



# Conference Center Market Analysis

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*San Luis Obispo, California*

*October 28, 2024*

# Table of Contents

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1. Executive Summary
2. Market Overview
3. Previous Studies
4. Comparable and Competitive Venues
5. Site Analysis
6. Building Program Recommendations
7. Demand Projections
8. Financial Projections
9. Economic Impact
10. Financing and Partnership Analysis
11. Statement of Assumptions and Limiting Conditions
12. Certification



# Executive Summary

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# Key Takeaways

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- The San Luis Obispo market is growing, with a strong, diverse base of business. The airport continues to grow, with passenger volume recovered to pre-COVID 19 levels. There are a range of hotel options available in SLO, including the new Hotel San Luis Obispo and Hotel Cerro in downtown. Transient Occupancy Tax collections grew significantly in the most recent year, with over \$10.5 million in collections.
- HVS recommends a building program that features a, 18,000 sf ballroom supported by 13,200 sf of meeting space, as well as 5,000 sf of outdoor space. This recommended building program would make the proposed conference center the largest meeting and event venue in San Luis Obispo. This ranks 5<sup>th</sup> in total function space compared to a set of competitive California convention and conference centers, marginally behind the Monterey Conference Center.
- The updated site analysis from the 2019 report included two new sites: the Courthouse and 1166 Higuera. Using the same variables and weighting from the previous report, the Courthouse site ranked as the most favorable due to its proximity to downtown amenities and hotels, the size of the site, and the likelihood of its availability.
- HVS projects the San Luis Obispo Conference Center to host 325 events annually by the time demand stabilizes and more than 72,000 attendees annually. These events and attendees generate 21,000 room nights in the market area per year.
- The facility generates \$22 million in annual economic impact and \$995,000 in annual fiscal impact by demand stabilization.



# Market Overview

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# Introduction to Market Analysis

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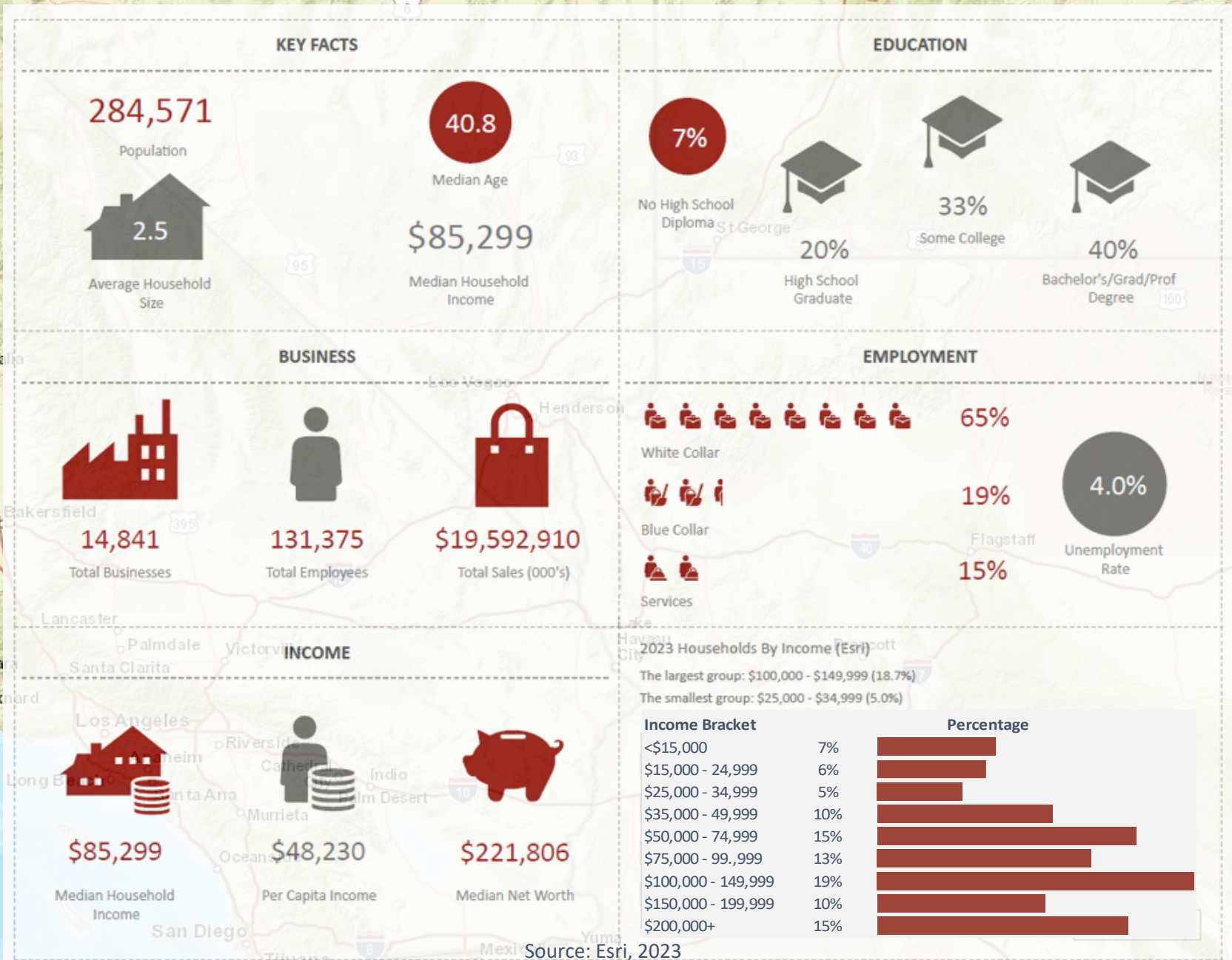


This market area analysis provides economic and demographic data that describe the overall condition of the local economy in San Luis Obispo and the surrounding area. The characteristics of the area economy and trends that indicate growth or decline provide indicators of the performance of the proposed conference center. HVS analyzed the following indicators: population, income, sales, employment levels, major businesses, airport access, and hotel supply.

The proposed conference center would be in the City of San Luis Obispo (the “City”), which is located on the Central Coast of California, roughly midway between Los Angeles and San Francisco. The city serves as the commercial, governmental, and cultural hub of San Luis Obispo County (the “County”). One of California’s oldest communities, it was founded in 1772; today, the downtown area is centered around the carefully restored Mission and Mission Plaza. California Polytechnic State University (“Cal Poly”) is another major presence, with nearly 21,000 students enrolled at its 6,000-acre campus in the foothills of San Luis Obispo.

Wine production is a particularly successful industry in the county, which boasts approximately 250 wineries and more than 100 wine tasting rooms. Hearst Castle is the largest attraction in the area and the most popular state park in California. The 250,000-acre estate was built by William Randolph Hearst in the early 20th century and boasts 165 rooms and 127 acres of gardens, terraces, pools, and walkways. The city’s weather and surroundings provide numerous opportunities for outdoor recreation at nearby parks, lakes, beaches, and wilderness areas.

# San Luis Obispo County



### KEY FACTS

48,670

Population

30.6

Median Age

2.3

Average Household Size

\$69,979

Median Household Income

### BUSINESS



4,079

Total Businesses



46,001

Total Employees



\$7,188,873

Total Sales (000's)

### INCOME



\$69,979

Median Household Income



\$49,862

Per Capita Income



\$82,610

Median Net Worth

### EDUCATION

5%

No High School Diploma



14%

High School Graduate



27%

Some College



54%

Bachelor's/Grad/Prof Degree

### EMPLOYMENT



72%

White Collar



12%

Blue Collar



16%

Services

5.1%

Unemployment Rate

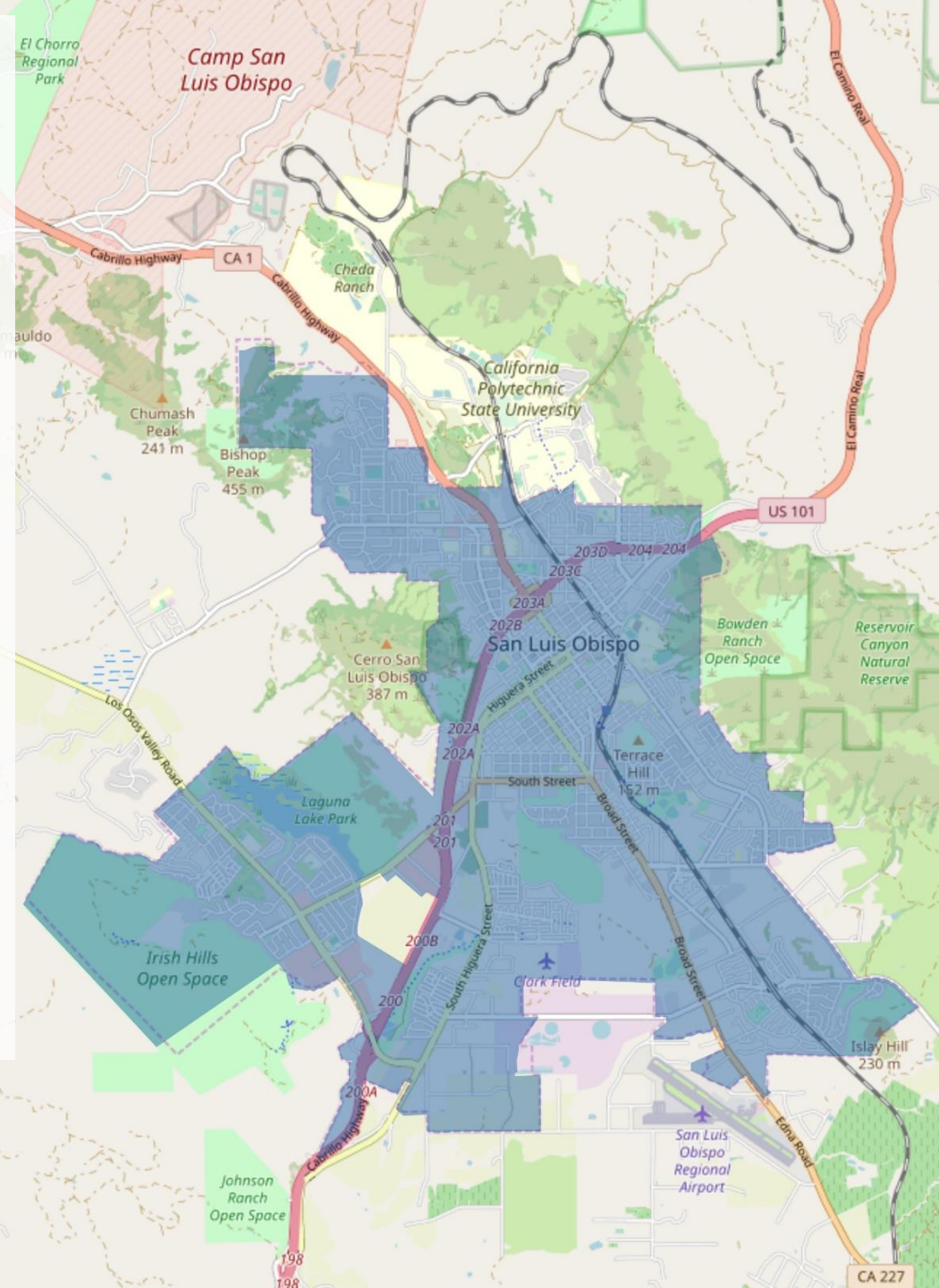
### 2023 Households By Income (Esri)

The largest group: \$200,000+ (15.7%)

The smallest group: \$25,000 - \$34,999 (5.5%)

Income Bracket	Percentage
<\$15,000	12%
\$15,000 - 24,999	10%
\$25,000 - 34,999	6%
\$35,000 - 49,999	11%
\$50,000 - 74,999	14%
\$75,000 - 99,999	10%
\$100,000 - 149,999	15%
\$150,000 - 199,999	7%
\$200,000+	16%

