report an underserved need for space to host events of all manner.

- The restaurant scene continues to improve, and the overall vibrancy of downtown is an attractive asset to attract prospective meeting planners. Today's meeting planners and attendees want a walkable, vibrant and unique experience in an attractive setting; not a sanitized setting in an isolated facility. The ability to walk out of the event and shop, dine and drink is highly prized by planners and attendees. While such a situation did not exist during the prior study, Ithaca now offers such a setting and the vibrancy continues to improve.
- Community leadership at the city and county level have embraced and fostered downtown's growth. There is an awareness that the heart of the community is downtown and it is often viewed as the front door to the community. With the hotels that have been developed, it is now the "bedroom" for visitors as well as the "dining room", with all of the restaurants. Leadership also recognizes that downtown also should have a "living room" to offer those visitors.
- The market dynamic between facility supply and demand has shifted. Every interview HSP conducted suggested that there is a lack of suitable meeting and event space. Even the smallest conference has difficulty being accommodated, either due to a full calendar at existing facilities, or simply due to lack of a space large enough or multipurpose in nature. Aging event facilities in the market are no longer competitive, and Cornell University does not offer the variety and size of spaces necessary to accommodate growing demand. Hotels lacking function space are consistently turning away groups, and the CVB is losing business due to a lack of an available event facility. Groups that want to be in Ithaca are growing frustrated with the challenges associated with holding events in the market.
- Ithaca is one of the few growing markets in upstate New York, which has provided the market relative strength in attracting economic activity and investment.
- While accessibility has not necessarily changed since 2003, the market within which Ithaca competes is relatively small geographically. Ithaca will compete for state-rotating meetings, regional events from Pennsylvania to New England and other events that are not seeking fly-in destinations. There is a large enough market within the drivable geographic area to support the size of facility HSP recommends.
- In short, HSP's analysis of the competitive local and regional markets, as well as conversations with local stakeholders, industry experts, and potential facility users, suggests that there is market opportunity for a conference facility development in downtown Ithaca.

The following provides more explanation of the findings.

SWOT Analysis

This chapter presents HSP's analysis of the local meeting and event situation and presents recommended options for downtown Ithaca.

A SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis was conducted leading up to these recommendations. A SWOT analysis identifies critical factors that will impact the Project's overall

performance. It also suggests implications for the sizing and quality of the project given the current environment. Strengths and weaknesses are currently factors impacting the potential project as well as items inherent in the project or market, while opportunities and threats are potential and external factors impacting the success of the Project.

This section provides recommendations on the size and quality of the Project based on HSP's review of the market and other factors. In addition, HSP's experience with similar projects and how they have performed played a role in our recommendations and projections.

Strengths

- **Destination Appeal:** Ithaca offers the characteristics and attractions that groups look for when considering potential locations for events. The attractiveness of the destination can be a deciding factor for meeting planners, and the scenery and nature-oriented attributes of Ithaca, combined with the unique experiences offered through breweries, vineyards, Cornell University and Ithaca College, provide the market with a competitive advantage over other regional destinations when pursuing events. In addition, the vibrancy and activity of downtown continues to improve, and the development of new restaurants and hotels are helping to create a critical mass of options in downtown Ithaca.
- **Lack of Competitive Local Venues:** Currently, downtown Ithaca offers no non-university affiliated event venues that offer more than 4,000 square feet of function space. The two most relevant event spaces in the market, the Statler Hotel and Emerson Suites, are university-affiliated venues that have a primary obligation to the students and faculty of the college. While the venues attempt to remain flexible and the CVB works to offer event packages to groups, the market is unable to accommodate events of 350 to 500 people simply due to the lack of a venue.
- **Central Location:** Ithaca's centralized location within the state of New York will provide advantages in attracting certain meeting planners and events. Many state and regional association events are looking to host events in locations that are equidistant from the corners of the state in order to relieve the driving distance of members.
- **Downtown Development:** The continued development of downtown will be a major asset in the event and meeting package offered by Ithaca. As is mentioned throughout the study, walkable and adjacent room blocks are a critical element considered by meeting planners when considering event destinations. The development of the Ithaca Marriott Downtown and future opening of the Canopy by Hilton will more than double the amount of hotel rooms in downtown Ithaca, which will allow the city to be more competitive in attracting events. The new supply of hotel rooms also offers a challenge, in that lower demand periods will be exacerbated. Any new demand generator, such as a conference facility, will allow hotels to generate more room nights.
- **University Presence:** As demonstrated by the survey results, meeting planners have historically been attracted to Ithaca due to the presence of Ithaca College and Cornell University. Conversations with Statler representatives indicated that groups want to be in Ithaca for an "Ivy League experience," but larger events cannot be accommodated due to a lack of event space, availability, and hotel rooms on campus. This presents an opportunity for a new event center to leverage this existing unaccommodated demand, and potentially partner with the university to host events that, otherwise, would be forced to look elsewhere.

- **Committed Community Leadership.** The City of Ithaca, Downtown Alliance, and CVB have demonstrated a commitment to stimulating redevelopment and reinvestment in the city, especially the downtown area. The County has also voiced support for more downtown development, including a meeting facility. This cooperation and commitment will be necessary to move the development process forward.

Weaknesses

- **Access:** Ithaca will be almost strictly a drive-in market due to the limited air accessibility of the city. This will limit the pool of events that the city can pursue, and will ensure that downtown will never be a major convention destination. It is vital that downtown Ithaca maintains a solid infrastructure, specifically parking, in order to accommodate potential events.
- **Hotel Rates:** The average daily rate and seasonal performance of the Ithaca hotel market will present challenges to Ithaca in attracting certain events. Hotel occupancy, specifically on the weekends, guarantees that no major events will be able to be accommodated on the weekends due to a lack of hotel room availability. Hoteliers will not be willing to offer group rates (typically lower than other rates) to visitors when existing leisure demand is strong enough to fill hotels. In addition, many New York state associations look to hold events in September and October, a period in which the Ithaca hotel market is already performing at extremely high levels. While the development of two new downtown hotels will alleviate a portion of this weakness, the hotel situation will present obstacles to Ithaca in attracting events during certain periods of the year.
- **Funding:** There is no clear funding structure in place to develop a new conference facility in downtown Ithaca. While various funding structures exist for these types of venues, the lack of an obvious funding source is an obstacle. In addition, an ongoing funding source will be required to support the potential net operating losses sustained by the facility.
- **Loss of Events in Ithaca.** Due to lack of quality large function space in Ithaca, several event organizers and conventioners have not considered the city a prime location for a variety of events in the past, including for conferences and conventions. This is more of a challenge to overcome than a long-term weakness.

Opportunities

- **Lack of an Available Existing High Quality Function Space.** There is no direct competitor for the Project in Ithaca, suggesting it would own its place in the market and should not displace much existing demand at current local facilities. The simple lack of a non-university affiliated event venue has taken Ithaca out of the market for many groups.
- **Opportunity to Fill Hotel Gaps:** While the Ithaca hotel market is performing at high levels during certain times of the year, there are periods (winter, early spring, late/early fall) when the hotels are looking to fill rooms and are willing to offer lower rates. This is especially true for mid-week business, as conversations with local hoteliers indicated that a new demand generator for the Sunday through Thursday period would be a welcome addition to the Ithaca market. HSP's analytics also confirmed this weak period, which is the opposite challenge posed in most markets. Most markets are full during the weekdays and soft on weekends.
- **Association Business:** Currently, Ithaca is not a relevant player in the state association event market. Many of Ithaca's peer cities throughout the central New York are benefitting from

consistent association business, but Ithaca does not offer the facility or event package to attract these groups. This business represents a significant opportunity for a new downtown conference center.