Source: Esri, 2023

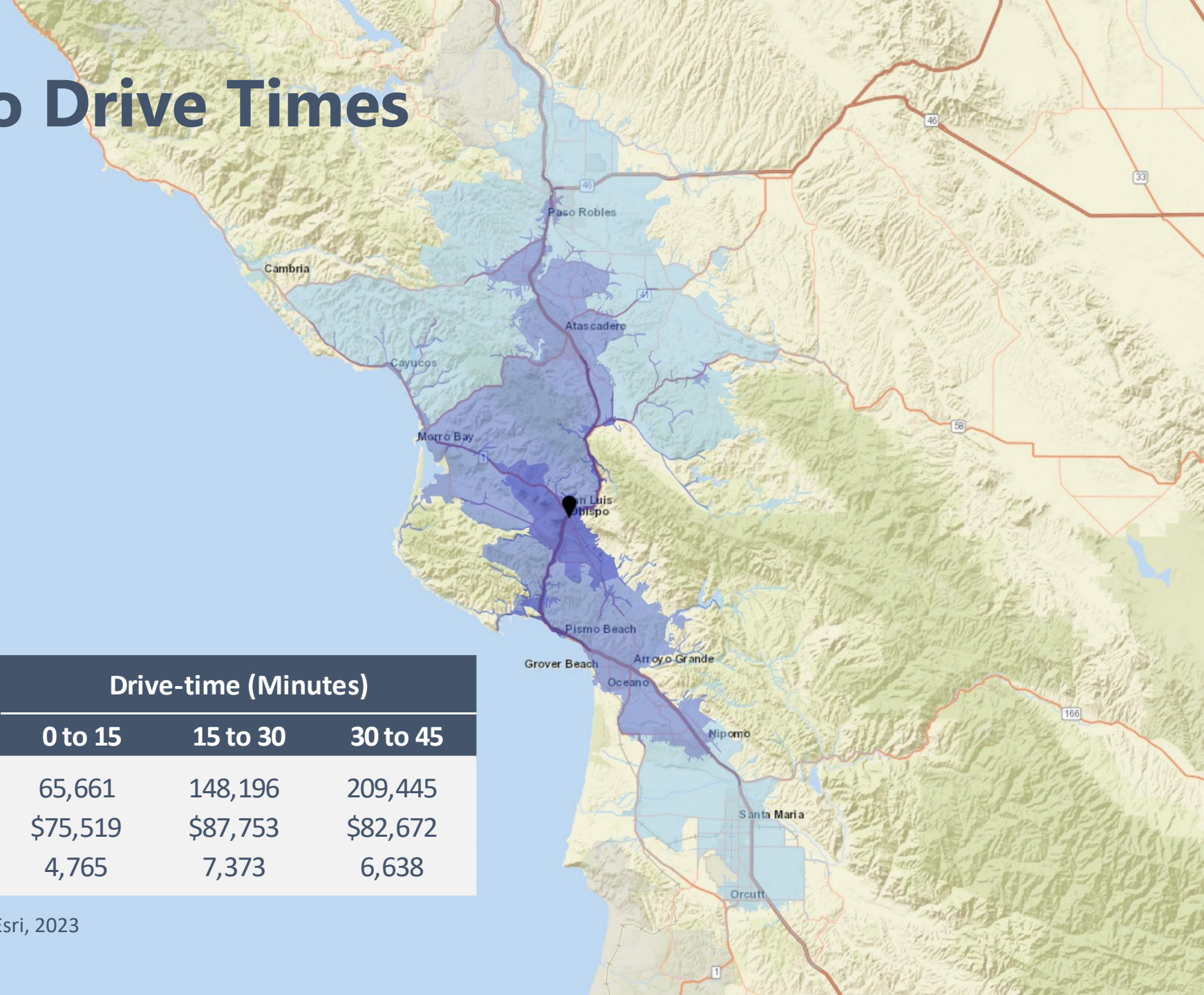


# San Luis Obispo City





# San Luis Obispo Drive Times



	Drive-time (Minutes)		
	0 to 15	15 to 30	30 to 45
Total Population (2023)	65,661	148,196	209,445
Median Household Income (2023)	\$75,519	\$87,753	\$82,672
Total Businesses	4,765	7,373	6,638

Source: Esri, 2023

# Major Employers: County

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Firm	Number of Employees
County of San Luis Obispo	2,847
Atascadero State Hospital	2,300
California Men's Colony	2,000
Cal Poly State University, San Luis Obispo	1,912
Pacific Gas & Electric Company	1,700
Tenet Healthcare	1,312
Lucia Mar Unified School District	1,070
Community Action Partnership of San Luis Obispo County	942
Paso Robles Public Schools	935
Cuesta College	854

Source: San Luis Obispo County ACFR, June 2022

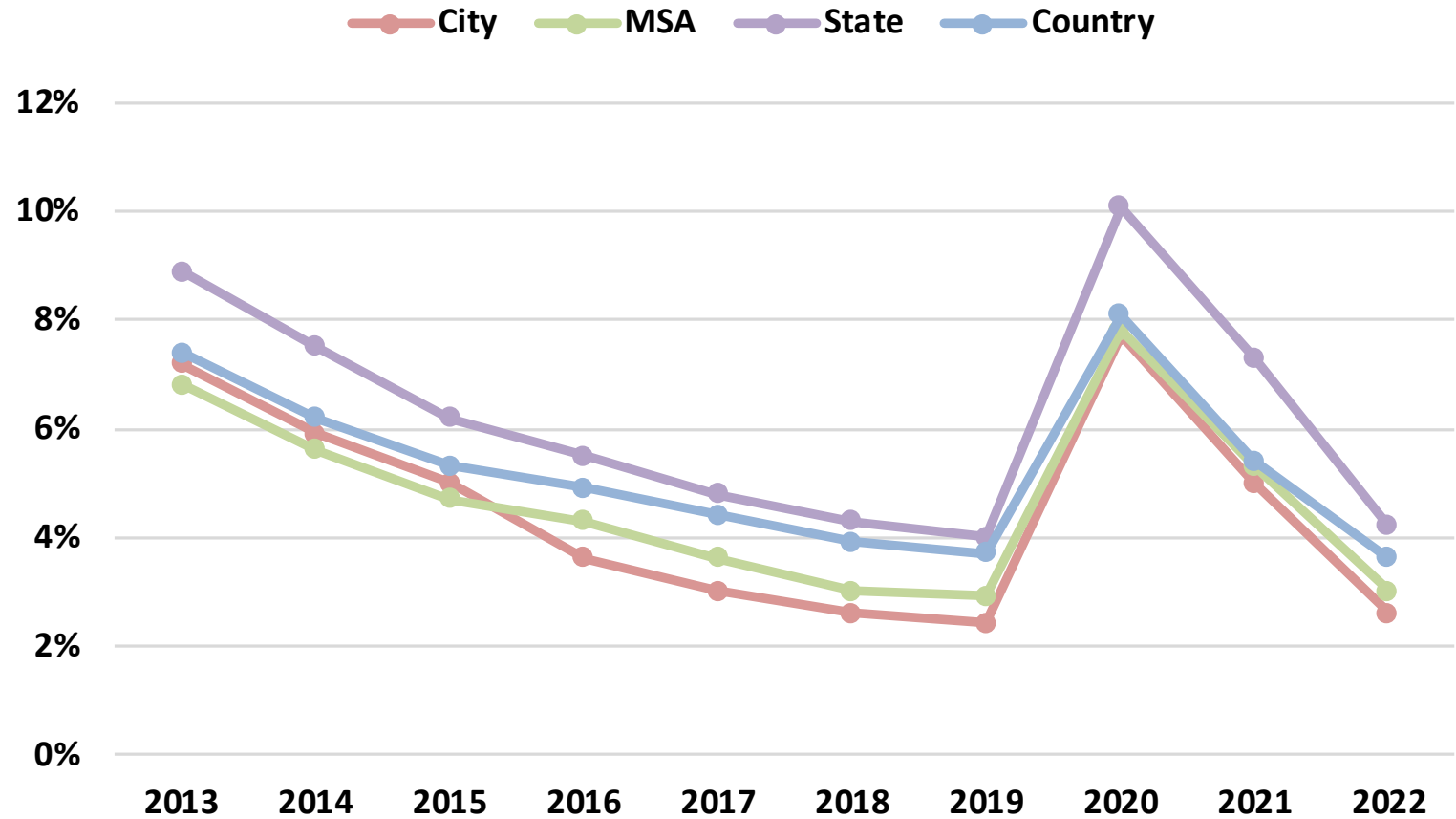
# Unemployment Trends



Unemployment statistics provide a measure of the health of the local economy and comparisons to state and national trends. HVS included the San Luis Obispo-Paso Robles Metropolitan Statistical Area (“MSA”) as another data point, which includes San Luis Obispo County.

Historically, unemployment in the City tracked below state and MSA averages. Unemployment in the City peaked in 2020 at 7.7% during the COVID-19 pandemic, well below the state average of 10.1%.

As the national economic conditions rebounded over the last two years, local unemployment levels have also fallen however they have yet to drop below the pre-COVID level of 2.4%.



Source: Bureau of Labor Statistics

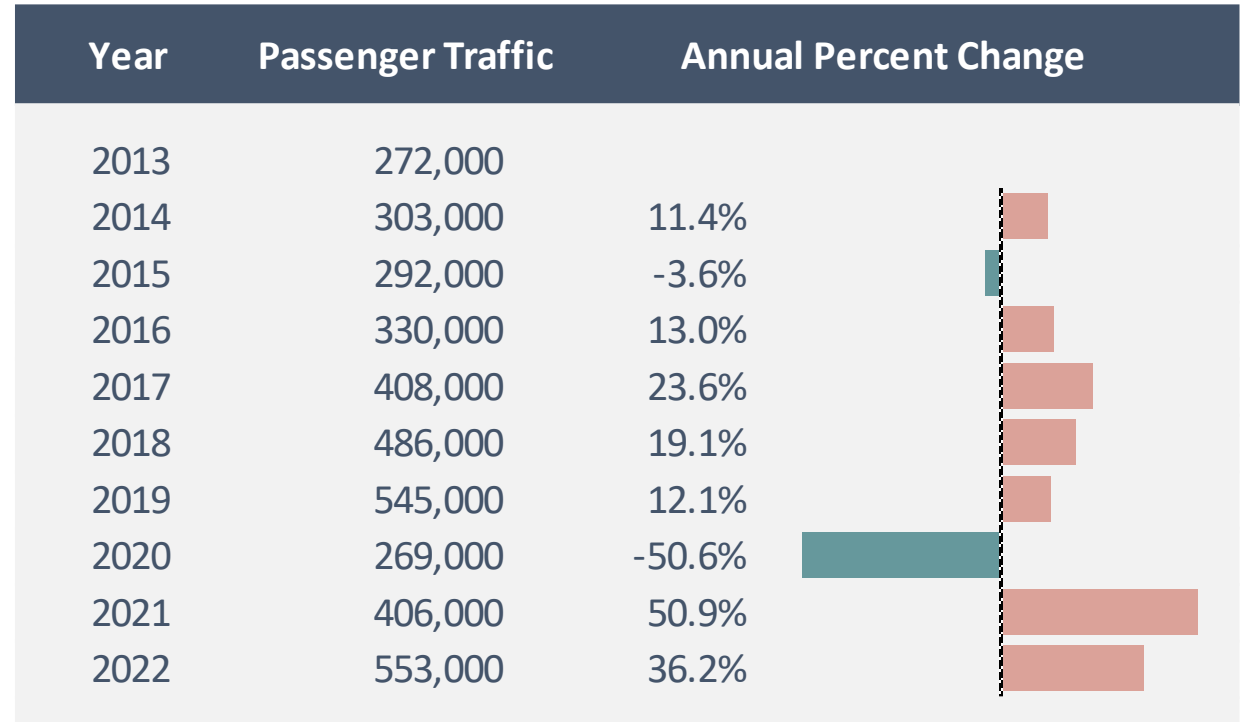
# Air Service



Located just south of the City of San Luis Obispo, the San Luis Obispo County Regional Airport serves much of California's Central Coast. It is served by United Express, American Airlines, and Alaska Airlines, which provide direct flights to/from Los Angeles, Phoenix, San Francisco, Dallas, Denver, San Diego, Las Vegas, Portland, and Seattle. The facility is also home to full-service general aviation and corporate facilities.

A new \$39.5-million terminal, which was completed on November 1, 2017, encompasses 56,000 square feet and features an outdoor courtyard, floor-to-ceiling windows, and four gates; a parking structure was also constructed adjacent to the terminal.

Passenger traffic rebounded beyond pre-COVID levels in 2022, with more than 550,000 annual passengers.