- **Wedding Business:** As a college town, many students who meet their spouse in school want to return to Ithaca to be married. The lack of available event venues on Cornell's campus has resulted in a waiting list of more than two years for a venue, and the prevalence and size of Cornell events during prime wedding season makes scheduling and logistics very difficult. The development of a flexible, high-quality, ballroom in downtown Ithaca will be attractive to those looking to return to Ithaca for their wedding.
- **Flight to Quality.** There is a flight to quality that occurs when new space opens with the services and amenities customers expect. This then draws business from the existing event facilities outside of Ithaca (Rochester, Elmira, Binghamton) to Ithaca where they may have wanted to be anyway, but had few meeting/event options. There are a number of local and regional corporate users and state associations that make do with lesser facilities, go out of town to host events, or lack desired options all because there are not the size and quality of options they prefer. A new conference center hotel would recapture and accommodate this latent demand.
- **Economic, Fiscal and Employment Benefits.** The Project will entice visitors to visit downtown Ithaca businesses, restaurants and entertainment facilities. These visits result in increased downtown spending, and in turn, an improved local business environment, additional tax collections and an increased number of employment opportunities. The visibility that visitors will have of the downtown will show off the community to a new population that may consider visiting again or even moving to the community.

Threats

- **Competition.** The Project may experience a decline in use should another meeting facility be developed in Ithaca before or immediately after the proposed development is completed. Advancing a project sooner rather than later could keep the market relatively clear of immediate competition, especially in a non-downtown location that would have fewer impactful benefits to the community.
- **U.S. Economy and Demand.** The current economic situation is gradually improving from the most recent recession and this could have an impact on the demand side of the equation. Leisure travel slows during economic downturns, as does business and group travel.

Recommendations

Analysis of the market appeal, demographics, and competitive local and regional supply of event facilities, as well as conversations with local stakeholders, hoteliers, industry experts, and potential demand generators, indicates that there is an opportunity for a conference center development in downtown Ithaca. The opportunity in the Ithaca market lies with the development of a high-quality, flexible function space with breakout rooms that can enhance the meetings package of downtown Ithaca and generate mid-week hotel demand through the attraction of social, corporate, and association events.

The factors considered for the size of the spaces recommended included the following:

- **Likely budget limitations.** Conference facilities are not inexpensive investments and the larger the facility, the more expensive the potential ongoing required financial operating support. HSP recommended a facility that would accommodate most unaccommodated events, but not all, as the costs, especially in an urban setting, can rise quickly.
- **Market for events in downtown Ithaca and the size range of events.** Most events desiring to be held in Ithaca total fewer than 300 attendees, however, there are enough potential events over 300 attendees that cannot currently be held that the facility was designed to accommodate up to 667 in a banquet format in the ballroom. This should accommodate most events desiring to be in Ithaca.
- **Balancing capacity with the number of quality hotel rooms in and around downtown.** While quality hotel room supply has been increasing, there is a limit to the size of events that can be hosted by hotels in and around the downtown area that are appealing to event attendees. Having a meeting facility that has spaces for groups larger than what local hotels can accommodate in terms of overnight attendees is currently unnecessary, especially given budget constraints on investment.
- **Existing supply and size of conference, meeting and event facilities in the market.** Currently, there are very few high quality and flexible ballroom, meeting and event facilities in the Ithaca market. Facilities on the Cornell campus, especially the Statler Hotel, are not often available for usage by non-Cornell events. When they are, the facilities are fairly limited and not especially flexible. For example, the ballroom is only 4,140 square feet in the Statler, about 41 percent of the size of the recommended ballroom in the downtown conference center. The other large rooms are fixed auditorium and amphitheater style rooms that are not flexible. The facilities at the recommended conference center will have large, divisible spaces that can be configured in a variety of formats for many types of events. Even the meeting rooms can be combined to form a junior ballroom if necessary.

The following table outlines the recommended program for a downtown Ithaca conference facility.

Table 1

Proposed Program					Capacity	
Area	Square Feet	Divisions	Square Feet	Booths	Theater	Banquet
Grand Ballroom	10,000	4	2,500	50	909	667
Meeting Rooms	4,800	6	800	na	Variable	Variable
Total	14,800	17				
Other Space	18,089					
Total Building SF	32,889					

Source: HSP

HSP recommends the development of a facility that features a 10,000-square foot ballroom with four divisions and at least 18-foot ceilings and full audio-visual capabilities. This carpeted, column-free space would be able to accommodate approximately 900 attendees in a theater setting and 667 in a banquet setting.

HSP also recommends the development of six breakout rooms totaling 4,800 square feet, resulting in a facility with 14,800 square feet of total function space. Based on standard metrics for an efficient event facility of this type, HSP expects that pre-function, back-of-house, kitchen, and other ancillary space will bring the size of the entire development to approximately 31,000 square feet. If the facility is not able to be this efficient due to site constraints, the total square footage could be higher.

The typical and recommended pre-function space in front of a ballroom or any function space is expected to be approximately 30-33 percent of the interior function space. So, for example, the pre-function space in front of a 10,000-square foot ballroom is recommended to be 3,000 – 3,300 square feet. This space allows for cocktail receptions, the ability to set up tables or booths for vendors or registration and other event needs. Sometime this space can be sellable, depending on the situation.

Other non-sellable space includes bathrooms, the kitchen, storage, employee offices, loading docks and hallways.

The facility should feature all of the expected amenities of modern event facilities, including state-of-the-art production technology and Wi-Fi capabilities. The ability to provide high-quality catering will be critical for hosting impactful events.

In terms of parking, the facility's maximum capacity if all rooms are filled would be more than 1,000. However, given how the facility is likely to be used in most cases, not all rooms will be used simultaneously and even if they are, the way they are used would be more likely in a setting that would cap attendance at about 800. If all attendees arrived by car, which is not likely, HPS assumes two people per car, so a maximum need for 400 spaces. Yet because this facility is located adjacent to several hotels and most events will be serving visitors staying in these hotels (versus local charity balls in most cases), these visitors will have already found parking related to their hotel stay, either in private or public garages. As such, the number of net new parking spaces needed for this facility is expected to be relatively few.

In the next phase of this analysis, a general parking analysis will be completed to determine the range of spaces likely needed for this facility.

Budget

The budget and site details are not the focus of this study, as determining the market-oriented case for a facility is the top priority. Now that validity of the concept has been determined, future efforts will focus on determining the most appropriate site and the costs. However, HSP is keenly aware of the fiscal constraints that public entities are under, so a discussion of budget is critical. The cost per square foot of a high quality meetings facility can range substantially, due to construction labor market conditions, the usage of union labor and/or prevailing wage, the vertical nature of a building, the site and other items. Also, if an existing building is used and rehabilitated, costs could be lower, or even higher, depending on existing conditions, asbestos abatement, etc.

The table below shows the conceptual buildout cost model. Much can change depending on the site and other factors.

Table 2

Conceptual Buildout Cost Model		
	Low	High
Site Cost	TBD	TBD
Site Prep	TBD	TBD
Hard Construction	\$ 6,580,000	\$ 13,160,000
Soft Costs	\$ 1,650,000	\$ 3,290,000
Total (Less Site & Prep)	\$ 8,230,000	\$ 16,450,000

Source: HSP

Using a wide range of \$200 - \$400 per square foot for hard construction costs, plus and additional 25 percent for soft costs, the cost of a facility could range from \$8 million to \$16+ million. Parking and its cost will need to be determined as well. Site acquisition costs and site prep would add to the total.

Funding and Ownership. Because the conference center is expected to operate at a deficit, the project will likely be owned and financed by a public or non-profit entity. However, it is possible that a public-private partnership could be forged, especially if the conference center is built adjacent to an existing hotel and used by them as primary function space. There would be an incentive for the private hotel to own all or a percentage of the facility. Management via the attached hotel is also an option.

In most situations where there is a standalone conference center, the facility operates at a deficit and must be financed by the public sector. As such it would not generate property taxes, so would not generate TIF. Although if there were a surplus of TIF, then supporting such a facility could be an option for use of TIF and other public funds.

These options and considerations will be investigated more fully in the next phase.

Site

When considering potential sites for a conference or event facility in downtown Ithaca, there are a number of criteria that should be identified and clearly addressed as sites are considered in a future phase. While HSP did not conduct a specific site analysis for this project, there are consistent through-lines for successful conference center developments throughout the country. These include:

- **Connectivity or Adjacency to a Hotel:** Proximity to available room blocks is one of the most important factors that meeting planners consider when analyzing destinations. Connectivity is preferred, but a new conference center development should be developed within one block of a hotel.
- **Walkability to Restaurants, Retail, Entertainment, and Other Activity:** The experience of the attendee is extremely important in attracting return business, and the activity and options

surrounding a facility plays a major role in this experience. A new conference center should leverage the continue development of the Ithaca Commons.

- **Parking:** As a drive-in destination, Ithaca must offer the parking infrastructure necessary to accommodate large events. Proximity to structured parking will be an important factor the visitor experience at a downtown Ithaca conference facility.
- **Access and Visibility:** While accessibility to downtown Ithaca already presents challenges, any new conference center developments should not compound these challenges. Signage and way finding will be critical to ensuring an efficient and organized event.

Governance/Management

One of the most important decisions for a public entity that is considering the short- and long-term strategies for public venues is the management structure of the facilities. The manner in which a municipality or county structures the type of management of the facilities is central to the success of the project. Community leaders need to implement the best ownership and management structure under which public facilities would operate to best suit the needs of the city and county, and to foster the success of the project.

Ownership of event facilities multi-use facilities throughout the United States varies depending on the type of facility, the nature of development of the property, and the needs of each community. However, publicly-oriented facilities in general, whether they are multi-purpose buildings, exhibit halls, conference centers or major convention centers, usually have one of three ownership structures. Many facilities, including most event and convention centers are publicly owned, either by a municipality or a county (or related agency). Some event facilities are owned by quasi-public entities, such as not-for-profit corporations or authorities. The least likely ownership structure is private ownership, although this typically occurs when conference facilities are one part of a hotel development and not stand-alone. Banquet halls are often privately owned, but the quality level and cost of development is usually one step lower than a publicly-owned facility. While the recommended facility in Ithaca will resemble a banquet facility, it is recommended to have higher quality facilities, multifunction capabilities and amenities.

Facilities can be effectively run within any structure if the right, qualified management personnel are in place and the incentives and expectations are appropriate for such management. Also, it is critical that the owner (whether a municipality, authority, etc.) understands the events, conventions, sports, entertainment, and hospitality industry. An undereducated owner (regarding this industry) coupled with any management team provides an opportunity for economic and mission failure. Within any structure, safeguards and expectations must be in place to ensure everyone is operating with the same goals.

The two dominant types of management are public operation through the owner's employees, or private management that contracts with the municipal owner. As with ownership structure, pros and cons exist for both types of management of event facilities. These management structures are discussed in greater detail in Chapter 6 of this report.

Because the site and adjacencies have not been determined, it is currently inappropriate to make a final recommendation on the ownership, funding and management of the recommended facility. If the facility is a standalone facility, HSP recommends that the conference center be funded by public funds and operated by an expert in the conference center industry. This may include a private, third-party management company.

However, if the site chosen is adjacent and/or attached to an existing hotel, the hotel may both invest in the project and manage it.

Given how many unknowns there are until a site and design is determined, it is best to reserve judgement on the best management model.

Funding Model

HSP has conducted a preliminary review of the funding options that may be available to a project. Again, much depends on the ultimate site chosen, but there could be funding in creative ways from both the public and private sectors.

The table below breaks down the funding options that may be available for this project.

Table 3

Funding Model Options
Public Sources
<i>State</i>
New York Capital Projects (Legislature/Budget)
Low Cost Loan
Reduced or Waived Fees
<i>County</i>
Bond Funding
Reduced or Waived Fees
CVB/Hotel Tax Funding
Rebate or Use of County Portion of Sales or Restaurant Tax Collected
<i>City</i>
Bond Funding
TIF Funding
Reduced or Waived Fees
Rebate or Use of County Portion of Sales or Restaurant Tax Collected
New local tax
Private Sources
Hotel Owner Equity Investment, Bank Loan
Management Company Investment in Catering Equipment
Other
Business Improvement District Self Assessment
Source: HSP

The State of New York has programs that typically change with each new governor. Historically, individual projects that are favored by the governor or legislature are granted funding. In the current state budget passed this year, approximately \$500 million in special projects funding was approved. Ithaca could apply for this project to receive funds in this manner. In addition, to the extent that are any low-interest or revolving loan funds available at the state level, these could be utilized, although HSP's investigation suggested that the existing program is for small business lending.

At the City and County level, there are potential options for reducing upfront costs by limiting fees as well as by funding infrastructure, such as parking, sidewalks and other items for components of the project that would be considered to be public infrastructure. Additionally, existing or incremental hotel and sales tax collections could be directed toward debt service.

Private sources of funding would be equity or debt from a hotel owner, but the project would need to be financial profitable in order for these to be likely.

Finally, a business improvement district could be utilized, which is a way for private businesses to self-assess based on their property tax to fund district activities or fund projects that benefit the district, such as a conference center.

Finally, grants from non-profits, foundations or other granting entities could be used for the project.

Much more process will need to occur to assemble the most appropriate funding development plan.

Demand Projections

Downtown Ithaca Conference Center

The table below shows the events by type projected for the conference center. These projections are determined through conversations with comparable regional facilities, analysis of competitive facility event history, local stakeholder market feedback, and lost business data from Ithaca competitive local event facilities. These annual projections also considered the lack of hotel availability in June, July, August, and October due to high occupancy and hotel rate throughout the market, as well as potential inclement weather in the winter months.

Table 4

Projected Events at the Ithaca Conference Center										
Event Type	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Conventions, Conferences	12	14	16	18	18	18	18	18	18	18
Consumer Shows	1	1	1	1	1	1	1	1	1	1
Corporate Events	8	10	12	15	15	15	15	15	15	15
Special Events	9	10	11	12	12	12	12	12	12	12
Banquets	28	32	37	43	49	49	49	49	49	49
Meetings Room Events	52	62	75	90	108	108	108	108	108	108
Total	110	130	152	178	203	203	203	203	203	203
Meeting & Ballroom Occupancy	27%	32%	37%	43%	48%	48%	48%	48%	48%	48%

Source: HSP

Based on the level of demand experienced by local facilities as well as competitors, and interviews with potential sources of demand, HSP made estimates of event demand, by type of event:

- **Conventions/Conferences:** While a new downtown Ithaca event facility will not be hosting traditional conventions, there is opportunity to host rotating state association conferences that need a smaller amount of flexible function space, especially ballrooms and meeting rooms. Cornell conferences that are outgrowing existing facilities will also be able to expand in a new facility. HSP projected 1.5 conferences per month at a new facility by stabilization, which HSP believes is conservative.
- **Consumer Shows:** Due to the size and quality of the recommended venue, as well as the nature of the Ithaca hotel market, a downtown Ithaca event facility will not be a competitive destination for consumer shows. Consumer shows tend to need spaces of at least 45,000 square feet that can accommodate large installations, such as cars, boats and RVs.
- **Corporate Events:** Many alumni-driven corporate events want to be in Ithaca due to the presence of Cornell, but there is little available meeting space for non-university affiliated event. These events typically need breakout meeting rooms as well as ballrooms for dining and speaker portions of their schedule. HSP estimates more than one corporate event per month by stabilization, which again, HSP believes is conservative.
- **Special Events:** Ithaca has been considered for dance competitions and acapella competitions, but has not offered the space to accommodate the events. While the new space will not be able to accommodate major indoor sports, competitive events and entertainment present and opportunity, specifically in the winter months. HSP projects approximately one special event per month by stabilization. This includes arts and culture events, such as accommodating a portion of film fest activities or other downtown events.
- **Banquets:** Primarily consisting of weddings and other ceremonies, competitive and comparable venues are accommodating approximately 50 to 60 banquet events per year, about one per week. There will likely be weeks throughout the summer months where receptions and banquets cannot be accommodated, however, most dinner events typically do not use the entire ballroom. This is the benefit of having a divisible ballroom, so multiple simultaneous events can be accommodated. Weddings can and likely will fill most Saturday nights. Banquet events can also occur during the week for many other user types, include collegiate events, charity events and government or related events. The number of full-ballroom events will be limited, but having the ability to host such a large group is critical to helping Ithaca move into new markets.
- **Meeting Room Events:** These smaller, less impactful events will consist of local companies and organizations in need of a meeting space for a variety of reasons. This could also include associations looking for space for smaller, educational sessions and sports teams in need of a room for game preparation. However, this type of use will be the primary weekday use and will help the nearby hotels in an impactful way, as they cannot offer much meeting space onsite. Corporate transient and corporate group demand will likely increase due to the availability of this new space.

Overall, it is projected that the number of total events will increase from 110 in Year 1 to 203 by stabilization.

The next table shows the number of attendees projected in the first ten years of operation.

Table 5

Proposed Ithaca Conference Center Projected Attendance										
Event Type	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Conventions, Conferences	3,100	3,700	4,200	4,700	4,700	4,700	4,700	4,700	4,700	4,700
Consumer Shows	700	700	700	700	700	700	700	700	700	700
Corporate Events	1,500	1,900	2,300	2,800	2,800	2,800	2,800	2,800	2,800	2,800
Special Events	4,700	5,400	6,100	6,500	6,500	6,500	6,500	6,500	6,500	6,500
Banquets/Receptions	10,100	11,600	13,400	15,500	17,300	17,300	17,300	17,300	17,300	17,300
Meetings Room Events	4,500	5,500	6,600	7,800	9,400	9,400	9,400	9,400	9,400	9,400
Total All Events	24,600	28,800	33,300	38,000	41,400	41,400	41,400	41,400	41,400	41,400

Source: HSP

A total of 24,600 attendees are projected in the first year, ramping up to nearly 41,400 by stabilization. HSP projects that banquets, receptions, and meeting room events will account for nearly 65 percent of all attendees by stabilization.

The table below shows the average number of attendees projected by event type. There will be general excitement over the prospect of a new event facility in the market throughout the first couple of years but that excitement will gradually subside, as evidenced by the decrease in average attendance to stabilization. These numbers are based on conversations with comparable and competitive venues, as well as industry standards.

Table 6

Projected Average Attendance by Event Type - Ithaca Conference Center										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Exhibit Events										
Conventions, Conferences and Trade Shows	260	260	260	260	260	260	260	260	260	260
Consumer Shows	700	700	700	700	700	700	700	700	700	700
Corporate Events	190	190	190	190	190	190	190	190	190	190
Special Events	520	540	550	540	540	540	540	540	540	540
Banquets/Receptions	360	360	360	360	350	350	350	350	350	350
Meetings Room Events	90	90	90	90	90	90	90	90	90	90
Average	220	220	220	210	200	200	200	200	200	200

Source: HSP

Other than consumer shows, the largest events are projected to be specialty events with more than 500 average attendees per event. This is followed by banquets and receptions, conferences, and corporate events. While the table shows the average attendance projection, many of these events will vary greatly in size depending upon many factors. HSP expects that events utilizing the five meeting rooms will have the greatest variance in the number of attendees. Overall, HSP projects an average attendance per event of 200 by stabilization, decreasing from an average of 220 attendees in its first year in operation.

CONFERENCE CENTER OPERATING PROJECTION

The following table presents the projected operating statement for the facility's first ten years of operation. The projection uses inflated dollars and accrual-based accounting, wherein revenues are recognized when they

are earned and expenses are recognized when they are incurred. Revenues include all revenues of the facility that can be used for operations. Revenue and expense assumptions are based industry averages compiled by HSP and analysis of comparable venues. All revenues and expenses are inflated at a three percent annual rate.

Table 7

Pro Forma Operating Statement of Revenue and Expenses (\$000's, Inflated)										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue										
Event Revenue										
Space Rental	\$73	\$89	\$106	\$127	\$138	\$142	\$145	\$149	\$153	\$156
Equipment Rental	11	13	16	19	21	21	22	22	23	23
Gross Food & Beverage	854	961	1,146	1,371	1,555	1,594	1,634	1,675	1,716	1,759
Event Services Income	65	78	92	107	116	119	122	125	128	131
Sub-total	\$1,003	\$1,141	\$1,360	\$1,624	\$1,830	\$1,876	\$1,923	\$1,971	\$2,020	\$2,071
Other Revenue										
Advertising and Sponsorships	10	10	11	11	11	11	12	12	12	12
Hotel Commissions	65	77	90	104	114	114	114	114	114	114
Other Revenue	3	3	4	5	5	6	6	6	6	6
Total Operating Revenue	\$1,081	\$1,232	\$1,465	\$1,744	\$1,961	\$2,007	\$2,054	\$2,103	\$2,153	\$2,204
Expenses										
Food and Beverage	\$572	\$625	\$745	\$891	\$1,011	\$1,036	\$1,062	\$1,088	\$1,116	\$1,144
Salaries and Wages	353	362	371	380	390	399	409	420	430	441
Employee Benefits	138	141	145	148	152	156	160	164	168	172
Passthrough Labor	21	25	29	34	35	36	37	38	39	40
Maintenance & Repairs	42	51	61	73	86	88	90	93	95	97
Cleaning	19	23	27	33	37	38	39	40	41	42
Utilities	49	51	54	57	60	61	61	62	62	63
Sales and Marketing	35	36	37	38	39	40	41	42	43	44
General and Administrative	37	38	39	40	41	42	43	44	45	46
Insurance	22	23	23	24	25	25	26	26	27	28
Other Operating Expenses	30	31	33	34	36	37	38	39	40	41
Management Fee	48	53	63	75	84	86	88	90	92	94
Reserve For Replacement	32	36	43	51	57	58	59	61	62	64
Total Expenses	\$1,397	\$1,494	\$1,670	\$1,877	\$2,051	\$2,101	\$2,153	\$2,205	\$2,259	\$2,314
Net Operating Income	(\$317)	(\$262)	(\$205)	(\$133)	(\$90)	(\$94)	(\$98)	(\$102)	(\$106)	(\$111)

Source: HSP

It is projected that in the first year of operation, the conference center is will generate revenues of \$1.08 million and incur approximately \$1.5 million in operating expenses, leaving a deficit of \$317,000. Once the building stabilizes after marketing and long-term bookings occur, it is expected the facility will reach more than \$1.96 million in revenue and \$2.0 million in expense, decreasing the deficit to \$90,000 in year five.