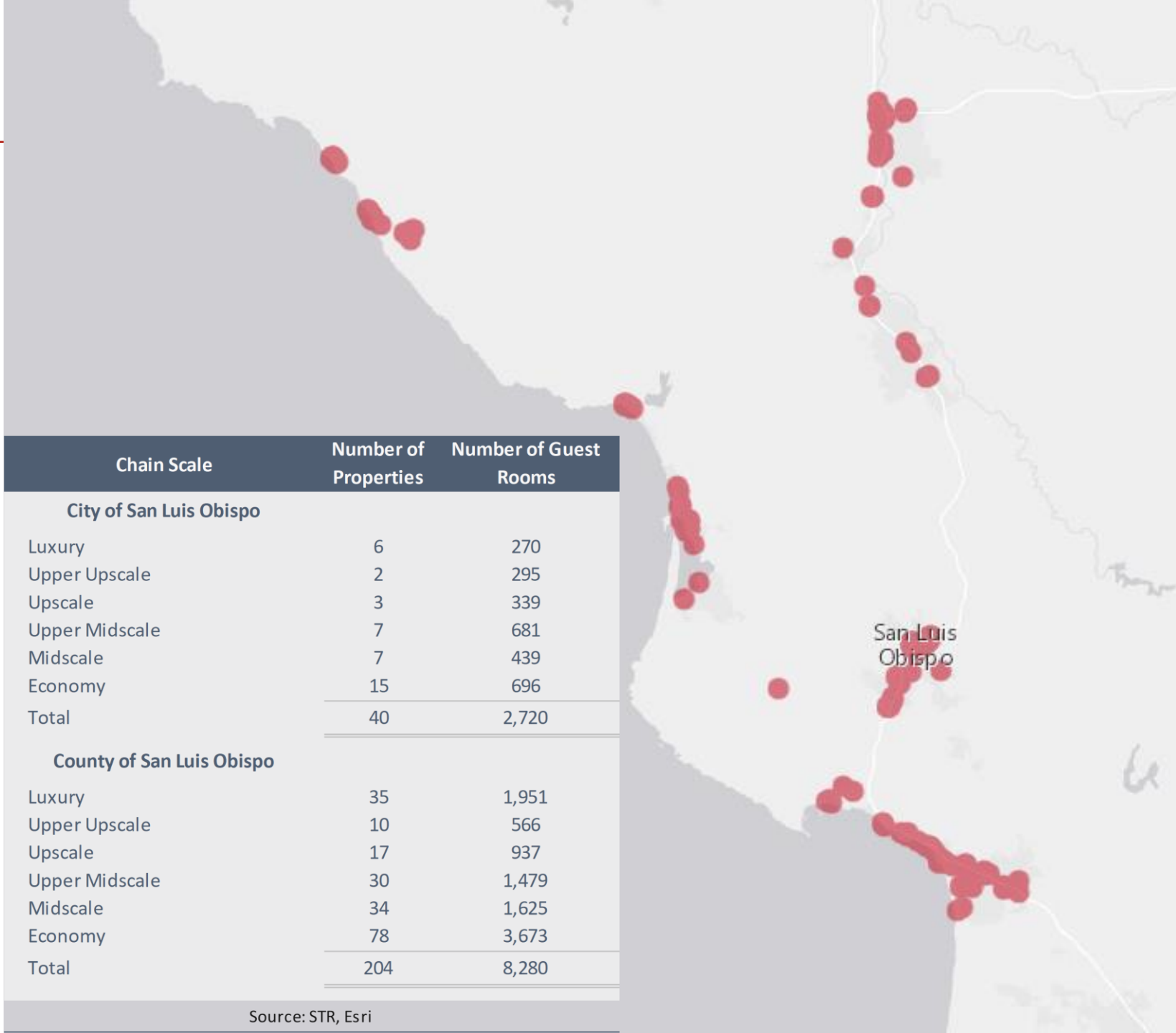


Source: San Luis Obispo County Regional Airport

# Lodging Supply

A conference center’s ability to attract out-of-town groups depends greatly on the availability of nearby hotel rooms within a reasonable distance to the facility. Moreover, events vary with respect to the types of hotels that best meet the needs of their delegates and attendees.

Most planners of professional conferences and trade shows prefer large blocks of full-service hotel rooms in nationally branded properties. Some consumer show and banquet attendees prefer less expensive, limited-service hotel options that offer guest amenities such as complimentary breakfast and free internet connections.



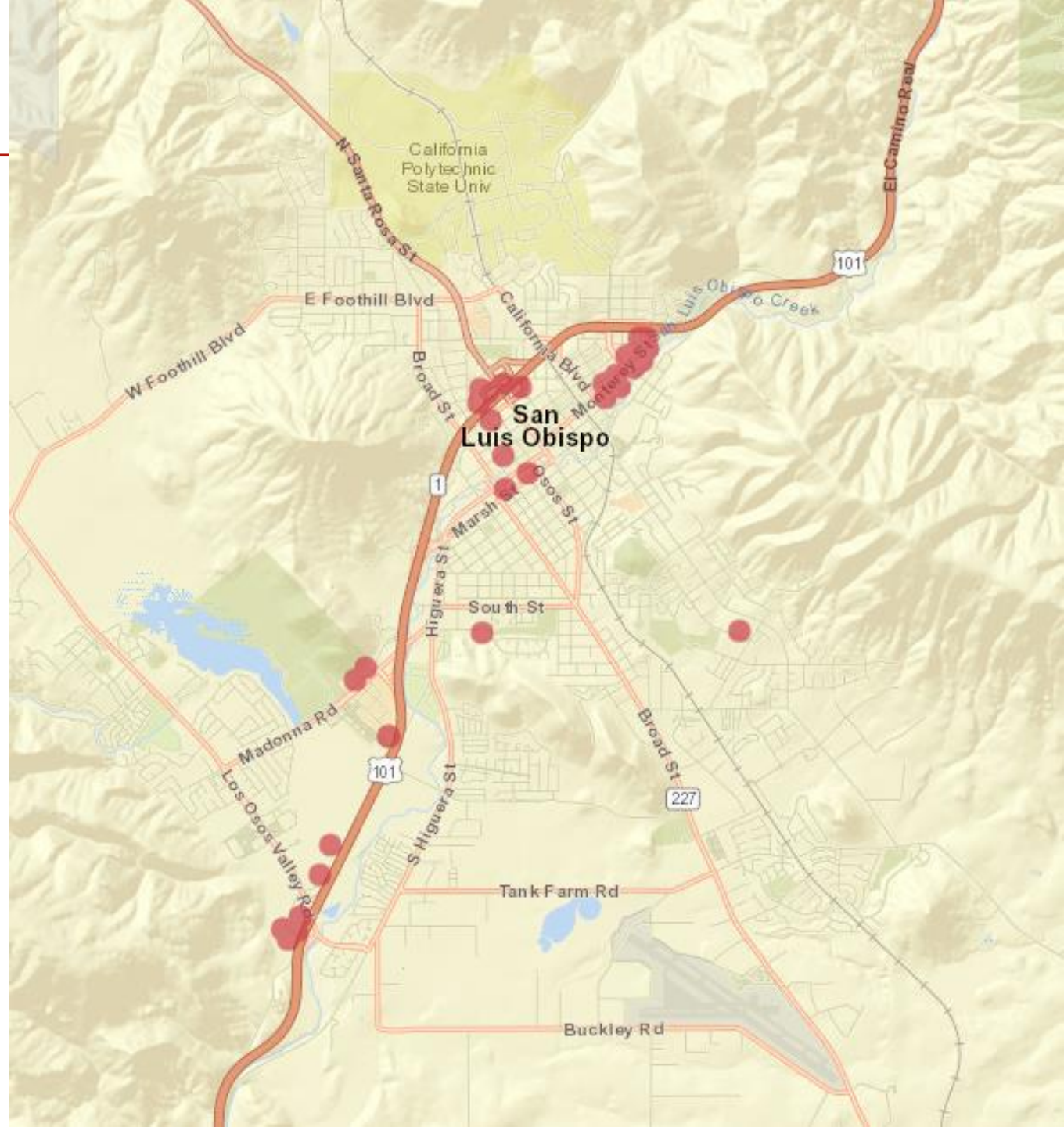
Chain Scale	Number of Properties	Number of Guest Rooms
<b>City of San Luis Obispo</b>		
Luxury	6	270
Upper Upscale	2	295
Upscale	3	339
Upper Midscale	7	681
Midscale	7	439
Economy	15	696
Total	40	2,720
<b>County of San Luis Obispo</b>		
Luxury	35	1,951
Upper Upscale	10	566
Upscale	17	937
Upper Midscale	30	1,479
Midscale	34	1,625
Economy	78	3,673
Total	204	8,280

Source: STR, Esri

# City Lodging Supply

The City of San Luis Obispo has 40 lodging properties which are clustered in a few main areas: in downtown, east along Monterey St, and south near the airport and Madonna Rd.

The largest properties are the Embassy Suites with 195 rooms, followed by the Courtyard San Luis Obispo and Quality Suites Downtown with 139 and 138 rooms, respectively. Only 9 properties offer more than 100 rooms in the City, while 19 offer fewer than 50 rooms.



Size (Number of Guest Rooms)	Number of Properties	Number of Guest Rooms
<b>City of San Luis Obispo</b>		
Less than 50	19	415
50 to 99	12	855
100 to 199	9	1,120
<b>Total</b>	<b>40</b>	<b>2,390</b>

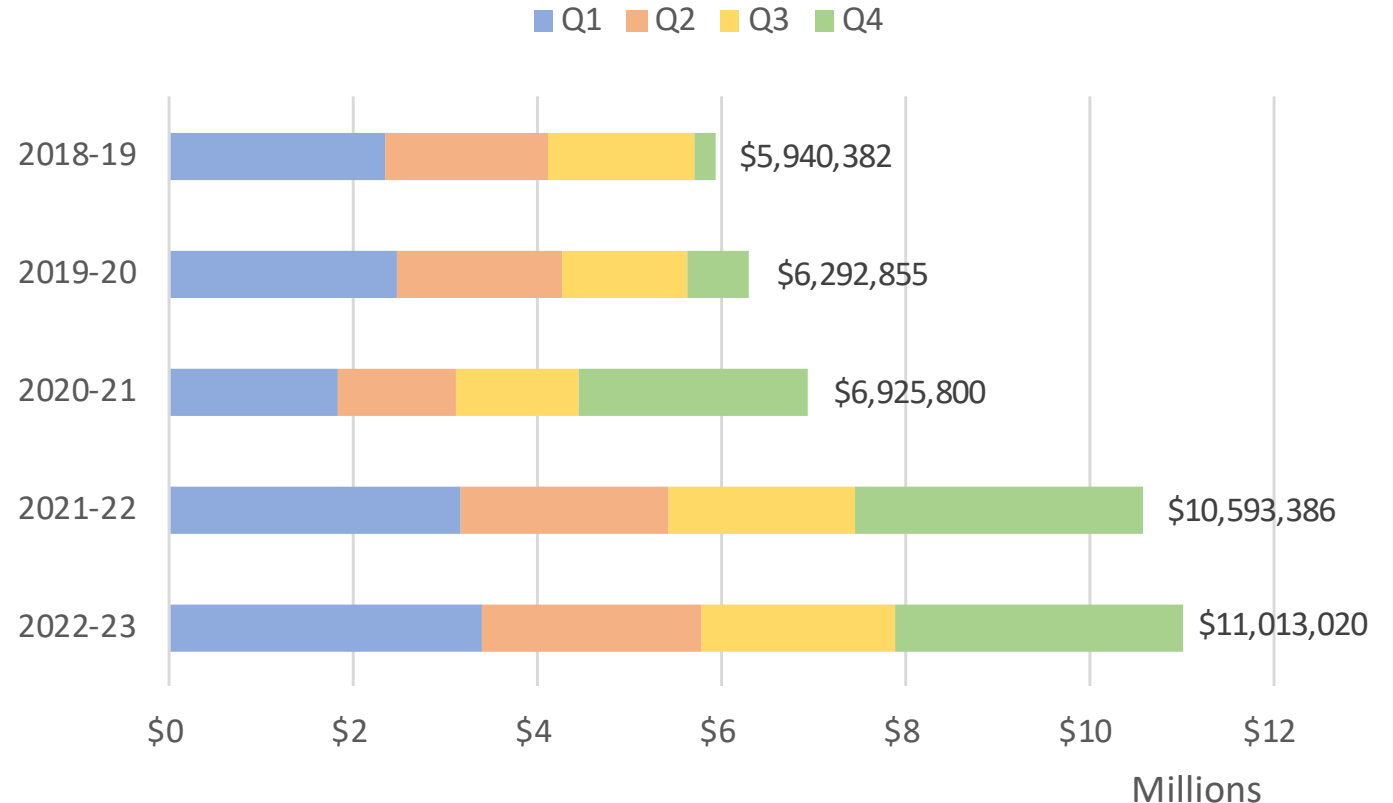
# Transient Occupancy Tax Collections



The City of San Luis Obispo levies a 10% Transient Occupancy Tax (“TOT”) on hotel stays. The City collects data on the level of collections quarterly. HVS has gathered this data on TOT collections from July 2018 through June 2023 to track changes in quarterly visitation in San Luis Obispo.