The above projection includes dozens of assumptions based on market conditions as well as comparable facilities. The actual facility designed and built could perform at levels much different than the projection shows, based on who owns and operates the facility, as well as the actual facility physical program. Typically, standalone conference centers and convention centers operate at a deficit, which is why most are owned by the public sector. Conference facilities that are developed as part of hotels are often breakeven or slight loss leaders in order to generate stronger hotel business. In total, the market reality for conference facilities, unless it is a "wedding factory" style banquet facility (which can be profitable), are tough, resulting in a breakeven, at best.

Because the size of this facility is so small compared with most true conference centers, the best comps are, indeed, privately-owned banquet halls. These facilities do not share their financials, however, they can be profitable if they focus on weddings and corporate events during the week. Most public conference centers are several times larger than the facility size recommended here.

Impact of the Conference Center

The table below summarizes the estimated cumulative 20-year impacts from the conference center project.

Given how many unknowns there are until a site and design is determined, it is best to reserve judgement on the best management model.

Table 8

Summary of 20-Year Estimated Impacts	
Net New Spending	(millions)
Direct	\$86
Indirect	\$29
Induced	\$34
Total	\$148
Net New Earnings	(millions)
From Direct	\$27
From Indirect	\$9
From Induced	\$10
Total	\$46
Net New FTE Jobs	Actual
From Direct	61
From Indirect	21
From Induced	24
Total	105
Taxes Collected	(millions)
County Hotel Tax (5%)	\$2.1
Local Portion of Sales Tax (4%)	
Portion to County (2.25%)	\$1.9
Portion to City (1.75%)	\$1.5
Total	\$5.5
Construction Impact	(millions)
New Materials Spending	\$11.4
New Labor Spending	\$9.9
Job-Years, Actual	182
Source: Hunden Strategic Partners	

The development of a new conference center in downtown Ithaca is projected to generate than \$148 million in net new spending, more than \$46 million in earnings supporting, an average of 105 ongoing jobs, and a net fiscal impact of \$5.5 million to Ithaca and Tompkins County in its first 20 years of operations.

Summary of Chapters

Economic and Demographic Analysis

Ithaca is a profoundly distinct small city that has similar amenities of a large city, but set in a small community, with world-class higher education institutions. Ithaca has leveraged its richly scenic environment, with over 150 waterfalls of all sizes and varieties amid the deep gorges and forests. Finally, Cayuga Lake offers water-based recreation, and the hilltops support a plethora of wineries, with a few breweries as well. The community has experienced steady growth since World War II, and has in particular, received a boost from a recent downtown renaissance resulting from new hotel, restaurant and retail developments, and a \$15.3 million redesigned Downtown Commons pedestrian mall with seating, planters and stages. The city is in a position to capitalize on a well-rounded mix of attractions and activities in which to work, play, and stay, all in one eminently walkable downtown. This is due in part to a robust education-based economy, and the tourism that results from the endless desire for people to want to get away from their normal lives and explore scenic beauty. Ithaca achieves this balance very well in 2017, and a downtown meeting and conference center is one more asset that can enhance its destination appeal and can be supported by the other amenities that are now in place in Ithaca.

Local and Regional Supply Analysis; Trends

The following table summarizes the competitive local meeting and event facilities, and is sorted by total function space (SF).

Table 9

Ithaca Local Competitive Meeting Facilities					
Venue Name	Total Function Space (SF)	Total Meeting (SF)	Total Ballroom (SF)	Hotel Rooms	Function SF per Key
Cornell University Conference Services	14,085	10,778	3,307	--	--
Ithaca College*	11,766	5,550	6,216	--	--
Ramada Hotel and Conference Center	10,340	3,140	7,200	121	85
The Statler Hotel	9,739	5,599	4,140	153	64
The Hotel Ithaca	3,276	276	3,000	180	18
Coltivare*	3,000	0	3,000	--	--
La Tourelle Hotel	3,000	3,000	0	54	56
Ithaca Marriott Downtown on the Commons	2,320	336	1,984	159	15
Country Inn & Suites by Carlson of Ithaca	1,600	1,600	0	58	28
Hilton Garden Inn Ithaca	1,250	1,250	0	104	12
Homewood Suites by Hilton - Ithaca	676	676	0	91	7
Average	5,550	2,928	2,622	115	36
Total	61,052	32,205	28,847	920	--

*Function SF estimated based on capacity
Source: CVENT, Hunden Strategic Partners

A total of 11 conference and meeting facilities exist throughout Ithaca, and range in size from 676 square feet up to 14,085 square feet. The largest event space in the competitive local set located is at the Ramada Hotel and Conference Center, which is located 15 minutes north of downtown and offers two ballrooms totaling to 7,200-square feet. This is followed by the 6,216-square foot ballroom at Ithaca College and the 4,100-square foot ballroom at the Statler Hotel on the campus of Cornell University. As indicated by local market participants and the venues themselves, key competitive conference facilities in the local market include Ithaca College, Statler Hotel, Hotel Ithaca, and the Hilton Garden Inn Ithaca.

Four of the local meeting and conference facilities are located in downtown Ithaca and, together, offer less than 10,000 square feet of available function space. Two of the facilities are affiliated with Cornell University, and one venue is on the campus of Ithaca College. Together, Ithaca College and Cornell University house more than 28,000 students. There are currently no non-university-affiliated venues located within five miles of downtown Ithaca that offer more than 3,000 square feet of function space.

Although a number of venues with adequate function space exist within the Ithaca market, there are no un-affiliated venues able to accommodate non-university related demand. The larger venues in the market such as the Statler Hotel and Emerson Suites at Ithaca College are examples of the venues that are accommodating university or college events before outside events. Few venues in the market are able to attract and accommodate rotating state association events. Most venues are accommodating smaller local events and meetings. Renovations to Hotel Ithaca will help to add minimal lodging supply and additional function space to the market, however HSP expects demand for function space to outpace the current pipeline of supply. Overall, analysis of the competitive Ithaca supply and conversations with local facilities suggests that a gap exists in the market, and the development of a large, flexible facility with breakout rooms and adjacent hotel rooms needed to accommodate existing demand that is leaving the market.

The following table summarizes the key competitive markets and facilities located throughout New York sorted by distance from Ithaca.