TOT collections peaked from July 2022 to June 2023 at more than \$11 million. This is the second consecutive year the collections were greater than \$10 million and shows continued growth in the market, building on the sharp increase in the previous year.

Summer months see the highest collections, with June, July, August, and September generating more than \$1 million in 2022.



# San Luis Obispo County Lodging Comparison

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The City of San Luis Obispo competes for lodging against other cities in San Luis Obispo County like Paso Robles, Pismo Beach, and Morro Bay when travelers come to the County. Each city has its own unique offerings and amenities, as well as hotel products, that enable them to compete and attract demand differently.

Using data from Smith Travel Research, HVS created the following charts to show the variance in occupancy, rate, and revenue per available room (“RevPAR”) at each of the four cities from January 2019 through September 2023. HVS showed the data on a monthly and annual basis. Monthly data shows the seasonality in each metric and how that varies between each city. Annual data shows how each city was impacted by COVID-19 and how recovery has progressed.

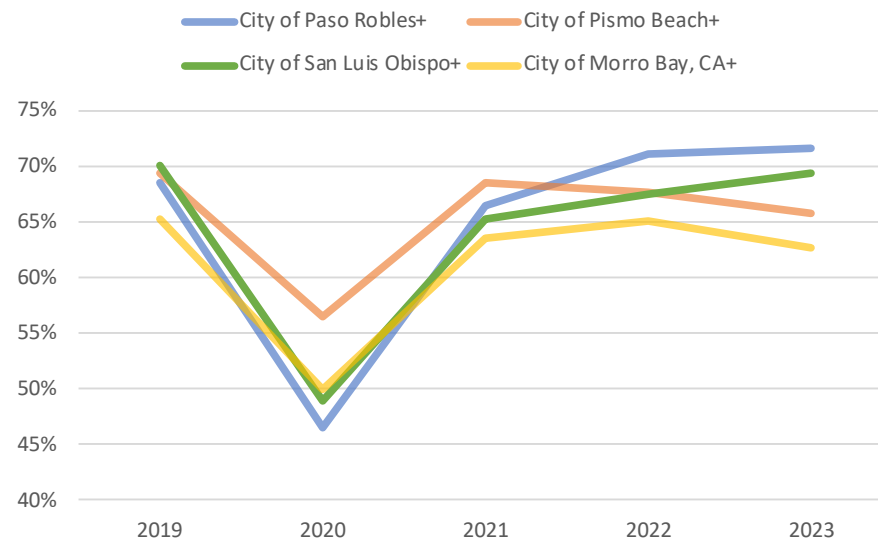
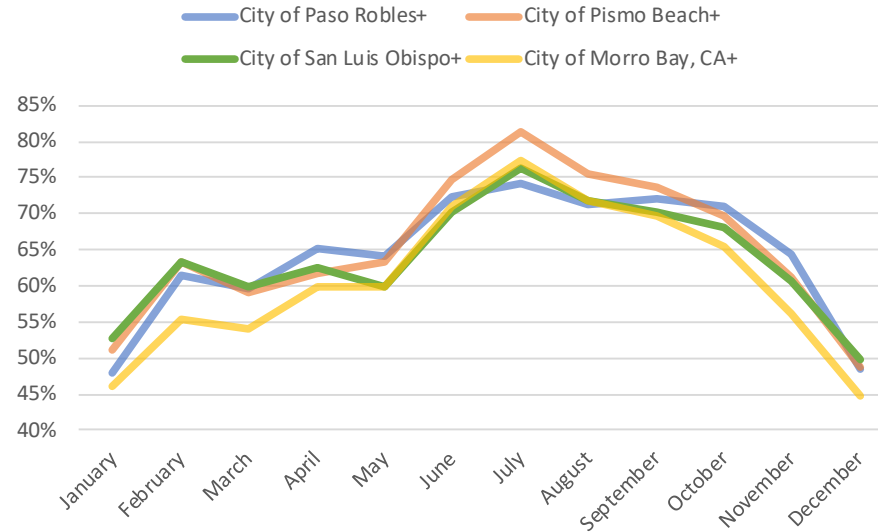


# Occupancy



Demand peaks in the summer and drops off in the winter across the county. Pismo Beach reaches the highest peak, over 80% occupancy, in July and August before falling off. Morro Bay has the lowest occupancy in the offseason, beginning in October and running through April. San Luis Obispo City does relatively well in the winter but doesn't enjoy as large of a spike in summer.

Occupancy in Pismo Beach was more than 5% higher than elsewhere in the County during the COVID-19 pandemic, however that advantage dropped off in 2021 and Pismo Beach was surpassed in 2022 and 2023 by Paso Robles and San Luis Obispo City. Paso Robles has the highest occupancy for the last two years in the county while occupancy in San Luis Obispo City has consistently grown since the pandemic and now ranks second in the County.

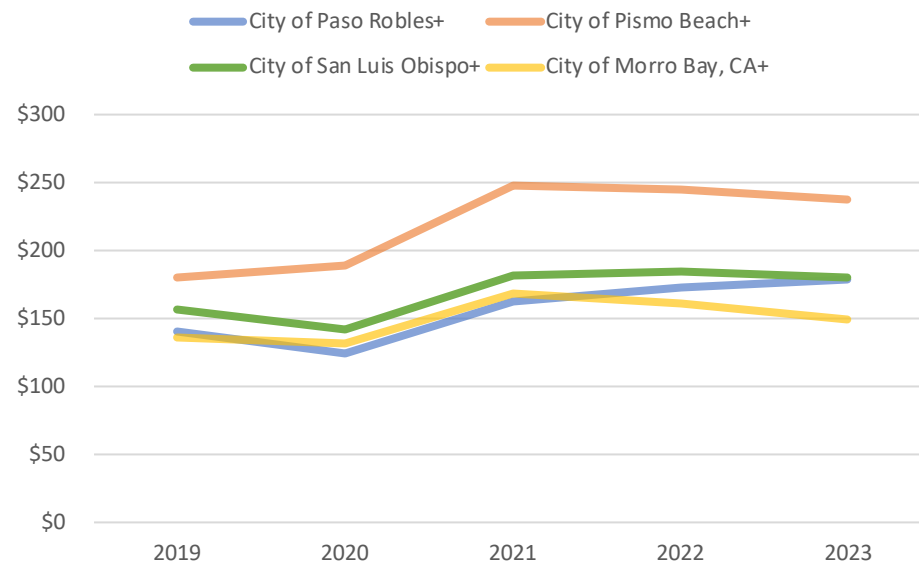
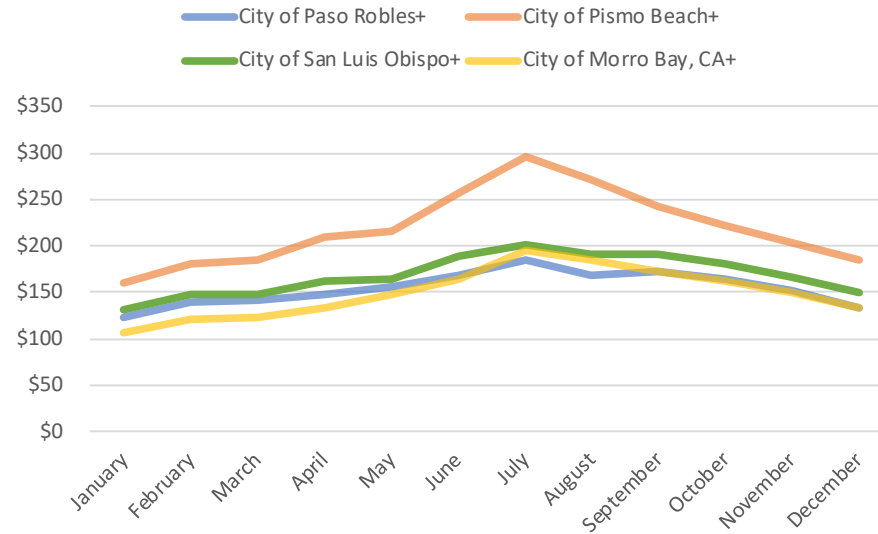


# Average Daily Rate



Average monthly rate parallels occupancy, peaking in the summer and dropping in the winter. Pismo Beach has the highest rate all year, in winter it is approximately \$40 above the other cities, increasing to nearly \$100 in summer. The other cities experience much less variance in rate, with San Luis Obispo City having the second highest rate, but only marginally ahead of Paso Robles.

Rate dropped modestly during the COVID pandemic across the county, and surpassed 2019 levels county-wide in 2021. Since 2021 rate has remained relatively static, especially in San Luis Obispo City. Paso Robles did see some growth since 2021 and now is nearly even with San Luis Obispo. Rate in Morro Bay and Pismo Beach has decreased the last two years.

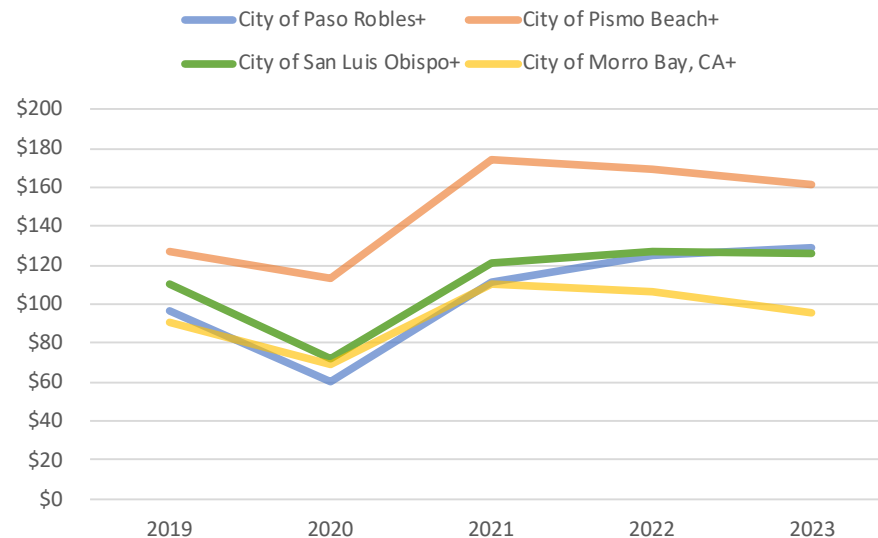
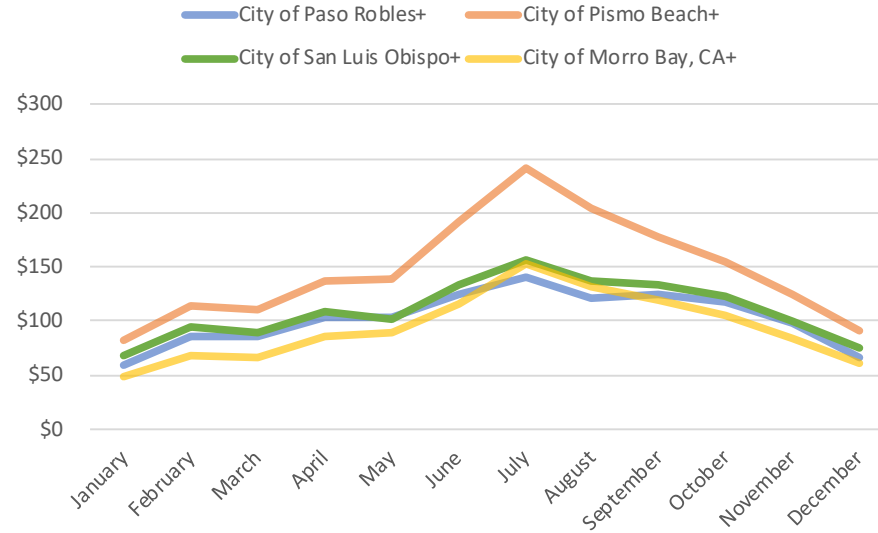


# Revenue Per Available Room (RevPAR)



A combination of rate and occupancy, RevPAR is used by hoteliers to track the success of a lodging market. It shows the summer peak in Pismo Beach driven by the large increase in average rate, as well as the countywide drop off in the winter months. RevPAR in San Luis Obispo is second highest in the county in most months, except for May, when it is third highest.