Table 10

Ithaca Conference Center - Regional Supply							
Venue Name	City	Distance from Ithaca (miles)	Total Function Space (SF)	Total Meeting (SF)	Total Ballroom (SF)	Hotel Rooms	Function SF per Key
Holiday Inn Express Elmira - Horseheads	Horseheads	29	3,412	812	2,600	99	34.5
Hilton Garden Inn - Elmira/Corning	Horseheads	31	2,340	--	2,340	119	19.7
Holiday Inn Elmira Riverview	Elmira	33	6,410	1,610	4,800	149	43.0
Holiday Inn Auburn-Finger Lakes Region	Auburn	37	8,406	2,142	6,264	165	50.9
Hilton Garden Inn - Auburn	Auburn	38	4,448	2,268	2,180	92	48.3
Radisson Hotel Corning	Corning	43	8,439	4,479	3,960	177	47.7
DoubleTree by Hilton Hotel - Binghamton	Binghamton	48	22,985	12,320	10,665	207	111.0
Holiday Inn Binghamton Downtown	Binghamton	50	15,066	5,398	9,668	237	63.6
Lake Ontario Event and Conference	Oswego	77	10,640	3,940	6,700	203	52.4
Turning Stone Resort & Casino	Verona	79	69,941	11,720	28,353	268	261.0
R.I.T Inn & Conference Center	Rochester	89	11,250	2,050	9,200	304	37.0
The Strathallan Rochester	Rochester	89	10,319	2,620	7,699	155	66.6
Hyatt Regency - Rochester	Rochester	90	14,022	2,739	11,283	338	41.5
Radisson Hotel Rochester Riverside	Rochester	90	17,544	4,561	12,983	460	38.1
Diplomat Banquet Center	Rochester	95	12,392	--	12,392	--	--
The Otesaga Resort Hotel	Cooperstown	101	11,734	7,484	4,250	135	86.9
The Desmond Albany Hotel	Albany	161	14,650	5,840	8,810	322	45.5
Radisson Hotel Albany	Albany	161	11,805	2,120	9,685	312	37.8
Albany Marriott	Albany	162	15,796	2,560	13,236	359	44.0
Sheraton at the Falls	Niagara Falls	166	5,508	648	4,860	392	14.1
Hilton Albany	Albany	166	17,553	4,283	13,270	385	45.6
Gideon Putnam	Saratoga Springs	188	12,413	6,581	5,832	124	100.1
Saratoga Springs City Center	Saratoga Springs	190	33,004	13,000	20,004	242	136.4
Mirror Lake Inn	Lake Placid	251	6,125	3,725	2,400	--	--
Crowne Plaza	Lake Placid	251	15,736	5,476	10,260	245	64.2
Average		109	14,478	4,712	8,948	239	65

Source: Various Sources, Hunden Strategic Partners

HSP identified, analyzed and profiled facilities located in New York that are anticipated to compete with a conference center development in downtown Ithaca. The average total function space across the 25 venues is nearly 14,500 square feet and the average function space to key ratio is approximately 65 square feet per key.

Regionally, most comparable markets within Upstate New York offer similar ecotourism amenities to those found in Ithaca. As such, HSP expects Ithaca to compete with a majority of the region to host weekend and summer weddings, rotating state association, and corporate events. However, HSP expects a conference center development in Downtown Ithaca to attract statewide drive-in business, especially business that is not directly related to the local universities. HSP identified an opportunity within the Ithaca market to attract meeting and conference events featuring attendees with ties to Cornell University or Ithaca College. Additionally, HSP expects a conference center in Downtown Ithaca to be attractive to rotating statewide association business, which currently rotates between Buffalo, Rochester, Syracuse, Albany and New York City.

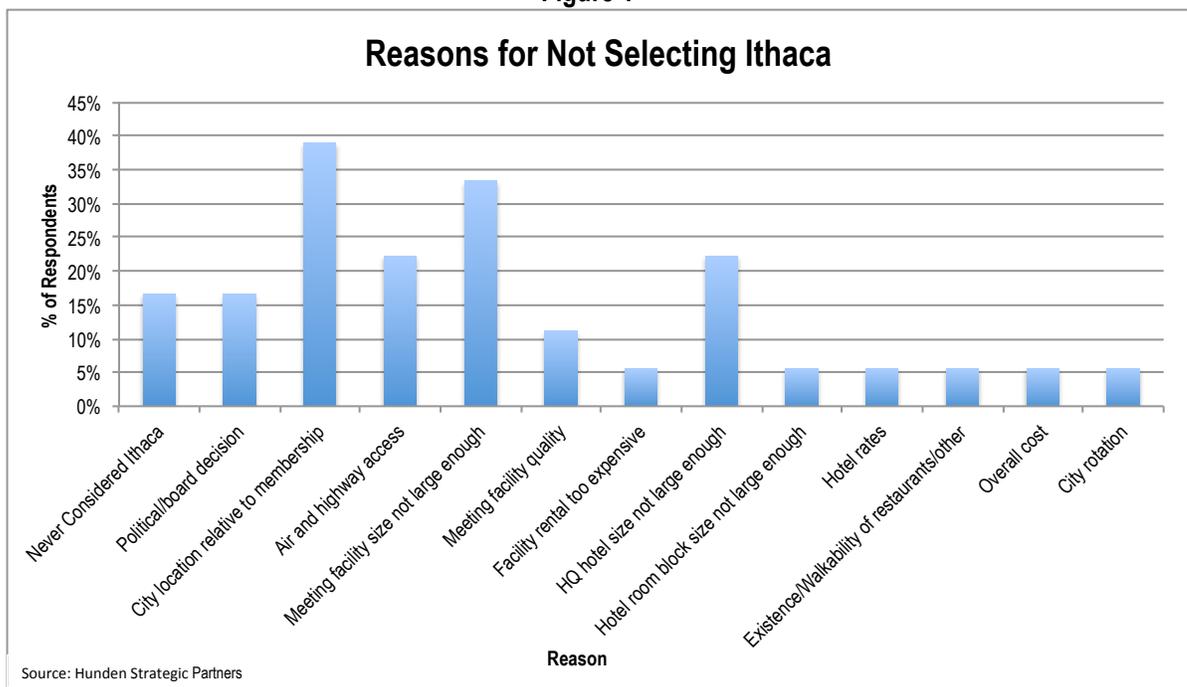
Meeting Planner Survey and Interviews

New York state association meetings and event business plays a major role in the success of event facilities throughout the region. Conversations with local event facilities, market participants and stakeholders indicated that midweek corporate and association business is lacking in Ithaca, and there is an opportunity to attract such events with the development of a new event facility. HSP contacted the Empire State Society of

Association Executives (ESSAE) to better understand the existing state associations' destination selection process, and the opportunity to attract those groups to Ithaca. The ESSAE consists of approximately 262 state associations. HSP surveyed these associations, as well as a list of 225 contacts that featured rotating regional meeting planners, to better understand the market opportunity in Ithaca. While the number of responses, 31, is not ideal, the response rate is satisfactory for a cold-call survey given the number of contacts available and the historical lack of consideration from event planners. While not completely scientific, this state association feedback provides valuable insight on how Ithaca is viewed as a destination.

The following figure lists the reasons why Ithaca was not selected as an event destination.