Annually, the rebound in all four cities from the COVID pandemic is clear, with 2021 surpassing 2019 in RevPAR in each city. The decreases in Morro Bay and Pismo Beach in 2023 indicate a softening of those markets that is not as strong in San Luis Obispo or Paso Robles. From 2022 to 2023 RevPAR in San Luis Obispo City dropped by a dollar while it increased by \$4 in Paso Robles, moving it past San Luis Obispo City.



# Market Analysis Observations

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- The City and County both enjoy relatively low unemployment and high levels of income.
- The market benefits from a diversified employment base including county government, schools and the Cal Poly University, as well as healthcare systems.
- San Luis Obispo contains a modest mix of hotels ranging from luxury to economy. Over 1,500 hotel rooms are Upper Midscale Class and above. Multiple hotels across the City would need to supply room nights for the largest events at the conference center, in addition to the adjacent hotel.
- The City's inventory of meeting space is limited. Downtown hotel properties have small amounts of function space.
- The market lacks a conference center with a large ballroom and meeting space under one roof.
- Transient Occupancy Tax collections surged in FY 2022 and 2023, reaching above \$10 million for the first time.



# Previous Studies

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# Previous Studies

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- HVS reviewed three previous studies conducted by Brailsford & Dunlavey (“B&D”) about a potential events center in the San Luis Obispo County region. These studies are:
  - Events Center Complex Feasibility Study for California Polytechnic State University – August 2014
  - County-Wide Conference Center Market Study for Visit SLO CAL – April 2017
  - Conference Center Economic Report for the City of Paso Robles – May 2018
- HVS depended on these studies for survey results, analysis of comparable venues, and observations of the market in the San Luis Obispo area. On the following pages, we summarize the key insights from the B&D event planner survey which inform our building program recommendations and demand projections.

# CalPoly Events Center Complex

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- The study conducted for Cal Poly studied the feasibility of an events center and a hotel conference center on campus. The proposed events center would have a capacity for 5,500 spectators and be home to the university's basketball programs. B&D recommended a select service hotel with 145 guest rooms and a conference center of approximately 22,000 square feet, with a 12,000 square foot ballroom.
- B&D projected the financial performances of both venues. The event center scenarios ranged from an operating deficit of \$171,000 to an operating deficit of \$500,000. The hotel was projected to generate an operating profit of \$4.3 million in its third year.
- B&D estimated a recurring economic impact of \$24.4 million for the project.

# Paso Robles Event Center Study

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- The study conducted for the City of Paso Robles evaluated the potential for a conference center at the Paso Robles Event Center complex, home to the annual California Mid-State Fair. The study recommended a facility with 19,500 square feet of rentable function space, including a 11,000 square foot ballroom. The facility would be operated as a standalone venue, but it is expected that some events would utilize the facility and the existing exhibition halls at the complex.
- Per the study, the primary comparable facilities would be venues and expo centers at parks and fairgrounds. If constructed, the Paso Robles facility would compete for some business with the proposed San Luis Obispo conference center; however, the Paso Robles Event Center could attract a distinct market segment due to its outdoor spaces and association with the Fair.
- B&D provide a range of scenarios, but the moderate projections expect 387 events, 51,000 attendees, and 11,500 room nights. These events are projected to support a recurring economic impact of \$12.6 million per year.



# B&D Event Planner Survey

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- B&D conducted an Internet-based survey that measured the opinions and preferences of 57 meeting planners related to location and building layout. Of these planners, over 60% had not organized an event in the County. Key results include:
- SLO County's greatest strength is the availability of outdoor activities, its biggest weakness is inventory of meeting space and air accessibility.
- On average, planners expressed a preference for the City of San Luis Obispo as the venue for their event if they were to book in the County.
- When booking events, the most frequently mentioned considerations for planners are location and accessibility (79%) and price of hotel rooms (74%).
- The most popular city in the region for events among respondents is Monterey.
- Among the characteristics that lead planners to choose other destinations for their events, the top was inventory of meeting space (45% of planners).

# B&D Event Planner Survey (cont.)

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- For planners who said they would book an event in the County if a new venue met their needs, B&D asked:
  - How frequently would you book events? Almost half said they would do so once a year. Another 37% said they would book events two or three times a year.
  - What type of events? 89% said conferences and 74% said meetings.
- B&D also asked planners about their event needs:
  - Respondents were asked to describe their largest events.
    - 61% of these events are three or fewer days, another 26% are four days, and only 13% are five days.
    - The average attendance is 456, and 84% of events have 1,000 or fewer attendees.
  - Event planners prefer to book events midweek and in Spring and Fall months.

# B&D Event Planner Survey (cont.)

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- A 15,000-square foot ballroom would meet the needs of 71% of planners surveyed. Only 2% of those planners require banquet capacity of more than 1,000 attendees.
- A majority of attendees do not require an exhibit hall (59%). Of those requiring exhibit space, a majority would be accommodated in a space of 10,000 square feet.
- 83% of planners require 10 breakout rooms or fewer.
- The average required room block is 289, and 89% of events would be accommodate by 500 rooms or fewer.
- Almost 75% of respondents require a headquarters hotel within walking proximity of their venue; and planners also strongly prefer to restrict room blocks to one or two hotels, with 46% responding that they would only accept one hotel.



## Comparable and Competitive Venues

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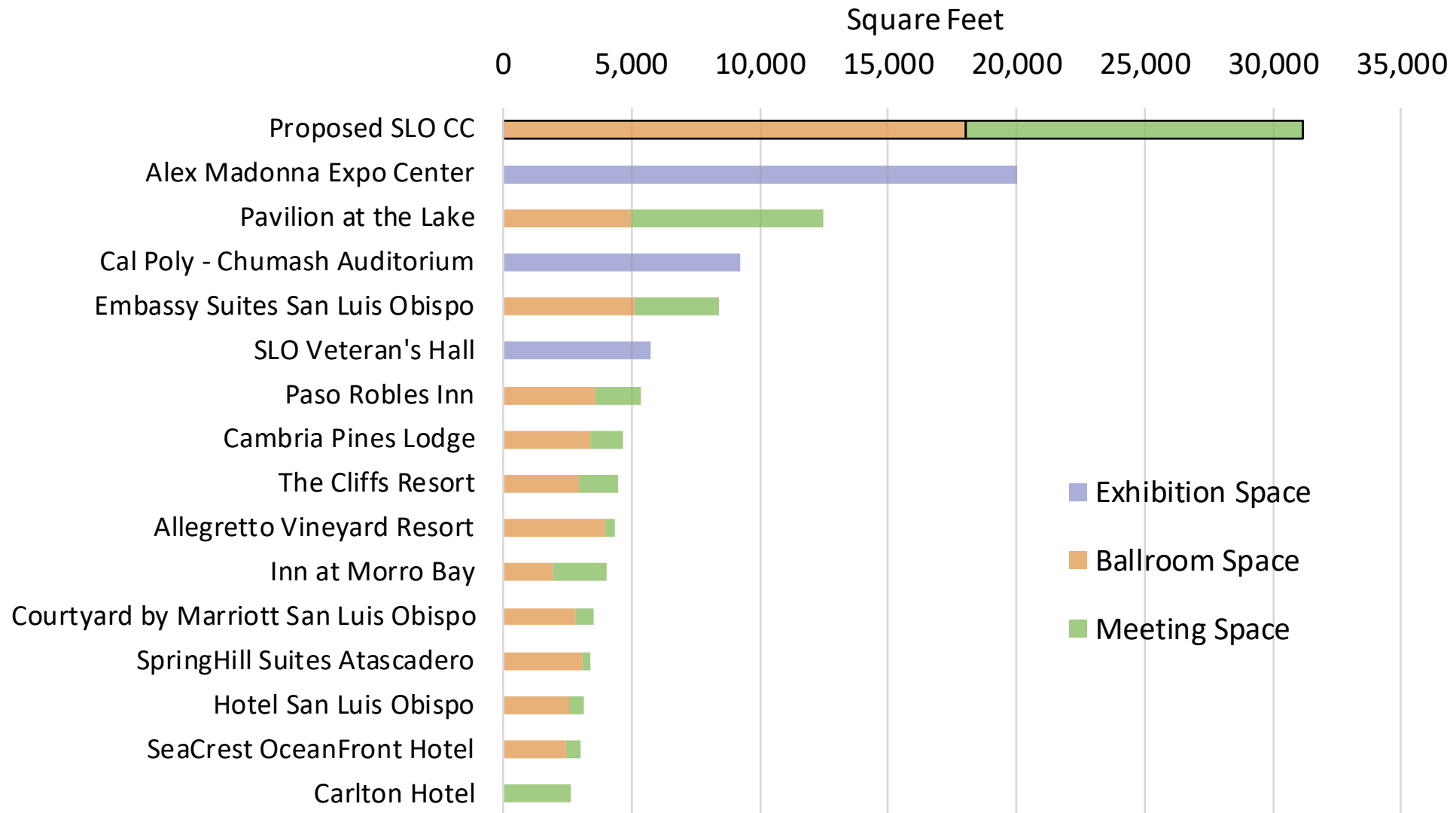
# Comparable and Competitive Venues

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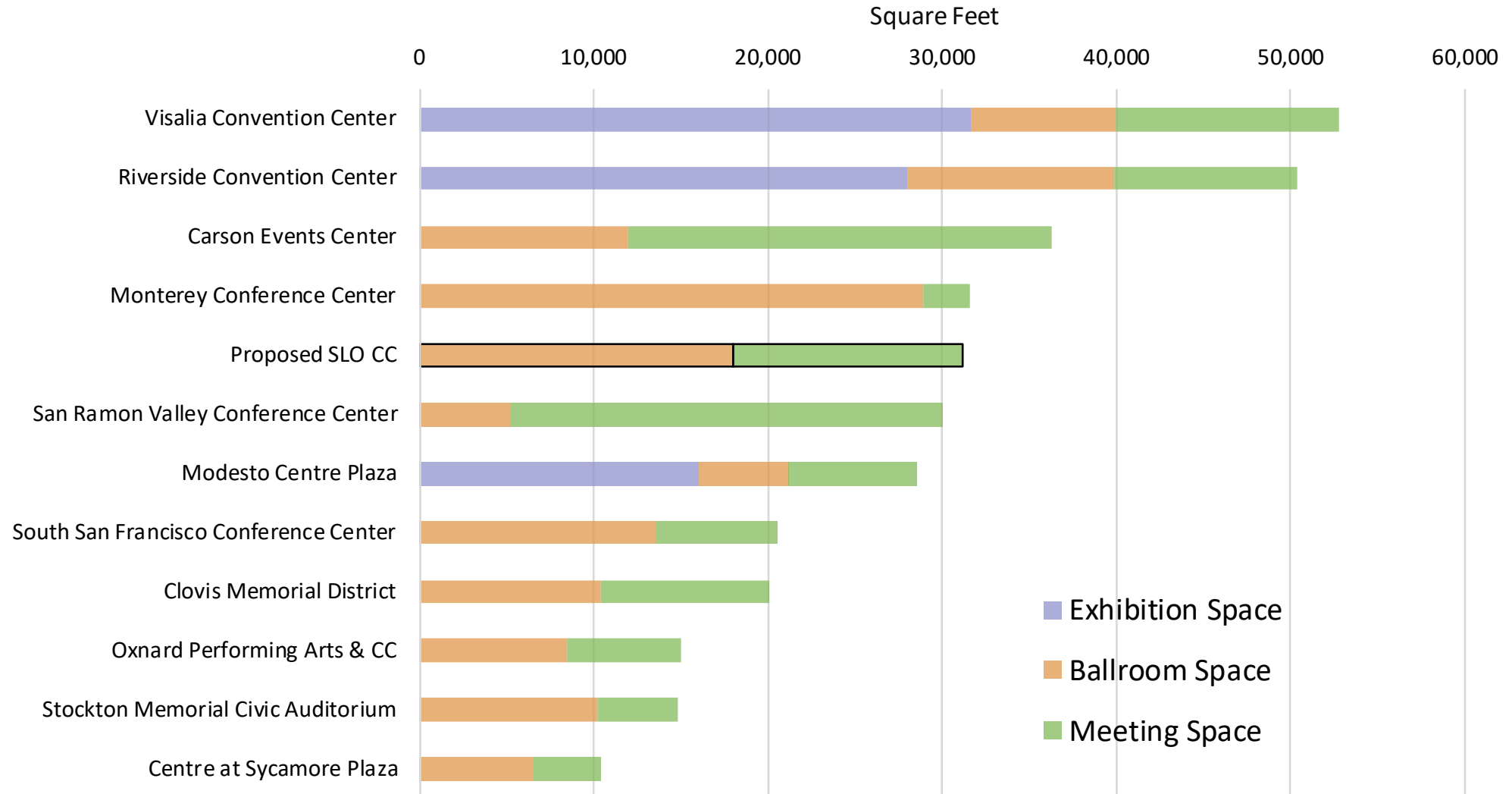


- This analysis of comparable venues provides a basis for developing program recommendations and forecasts of event demand. HVS compared the function spaces, hotel capacities, and characteristics of the markets relevant to the success of a conference center.
- Event planners select host venues for their events based on a wide- range of criteria. These factors include the attributes of the convention facilities, lodging supply, the economic and demographic profile of the community, transportation access, tourism amenities, and overall destination appeal.
- At a minimum, a city must offer an event venue that meets user needs and for events that require lodging, a sufficient number of hotel rooms near the venue. The price of venue rental and hotel rooms are also important to event planners. Cities that meet these threshold criteria, must then compete based on their destination appeal.
- HVS analyzed two sets of venues and destinations.
  - Hotels with meeting space in SLO County, and
  - Comparable and competitive conference venues in the Central Coast and across California.