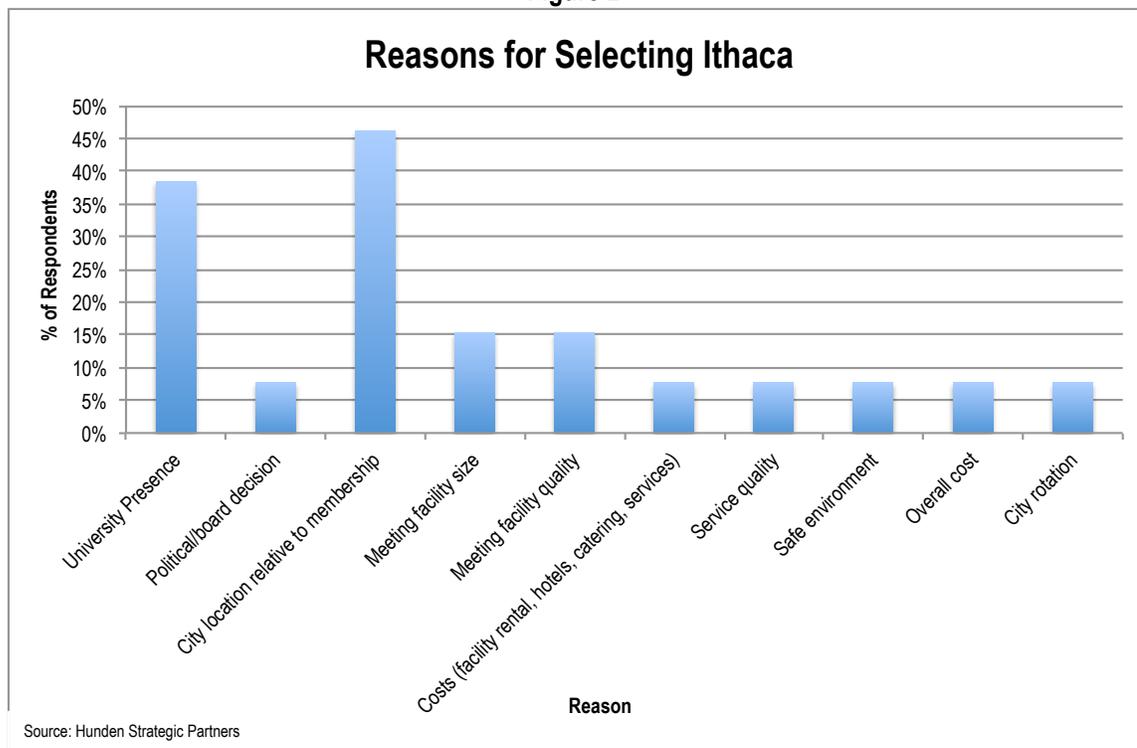
Figure 1



Ithaca's location can present both opportunities and challenges in regards to attracting groups. For some, Ithaca is not viewed as an accessible destination, and is therefore not considered as a potential event location. Meeting facility size was listed as the second most common reason as to why groups do not consider Ithaca. The lack of an attached or adjacent hotel was the third most common reason for not selecting Ithaca. A number of groups stated that they have never considered Ithaca as a potential destination for an event. The development of a new facility would likely better position Ithaca as a more viable meeting and event destination and get on the radar of meeting and event planners.

The following figure shows a breakdown of reasons respondents selected Ithaca as an event destination.

Figure 2



As previously mentioned, Ithaca’s location can present opportunities as well, and certain groups view the city as an attractive centralized destination. The presence of Cornell University and Ithaca College was the second most common reason for selecting Ithaca as an event destination. Moving forward, it is vital that Ithaca continues to leverage the university presence in the market. As shown in the figure, groups that are currently holding events in Ithaca do so in spite of the existing event and hotel package, not because of it.

HSP also contacted and interviewed lost groups provided by the CVB to better understand their event, their interest in Ithaca, and their reason for not selecting Ithaca. Key feedback from lost business groups includes:

- Ithaca’s reputation and destination appeal are attractive to meeting planners. The development of downtown and increased activity is very enticing to prospective groups.
- Walkability, scenery, and nature-oriented attractions should be leveraged by Ithaca. Meeting planners are looking for unique experiences, and Ithaca has the features to offer that.
- The lack of a high quality, column free ballroom space and supporting breakout rooms is the primary reason for many lost business groups. These groups are typically looking for a capacity of 300 to 500, and an attached or adjacent headquarters hotel. A short walk is acceptable, but shuttling attendees can be a deal-breaker.
- Ithaca (and the CVB) has attempted to be creative with function space and lodging requirements in the past to be able to accommodate events. This includes packages and contracts that have featured rooms from multiple properties and transportation services to the event space. While

this is appreciated, this process creates many logistical issues that are not attractive to meeting planners.

- Ithaca's high hotel rates present issues for certain groups. The consistently high hotel rates will ensure that some groups will never strongly consider Ithaca, but higher rated business is willing and able to pay market rate to be in Ithaca. This higher-rated business is looking for a flexible space with complementary breakout rooms and walkable hotel rooms.
- The university presence is attractive to meeting planners. Groups have been willing and able to work with colleges in the past, but scheduling has presented issues, and the venue location and transportation is not ideal for hosting events.
- It is vital that the CVB promotes any new facility and lodging package in downtown Ithaca. Groups have expressed interest, and want to be kept up to date on the progress of a new potential event facility in order to prepare for and schedule future events.
- Access is not viewed as a major issue by lost business groups. The lack of a flexible, un-affiliated venue with breakout rooms and walkable hotel packages is the reason for lost event opportunities in Ithaca.

Feedback gathered from a variety of potential demand generators provides valuable insight on the market opportunity for a new conference center development in downtown Ithaca. Feedback indicates that there is significant opportunity for a potential event facility development in downtown Ithaca despite some of the current challenges with high hotel rates. Surveyed associations indicated that the lack of a large enough event facility with walkable hotel rooms is a major deterrent in considering Ithaca as a destination. Accessibility presents issues, but Ithaca's central location and the presence of Cornell University and Ithaca College are attractive to event planners. The ballroom and breakout room needs are consistent with Ithaca stakeholder feedback, and for those planners that are not currently considering Ithaca, a new development will put Ithaca on the map.

Hotel and Restaurant Market Analysis

The following table shows a summary of the hotels in the Ithaca competitive set arranged by distance from the Ithaca Commons.

Table 11

Ithaca Competitive Set Hotels						
Property Name	Address	Distance from Ithaca Commons	Rooms	Chain Scale	Open Date	
Hilton Garden Inn Ithaca	130 E. Seneca St	0.1	104	Upscale	Aug-05	
Canopy by Hilton Ithaca The Commons	310 E State St	0.1	123	Upper Upscale	U/C	
Marriott Ithaca Downtown On The Commons	120 South Aurora St	0.2	159	Upper Upscale	Dec-16	
Hotel Ithaca	222 South Cayuga St	0.2	125	Independent	Jun-72	
Statler Hotel	130 Statler Dr	1.3	153	Independent	Jun-87	
Hampton Inn Ithaca	337 Elmira Rd	1.8	66	Upper Midscale	Apr-04	
Fairfield Inn & Suites Ithaca	359 Elmira Rd	2.0	106	Upper Midscale	Aug-13	
Holiday Inn Express & Suites Ithaca	371 Elmira Rd	2.1	79	Upper Midscale	Oct-16	
Best Western University Inn	1020 Ellis Hollow Rd	2.1	101	Midscale	Apr-87	
Country Inn & Suites Ithaca	1100 Danby Rd	2.5	58	Upper Midscale	May-08	
Homewood Suites Ithaca	36 Cinema Dr	4.1	91	Upscale	May-07	
Courtyard Ithaca Airport University	29 Thornwood Dr	5.4	107	Upscale	Dec-00	
Total/Average		1.8	1,272	--	Nov-01	

Source: Smith Travel Research, Hunden Strategic Partners

The 12 hotels in the competitive set will total 1,272 rooms when the Canopy by Hilton Ithaca The Commons opens in early 2018. The largest hotel is the Marriott Ithaca Downtown on the Commons, featuring 159 rooms, followed by the Statler Hotel with 153 rooms. The opening of the Marriott and Canopy by Hilton will result in a total of 511 rooms between four properties located in downtown Ithaca. The average age of the hotels in the competitive set is 16 years, however, three of the properties have been open for about 30 years. While a new conference center development will likely have the greatest impact on those properties located within walking distance of the facility, the entire Ithaca hotel market will benefit from the demand generated from a new event facility.

HSP used Smith Travel Research data to analyze the selected hotel competitive set. The following table shows the performance data for the Ithaca competitive set of hotels from 2011 through 2015 and YTD September 2016. Data does not include any performance numbers from the Marriott Ithaca Downtown on the Commons or the Holiday Inn Express & Suites Ithaca.

Table 12

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
2011	856	312,440	--	214,080	--	68.5	--	\$151.12	--	\$103.54	--
2012	859	313,664	0.4%	217,997	1.8%	69.5	1.4%	\$155.78	3.1%	\$108.27	4.6%
2013	905	330,452	5.4%	220,439	1.1%	66.7	-4.0%	\$164.25	5.4%	\$109.57	1.2%
2014	967	352,955	6.8%	223,778	1.5%	63.4	-5.0%	\$169.87	3.4%	\$107.70	-1.7%
2015	967	352,955	0.0%	231,990	3.7%	65.7	3.7%	\$173.37	2.1%	\$113.96	5.8%
2016 YTD (September)	911	248,703	-5.8%	180,294	-0.3%	72.5	5.9%	\$178.58	4.1%	\$129.46	8.9%
CAGR* (2011-2015)	3.2%	3.2%	--	2.1%	--	-1.0%	--	3.7%	--	2.5%	--

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

Room nights sold have increased every year since 2011, indicating an increase in demand for hotel rooms in the market. Occupancy dipped in 2014, dropping to nearly 63 percent, but has rebounded to a year-to-date occupancy of 72.5 percent in 2016. The current occupancy rate has surpassed the threshold of approximately 66 percent, the point at which developers start to consider potential new hotel developments. This has resulted in the development of the Marriott Ithaca Downtown and Holiday Inn Express and Suites, which opened in late 2016, as well as the expansion of Hotel Ithaca and the development of the Canopy by Hilton, which is projected to open in early 2018. This addition of higher-quality supply may result in a decrease in occupancy, and additional demand generators will be necessary to reach current occupancy levels.

In this time period the average daily rate (ADR) has consistently increased, going from \$151.12 in 2011 to \$178.58 in September 2016, an increase of more than \$25. Revenue per available room (RevPAR) has followed this trend, increasing nearly 26 percent in the last five years. As has been discussed throughout this report, Ithaca's strong rates may present a challenge attracting certain events. Maintaining rate integrity will be important to Ithaca hoteliers, and the current rates will hinder a new event facility from attracting significant SMERF (social, military, educational, religious, and fraternal) groups that are not willing to pay such high rates. Higher rated business, such as corporate events and association events, will be much more likely to pay those rates.

The following table shows the occupancy percent by day of the week, by month, for the twelve months starting October 2015 through September 2016. The figures represent the projected unaccommodated demand from the competitive set hotels in Ithaca. Days of the week with occupancy between 75 and 80 percent are shown in yellow, suggesting mild displacement and unaccommodated demand, while orange shows days with 80 to 90 percent occupancy, suggesting highly likely displacement. Days in red are for times when occupancy was greater than 90 percent for the set, suggesting near-certain displacement.

Table 13

Occupancy Percent by Day of Week by Month - October 2015 - September 2016								
	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Avg
Oct - 15	67.2%	68.7%	73.6%	72.8%	74.8%	92.6%	92.7%	78.4%
Nov - 15	35.9%	47.3%	54.3%	54.5%	67.2%	81.2%	70.8%	57.6%
Dec - 15	25.1%	35.3%	36.8%	34.3%	32.7%	48.0%	45.9%	36.6%
Jan - 16	29.0%	37.6%	46.9%	46.4%	44.4%	49.0%	45.8%	42.6%
Feb - 16	45.8%	52.9%	61.8%	60.9%	62.0%	91.1%	87.0%	65.5%
Mar - 16	48.1%	50.3%	55.9%	61.1%	76.6%	87.4%	72.0%	64.5%
Apr - 16	62.9%	63.6%	65.2%	72.8%	80.6%	98.2%	95.6%	78.3%
May - 16	60.6%	56.4%	63.4%	61.0%	65.9%	83.9%	91.6%	68.1%
Jun - 16	73.5%	80.3%	82.3%	72.6%	81.9%	89.3%	91.2%	81.3%
Jul - 16	79.8%	78.3%	88.3%	88.8%	94.0%	93.8%	95.3%	88.5%
Aug - 16	82.9%	82.7%	89.5%	81.8%	90.0%	92.5%	95.8%	87.6%
Sep - 16	61.4%	60.5%	70.0%	70.8%	79.8%	91.4%	93.6%	76.0%
Average	55.5%	59.4%	65.2%	64.5%	70.5%	83.2%	81.4%	

Sources: Smith Travel Research

Each cell is an average of four specific dates, for example Wednesdays in October *averaged* 72.8 percent occupancy. As shown, Saturday occupancy stays above 90 percent from April through October, with Friday being nearly as strong five of those seven months. Tuesday and Wednesday in June, July and August had occupancy greater than 80 percent, and Thursday through Saturday during the months of July and August had an occupancy greater than 90 percent. The highest occupancy occurred on Saturdays in April, July and August, which all experienced over 95 percent occupancy. During December 2015, occupancy averaged approximately 37 percent, the lowest in the year. Weekday occupancy is strongest on Friday and Saturday at more than 80 percent. Once again, this table above demonstrates an opportunity for improvement in mid-week business through all seasons other than the peak summer months.

The strong performance of the Ithaca hotel market is evidenced by the development of two high quality hotel properties downtown, the 159-room Marriott by Ithaca Downtown and the 123-room Canopy by Hilton Ithaca the Commons. The strength and depth of demand generated by Cornell University, along with the lack of lodging options downtown, has resulted in abnormally high average daily rates and growing occupancy rates in the market. While seasonal, the performance Ithaca hotels has resulted in many unaccommodated room nights in the market, specifically during weekends and citywide sell-out events such as graduation, summer tourism months, wedding season in the fall. The two new hotel properties, which will increase the number of downtown hotel rooms by 123 percent, will benefit from this consistent built-in demand in the market. However, analysis of the market performance and conversations with hoteliers indicates that there are many occasions, typically Sundays through Thursdays in the colder months when Ithaca hotels struggle to maintain occupancy and are forced to drop rates due to a lack of demand in the market. The development of two new competitive hotel properties, totaling 282 rooms, will only increase the need for additional room-night generators in the market during these times. The supply of high-quality hotel options located within walking distance of downtown, combined with the market opportunity for improved weekday business in the winter, spring, and late fall, suggests that a new conference center development would complement the existing local demand generators and fill a major gap in the Ithaca hotel market.

Report Layout

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About Hunden Strategic Partners

Hunden Strategic Partners is a full service real estate development advisory practice specializing in destination assets. The firm provides a variety of services for all stages of destination development in the following primary areas:

- Real estate market and financial feasibility and financial consulting
- Owner's representation and operating consulting
- Strategy and master planning
- Public incentive analysis
- Economic, fiscal and employment impact analysis (cost/benefit)
- Economic and tourism policy/legislation consulting
- Organizational development
- Research and statistical analysis
- Developer solicitation and selection; Private management company solicitation and selection

Hunden Strategic Partners professionals have provided all of the above services for hundreds of client projects worldwide for the public, non-profit and private sectors. In addition, our professionals have prior professional career experience in municipal and state government, economic and real estate development, hotel operations and non-profit management. Over 80 percent of our clients are public entities, such as municipalities, counties, states, convention bureaus, authorities and other quasi-government entities empowered to conduct real estate, economic development and tourism activities.

Limiting Conditions

HSP relied on primary and secondary sources of information for the assumptions made in this report and assumes these sources to be accurate. Assumptions created for the analysis were based on the data available to HSP during the study period as well as professional judgment.

The Project is assumed to be owned and operated in a first-class manner by parties who have operated similar facilities.

No responsibility is taken for unforeseen events occurring after the date of the analysis, including war and terror attacks, natural disasters and major economic recessions.

This report is intended to be used as a tool for decision-making by the contracting parties related to this Project and for no other purpose.