# Local Competitive Venues



# In-State Competitive Venues



# Ballroom Space Assessment

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- Ballroom spaces are often multipurpose, hosting banquets, large meetings, and light exhibit functions. In addition to social events (such as weddings and fundraisers) that host banquets, several other types of events, such as meetings and luncheons, typically require food services in a ballroom setting. General assemblies at conferences and large meetings use a ballroom with a theater or banquet set-up.
- As facility operators attempt to grow food service revenues at their facilities and event planners seek a higher level of service for their attendees, the size of the ballroom often determines a venue's event size capacity. The following figures compare the amount of available ballroom space in the comparable and competitive venues.



# Local Competitive Venues – Ballroom Space



Comparable Local Venues		
Name	Location	Ballroom Space (sf)
<b>Proposed SLO CC</b>	<b>San Luis Obispo</b>	<b>18,000</b>
Embassy Suites San Luis Obispo	San Luis Obispo	5,100
Pavilion at the Lake	Atascadero	5,000
Allegretto Vineyard Resort	Paso Robles	3,933
Paso Robles Inn	Paso Robles	3,600
Cambria Pines Lodge	Cambria	3,360
SpringHill Suites Atascadero	Atascadero	3,055
The Cliffs Resort	Five Cities	2,944
Courtyard by Marriott San Luis Obispo	San Luis Obispo	2,840
Hotel San Luis Obispo	San Luis Obispo	2,585
SeaCrest OceanFront Hotel	Five Cities	2,400
Inn at Morro Bay	Morro Bay	1,932
Carlton Hotel	Atascadero	0
SLO Veteran's Hall	San Luis Obispo	0
Cal Poly - Chumash Auditorium	San Luis Obispo	0
Alex Madonna Expo Center	San Luis Obispo	0
	Average	4,562

# In-State Competitive Venues - Ballroom Space



State Competitors		
Name	Location	Ballroom Space (sf)
Monterey Conference Center	Monterey	28,880
<b>Proposed SLO CC</b>	<b>San Luis Obispo</b>	<b>18,000</b>
South San Francisco Conference Center	San Francisco	13,500
Carson Events Center	Carson	11,950
Riverside Convention Center	Riverside	11,897
Clovis Memorial District	Clovis	10,368
Stockton Memorial Civic Auditorium	Stockton	10,248
Oxnard Performing Arts & CC	Oxnard	8,464
Visalia Convention Center	Visalia	8,316
Centre at Sycamore Plaza	Lakewood	6,555
San Ramon Valley Conference Center	San Ramon	5,238
Modesto Centre Plaza	Modesto	5,152
	Average	11,547

# Meeting Space Assessment

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- Meeting rooms can accommodate sub-groups as they break out of larger general sessions at conventions and tradeshows. Additionally, these smaller rooms can support self-contained meetings, training sessions, seminars, classes, and a variety of small meeting functions. A facility's meeting rooms are often its most frequently used function spaces. Generally, convention and conference centers should offer meeting space proportionate to the amount of exhibition and ballroom space available at the facility. However, the optimum amount of meeting space can vary depending on type of events that a city may attract and the needs of event planners.
- The following figure presents a comparison of available meeting space in the comparable and competitive venues.

# Local Competitive Venues – Meeting Space



Comparable Local Venues		
Name	Location	Meeting Space (sf)
<b>Proposed SLO CC</b>	<b>San Luis Obispo</b>	<b>13,200</b>
Pavilion at the Lake	Atascadero	7,478
Embassy Suites San Luis Obispo	San Luis Obispo	3,314
Carlton Hotel	Atascadero	2,634
Inn at Morro Bay	Morro Bay	2,114
Paso Robles Inn	Paso Robles	1,758
The Cliffs Resort	Five Cities	1,550
Cambria Pines Lodge	Cambria	1,302
Courtyard by Marriott San Luis Obispo	San Luis Obispo	657
SeaCrest OceanFront Hotel	Five Cities	598
Hotel San Luis Obispo	San Luis Obispo	560
Allegretto Vineyard Resort	Paso Robles	433
SpringHill Suites Atascadero	Atascadero	298
SLO Veteran's Hall	San Luis Obispo	0
Cal Poly - Chumash Auditorium	San Luis Obispo	0
Alex Madonna Expo Center	San Luis Obispo	0
	Average	2,761

# In-State Competitive Venues - Meeting Space



			State Competitors	
Name	Location	Meeting Space (sf)		
San Ramon Valley Conference Center	San Ramon	24,804		
Carson Events Center	Carson	24,363		
<b>Proposed SLO CC</b>	<b>San Luis Obispo</b>	<b>13,200</b>		
Visalia Convention Center	Visalia	12,763		
Riverside Convention Center	Riverside	10,546		
Clovis Memorial District	Clovis	9,677		
Modesto Centre Plaza	Modesto	7,355		
South San Francisco Conference Center	San Francisco	7,000		
Oxnard Performing Arts & CC	Oxnard	6,543		
Stockton Memorial Civic Auditorium	Stockton	4,588		
Centre at Sycamore Plaza	Lakewood	3,867		
Monterey Conference Center	Monterey	2,753		
	Average	10,622		

# Adjacent Hotel Rooms



- The quality and proximity of hotel room supply represents one of the most important selection factors for facility users in recent years. To attract out-of-town groups, an adequate supply of nearby hotel rooms should support the lodging needs of delegates and attendees. Generally, the number of rooms offered at hotels is a key point of comparison for events that have a significant number of out-of-town attendees.
- Among local competitors the ratio of function space to hotel rooms ranges from 19 to 193, with an average of 61.
- Among regional conference centers, the ratio of function space to hotel rooms ranges from 38 to 346, with an average of 170.

Name of Venue	Total Function Space (SF)	Number of Hotel Rooms	Function Space per Room (SF)
<b>Comparable Local Venues</b>			
<b>Proposed SLO CC</b>	<b>31,200</b>	<b>150</b>	<b>208</b>
Inn at Morro Bay	4,046	21	193
Alex Madonna Expo Center	20,000	109	183
SLO Veteran's Hall	5,708	102	56
Paso Robles Inn	5,358	98	55
Carlton Hotel	2,634	52	51
Embassy Suites San Luis Obispo	8,414	195	43
Cambria Pines Lodge	4,662	152	31
Cliffs Resort	4,494	162	28
SpringHill Suites Atascadero	3,353	130	26
Allegretto Vineyard Resort	4,366	171	26
Courtyard by Marriott San Luis Obispo	3,497	139	25
SeaCrest OceanFront Hotel	2,998	158	19
<b>State Competitors</b>			
Clovis Memorial District	20,045	58	346
Visalia Convention Center	52,754	195	271
San Ramon Valley Conference Center	30,042	119	252
<b>Proposed SLO CC</b>	<b>31,200</b>	<b>150</b>	<b>208</b>
Carson Events Center	38,913	225	173
Riverside Convention Center	50,396	292	173
Modesto Centre Plaza	28,507	260	110
South San Francisco Conference Center	20,500	236	87
Stockton Memorial Civic Auditorium	14,836	179	83
Monterey Conference Center	31,633	825	38

Sources: Respective Venues & HVS

# Monterey Conference Center

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- If constructed, the proposed conference center would compete directly with the Monterey Bay Conference Center for regional association and corporate business.
- From 2015 to 2018, the MCC underwent a \$60 million renovation project that increase the flexibility of function space, upgraded technological capabilities, and achieved LEED certification.
- A special lodging tax was levied to issue the debt to finance the renovation project in 2014. This additional tax varies based on the type of hotel: 4.15% to adjacent hotels (within 100 feet of the MCC), 1.6% to full-service hotels, and 0.8% to limited service hotels.
- After the renovation, the MCC has a 19,150 square foot grand ballroom, a 9,730 square foot junior ballroom, a divisible meeting block of 1,653 square feet, and two rooms of 506 square feet and 594 square feet.



# Site Analysis

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In 2020, the City of San Luis Obispo provided HVS with a wide list of potential sites. In collaboration with representatives from the City, HVS evaluated the viability and potential for these sites and narrowed our analysis to four prime sites. This updated report supplements these four prime sites with two additional sites that have become available since 2020.

HVS's site evaluation takes into account several key considerations:

- The land's suitability for the development of a conference center is a key consideration that can determine the property's economic viability and marketability.
- Factors such as size, topography, accessibility, visibility, and proximity to other amenities have a direct impact on the suitability of a site.
- The relationship between a venue and other nearby existing or planned land uses can also play an important role in selecting a site.
- Other factors, such as the cost of obtaining the site, infrastructure needs, and costs of improving a site should also be considered.

# Site Analysis Methodology

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In accordance with the scope of services, HVS re-evaluated the four prime sites identified in the 2020 report and included the two new additional sites for viability and potential to develop a conference center. In the process, HVS performed the following tasks:

- HVS toured the City and viewed each of the six sites,
- Interviewed key stakeholders where possible, including representatives from the City,
- Evaluated planning and land use studies such as the SLO Economic Development Strategic Plan Update (2023), Downtown SLO Development Recommendations (2021), San Luis Obispo Downtown Concept Plan (September 2017), the City of San Luis Obispo Land Use Element (December 2014),
- Developed the criteria for site preferences based on event planner preferences, City needs, and industry knowledge,
- Evaluated each of the sites, and
- Refined the site evaluations in coordination with representatives from the City.

# Potential Sites

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The City of San Luis Obispo previously identified 16 initial sites for the 2020 HVS report, which was narrowed to four prime sites. This report includes two additional prime sites that have since become available. These prime sites represent a range of existing land uses and ownership. They include existing structures which would require renovation or demolition. Some sites were currently owned by private developers and would require acquisition by the City or another development group.

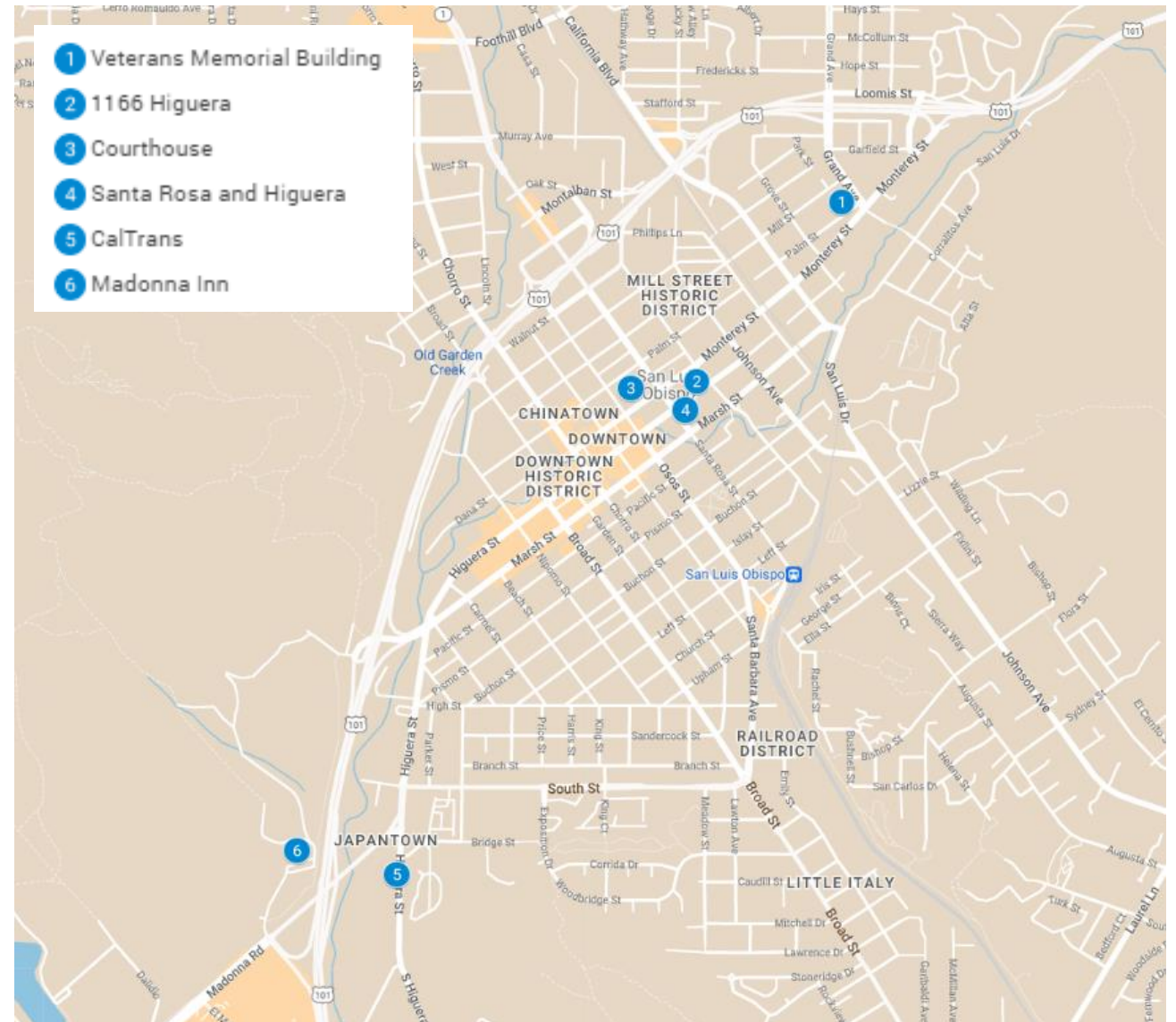
The sites presented in this study represent hypothetical locations for the proposed venue used to illustrate the site selection process. They show the breadth of site options that would be available to the proposed conference center. The City has not negotiated nor entered into any agreements with property owners. Other sites could be considered in the future as the project moves forward.

# Potential Site Locations



The four previous sites identified by HVS include the Veteran's Memorial Building, the eastern corner of Santa Rosa and Higuera, the CalTrans site at 50 Higuera, and the Madonna Inn.

The two additional sites that have become available include the site of the current San Luis Obispo County Courthouse and the parking lot at 1166 Higuera Street. The courthouse is moving to another site in downtown SLO, freeing up the block it occupies, and the City of San Luis Obispo just acquired the property at 1166 Higuera.



# Veterans Memorial Building



Address: 801 Grand Avenue

Size: 2.38 Acres

Zoning: Tourist Commercial

Current Use: Community Facility

## Amenities within 10-Minute Walk

Hotels	18
Hotel Rooms	921
Restaurants	12
Retail	23
Art, Recreation, and Entertainment	9
<b>Drive Time (Minutes)</b>	
Airport	11
101 Freeway	1



# 1166 Higuera



Address: 1166 Higuera

Size: 0.7 Acres

Zoning: Retail Commercial

Current Use: Parking Lot

## Amenities within 10-Minute Walk

Hotels	9
Hotel Rooms	455
Restaurants	85
Retail	145
Art, Recreation, and Entertainment	26

## Drive Time (Minutes)

Airport	10
101 Freeway	3



# Courthouse



Address: 1050 Monterey Street

Size: 3.28 Acres

Zoning: Public Facility

Current Use: County Courthouse

## Amenities within 10-Minute Walk

Hotels	9
Hotel Rooms	350
Restaurants	90
Retail	148
Art, Recreation, and Entertainment	25

## Drive Time (Minutes)

Airport	9
101 Freeway	2



# Santa Rosa and Higuera (East Corner)



Address: 1111 Higuera Street

Size: 1.08 Acres

Zoning: Commercial Retail

Current Use: School

Planned Use: Housing

## Amenities within 10-Minute Walk

Hotels	6
Hotel Rooms	289
Restaurants	90
Retail	157
Art, Recreation, and Entertainment	28

## Drive Time

Airport	9
101 Freeway	2





# CalTrans



Address: 50 Higuera Street

Size: 12.63

Zoning: Tourist Commercial

Current Use: CalTrans Equipment and Repair Yard

## Amenities within 10-Minute Walk

Hotels	3
Hotel Rooms	269
Restaurants	5
Retail	17
Art, Recreation, and Entertainment	2

## Drive Time

Airport	8
101 Freeway	2



# Madonna Inn



Address: 100 Madonna Road

Size: 25.31 Acres

Zoning: Tourist Commercial

Current Use: Lodging

## Amenities within 10-Minute Walk

Hotels	3
Hotel Rooms	269
Restaurants	7
Retail	10
Art, Recreation, and Entertainment	0

## Drive Time

Airport	10
101 Freeway	1



# Site Evaluation Criteria



HVS developed 19 evaluation criteria to assess the relative strengths and weaknesses of the various potential conference center locations.

The evaluation categories are site, urban impact, access, and financial considerations. Each of these categories includes several specific evaluation criteria.

The figure also indicates the importance of each evaluation criterion with a rank from one to five, with a rank of one indicating the least amount of importance and a rank of five indicating the greatest importance.

Evaluation Criteria	Importance Rank
<b>Site Considerations</b>	
Capacity for recommended building program	5
Proximate to hotels	5
Proximate to tourism amenities	5
Ability to assemble site	4
Development potential based on existing building regulations	2
Subject to City historic preservation restrictions	2
<b>Urban Impact</b>	
Potential for additional hotel development	4
Displacement of existing uses	4
Compatability with neighborhood	4
Potential for compatible development	3
Compliance with existing zoning	1
<b>Access</b>	
Ease of access for pedestrians	5
Ease of vehicular access	4
Availability of existing/planned parking	3
Access to public transportation	1
<b>Financial Considerations</b>	
Land assembly costs	5
Potential for public funding	3
Potential for private investment	3
Opportunity costs - alternative land uses	3

# Site Evaluation Criteria - Site



Site Considerations	3 = Full Compliance	2 = Partial Compliance	1 = No Compliance
Capacity for recommended building program	Site can accommodate full recommended program and support spaces to meet planner needs and operate efficiently	Site may require minor modification to building program that may minimally effect marketability and operation	Site requires major modifications to building program that may affect marketability and operation
Development potential based on existing building regulations	Site has maximum development potential based on existing restrictions like building height and floodplains	Site can achieve maximum development potential after meeting requirements to exceptions to City's regulations for building height and floodplain	Site cannot achieve maximum development potential due to restrictions on building height and floodplains
Subject to City historic preservation restrictions	Site is not subject to City Historic Preservation Restrictions	Site is subject to City Historic Preservation Restrictions but can be accommodated	Site is subject to City Historic Preservation Restrictions which cannot be accommodated
Ability to assemble site	Site is owned or easily acquired and is properly zoned for use	Site is not owned and acquisition may be difficult	Site acquisition more difficult due to multiple owners or difficult negotiations
Proximate to hotels	Adjacent lodging has been developed or is in the planning stages	There is no adjacent lodging under development, but is part of future master plan	There is no adjacent lodging under development, planned, or part of future master plan
Proximate to tourism amenities	Site is within walking distance existing or future dining and shopping locations	Site is within short drive of retail and dining amenities	Site is greater than 5 miles from retail and dining amenities

# Site Evaluation Criteria – Urban Impact



Urban Impact	3 = Full Compliance	2 = Partial Compliance	1 = No Compliance
Potential for additional hotel development	Several surrounding sites available for future additional hotel development	Some surrounding sites may be suitable for future additional hotel development	No site currently available or appropriate for additional hotel development
Potential for compatible development	Several surrounding sites could be developed for compatible corporate or visitor-related uses	Some surrounding sites could be developed for compatible corporate or visitor-related uses	No surrounding sites could be developed for compatible corporate or visitor-related uses
Displacement of existing uses	Site is currently vacant and has no planned development	Site is currently vacant but has planned development	Site is currently used for other purpose
Compatibility with neighborhood	Intended use of site would not cause conflict with owners or residents of surrounding land	Intended use of site could occasionally cause conflict with owners or residents of surrounding land	Intended use of site would regularly cause conflict with owners or residents of surrounding land
Compliance with existing zoning	Site has proper zoning for intended uses.	Site needs to be rezoned, but process should be relatively easy.	Site needs to be rezoned and process may be problematic.

# Site Evaluation Criteria - Access



Access Considerations	3 = Full Compliance	2 = Partial Compliance	1 = No Compliance
Ease of vehicular access	Site is easily accessed by trucks and other vehicles necessary for event production	Site has moderately easily access for trucks and other vehicles necessary for event production	Site is difficult to access by trucks and other vehicles necessary for event production
Ease of access for pedestrians	Site has pedestrian-friendly routes from multiple lodging and/or parking areas.	Site can be accessed by pedestrians but routes are not ideal	Access to site is not suitable for pedestrians
Availability of existing/planned parking	Existing and planned proximate parking is adequate to handle all event parking needs	Existing proximate parking is adequate to handle smaller events. Additional parking required for larger events	Existing proximate parking is minimal. Significant additional parking would be needed for all events
Access to public transportation	Site has direct access to several current public transportation routes	Site has access to some public transportation routes	No potential for regular public transportation to site

# Site Evaluation Criteria - Financial



Financial Considerations	3 = Full Compliance	2 = Partial Compliance	1 = No Compliance
Land assembly costs	Site is owned or otherwise available without purchase	Parcels for site can be purchased for a reasonable price	Parcels for site can be purchased for a higher price
Potential for public funding	Use of site has high potential for public investment	Use of site has moderate potential for public investment	Use of site has no potential for public investment
Potential for private investment	Use of site has high potential for private investment	Use of site has moderate potential for private investment	Use of site has no potential for private investment
Opportunity costs - alternative land uses	Intended use of site is the highest and best use of the land	Site has other potential uses which have similar returns as intended use	Site has other potential uses which have a higher return than intended use

# Unweighted Site Scores



Criteria	Weight <sup>2</sup>	Santa Rosa and Higuera	Veteran's Hall	Madonna Inn	CalTrans Building	Courthouse	1166 Higuera
Capacity for recommended building program	5	2	2	3	3	3	1
Development potential based on existing building regulations	2	2	3	3	1	2	2
Subject to City historic preservation restrictions	2	3	1	3	2	3	3
Ability to assemble site	4	1	2	2	1	3	2
Proximate to hotels	5	3	3	2	1	3	3
Proximate to tourism amenities	5	3	1	1	1	3	3
<b>Sub-Total Site Considerations</b>		<b>14</b>	<b>12</b>	<b>14</b>	<b>9</b>	<b>17</b>	<b>14</b>
Potential for additional hotel development	4	1	1	2	3	3	1
Potential for compatible development	3	2	2	2	3	3	2
Displacement of existing uses	4	1	2	3	2	3	1
Compatability with neighborhood	4	3	2	3	3	3	3
Compliance with existing zoning	1	3	3	3	3	3	3
<b>Sub-Total Urban Impact</b>		<b>10</b>	<b>10</b>	<b>13</b>	<b>14</b>	<b>15</b>	<b>10</b>
Ease of vehicular access	4	2	3	3	3	2	2
Ease of access for pedestrians	5	3	2	1	2	3	3
Availability of existing/planned parking	3	1	2	2	2	2	1
Access to public transportation	1	2	2	1	2	3	2
<b>Sub-Total Access</b>		<b>8</b>	<b>9</b>	<b>7</b>	<b>9</b>	<b>10</b>	<b>8</b>
Land assembly costs	5	1	3	2	1	3	2
Potential for public funding	3	1	2	1	3	3	2
Potential for private investment	3	2	2	3	2	2	2
Opportunity costs - alternative land uses	3	1	3	3	2	2	1
<b>Sub-Total Financial Considerations</b>		<b>5</b>	<b>10</b>	<b>9</b>	<b>8</b>	<b>10</b>	<b>7</b>
<b>Total All Criteria</b>		<b>37</b>	<b>41</b>	<b>43</b>	<b>40</b>	<b>52</b>	<b>39</b>



# Weighted Site Scores



HVS rated the potential sites on the evaluation criteria shown on the previous pages. The rating of each site, combined with the relative importance of each criterion, results in a weighted score for each potential location and a summary of the primary pros and cons of each site. This process identified preferred sites which would likely be the most suitable for the proposed conference center.

Weighted Scores <sup>3</sup>	MAX	<i>Santa Rosa and Higuera</i>	<i>Veteran's Hall</i>	<i>Madonna Inn</i>	<i>CalTrans Building</i>	<i>Courthouse</i>	<i>1166 Higuera</i>
Site	69	54	46	50	35	67	53
Urban	48	29	29	41	44	48	29
Access	39	28	30	24	30	32	28
Finance	42	17	36	31	26	36	25
<b>Total</b>	<b>198</b>	<b>128</b>	<b>141</b>	<b>146</b>	<b>135</b>	<b>183</b>	<b>135</b>
<i>Percent of Maximum</i>		<b>65%</b>	<b>71%</b>	<b>74%</b>	<b>68%</b>	<b>92%</b>	<b>68%</b>

# Site Conclusions and Recommendations

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The Courthouse scored the highest in the updated site analysis, well above any of the sites analyzed, followed by the Madonna Inn. The Courthouse stands out due to its location in Downtown San Luis Obispo, surrounded by the existing restaurants, retail, and entertainment, as well as other lodging and tourism amenities. The Madonna Inn stands out because of the large amount of vacant land available, proximate lodging at the Madonna Inn and ease of vehicular access.

Further study is needed on the Courthouse site to establish whether a hotel can be developed in the historic part of the building, and if so, how many rooms could be offered. Alternate use as event space is possible, but again further study is needed.

Rank	Site	Percentage of Maximum Score
1	Courthouse	92%
2	Madonna Inn	74%
3	Veteran's Hall	71%
4	CalTrans Building	68%
5	1166 Higuera	68%
6	Santa Rosa and Higuera	65%



# Building Program Recommendations

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# Summary of Program Recommendations

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- **Ballroom – 18,000 sf**
  - 7 maximum sub-divisions
  - 3-sided pre-function space
- **Meeting/breakout space – 13,200 sf**
  - 2 meeting room blocks (6,000 sf each)
  - 2 boardrooms (600 sf each)
- **Required support spaces, which include:**
  - Pre-function and lobby spaces,
  - General circulation and service corridors,
  - Kitchen and commissary,
  - Public restrooms,
  - Administrative offices, and
  - Storage and mechanical/electrical equipment.

Our market area analysis, interviews, review of previous studies, and analysis of comparable and competitive markets indicate that the development of a conference center would allow the City to serve the needs of the local community and offer event planners an option for conventions and conferences in San Luis Obispo.

A conference center would increase the City's attractiveness to rotating association-based events that currently do not consider San Luis Obispo an event destination.

The building program described in this section is slightly larger than the previous HVS recommendation. This reflects the robust growth that has occurred in San Luis Obispo since 2020 and the increased demand for lodging and event space in the region.

These recommendations are in-line with the recommendations made by B&D in their County-Wide Conference Center Market Study.

# Recommended Function Spaces



HVS program recommendations would allow the proposed Conference Center to attract new meetings and conferences to San Luis Obispo. The venue could also serve the customer base currently using smaller facilities or older banquet halls in the region.

Functional requirements of the proposed Conference Center revolve around the principle that the venue must host events with different venue needs, such as social events that use banquet space and corporate meetings that use a combination of meeting and banquet space.

Event Space	Floor Area (sf)	Capacities			
		Theatre/ Reception	Banquet	Classroom	Exhibit Booths 10' x 10'
<b>Ballroom</b>	<b>18,000</b>	<b>1,800</b>	<b>900</b>	<b>1,240</b>	<b>126</b>
Division 1	6,000	600	300	410	42
Sub-Division A	2,000	200	100	140	14
Sub-Division B	2,000	200	100	140	14
Sub-Division C	2,000	200	100	140	14
Division 2	6,000	600	300	410	
Division 3	6,000	600	300	410	
Sub-Division A	2,000	200	100	140	
Sub-Division B	2,000	200	100	140	
Sub-Division C	2,000	200	100	140	
<b>Meeting Room Block 1</b>	<b>6,000</b>	<b>600</b>	<b>300</b>	<b>410</b>	
Divisions (6)	1,000	100	50	70	
<b>Meeting Room Block 2</b>	<b>6,000</b>	<b>600</b>	<b>300</b>	<b>410</b>	
Divisions (4)	1,500	150	80	100	
<b>Terrace/Outdoor Rooftop</b>	<b>5,000</b>	<b>500</b>	<b>250</b>	<b>340</b>	
<b>Board Rooms (2)</b>	<b>1,200</b>				
<b>TOTAL FUNCTION SPACE</b>	<b>31,200</b>				

# Ballroom Space Needs

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The ballroom should have convenient access to the main lobby and other pre-function spaces, which are either stand-alone or shared with other function spaces. Service access should be such that each division of the multi-purpose hall has independent rear access allowing an event to take place in one division while another is being serviced for a separate event. The space would serve multiple purposes and event types and should contain the following amenities.

- a minimum of 21-foot ceiling height,
- movable walls that provide good sound separation,
- durable wall and floor finishes,
- three-sided pre-function space,
- acoustical wall and ceiling treatments for amplified voice and music,
- built-in sound and AV systems,
- rigging points, lights, signs, and decorations (500-pound live load),
- in-floor utility boxes with communications and power,
- floor loads of at least 150 lbs. per square foot,
- variable lighting options with pre-set and dimming capabilities that are controllable at wall panels, and
- black-out capability for visual presentations.

# Ballroom Configurations (sf)



# Meeting Space Needs

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Meeting space provides breakout space for larger conference and meeting events and supports stand-alone meetings and food and beverage functions. Many events require banquet space which is separate from a meeting room block. While site constraints and other design issues will affect the final layout of these functional spaces, the configuration of the meeting room block should be such that they conveniently support the new multipurpose hall. HVS recommends that the new meeting space be in flexible blocks in areas that are conveniently accessible for attendees and efficiently serviced by event staff and contain the following amenities.

- minimum 12-foot ceiling heights,
- movable walls that provide good sound separation,
- built-in sound and AV systems,
- good acoustics for amplified voice and music,
- in-wall communications and power, and one floor box per division,
- variable lighting options with pre-set and dimming capabilities that are controllable at wall panels, and
- black-out capability for visual presentations.



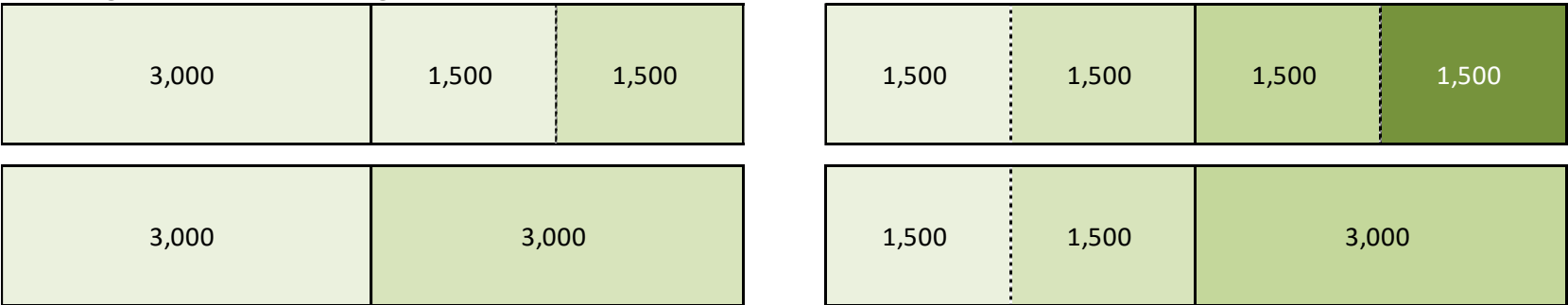
# Meeting Room Configurations (sf)



**Meeting Room Block 1 Configurations (sf)**



**Meeting Room Block 2 Configurations (sf)**



# Support Spaces Needed

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In addition to the function spaces, the gross floor area of the proposed conference center would include the following elements:

- Lobby and Pre-function Areas—well-appointed lobby and pre-function areas provide meeting planners areas for greeting and registration, social gatherings, and well-defined public access to the multipurpose hall and meeting rooms. This space is also appropriate for stand-alone receptions, meals, and other community events.
- Circulation space—provides for the movement of attendees into and through the proposed Conference Center. These areas would include hallways and connecting walkways as required. Depending on the concept plan, these areas could also include vertical circulation (stairwells, elevators, and escalators).
- Service corridors and access—provide non-public access to the ballroom and meeting rooms as well as connection to the facility’s loading docks, mechanical rooms, and storage.
- Drop-off zone—a well-defined vehicular drop-off area and pedestrian access solely for the use of event attendees.
- Loading areas—or service access that are separate from the drop-off zone, truck docks, and waste disposal areas necessary to support the proposed conference center.
- Kitchen—we recommend incorporating a catering kitchen, capable of supporting a meal for 1,000 guests.
- Storage—adequate and convenient equipment storage is important to the efficient operation of the facility.
- Facility Operations—space needed to support facility management and physical plant, including offices, HVAC, plumbing, electrical and fire protection systems.

# Support Space Areas\*



Support Space	Total Floor Area (sf)	Notes
<b>Total Function Space</b>	<b>31,200</b>	
<b>Support Space</b>		
Prefunction Areas	10,000	Lineal feet of frontage times depth of pre-function space
Service Corridors	3,000	Lineal feet of back of house times depth of space
Vertical and Horizontal Circulation	6,000	10% of total function space, pre function, and support spaces
Kitchen/Commissary	5,000	15% of total Function space
Public Restrooms	3,000	10% of total function space
Administrative Offices	2,000	5% of total function space
Storage	4,000	10% of total function and pre-function space
Mechanical/Electrical Equipment	6,000	20% of total function space
<b>Sub-total Support Space</b>	<b>39,000</b>	
<b>Gross Building Floor Area</b>	<b>70,200</b>	

\*A physical plan created by an architect or planner would specify floor area requirements, which could result in material differences between estimated and actual floor areas.

# Building Program Case Studies

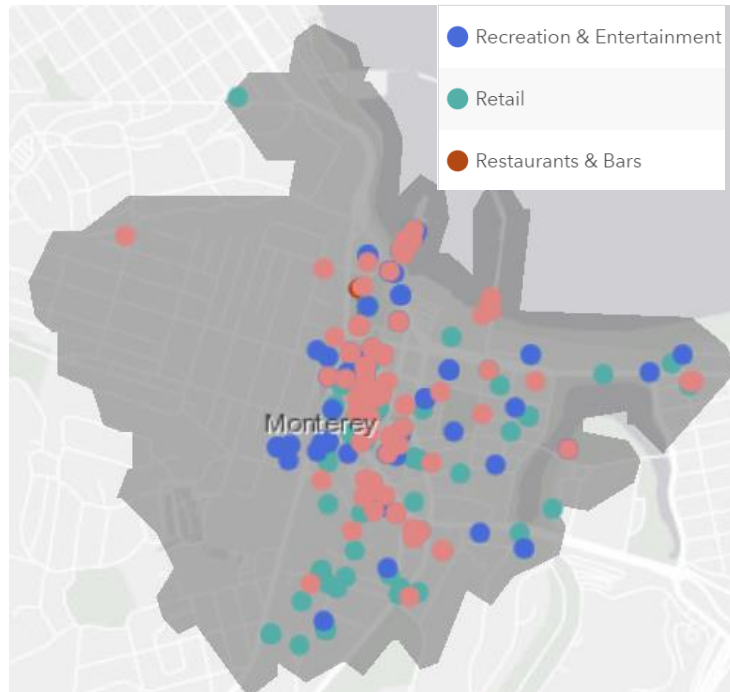
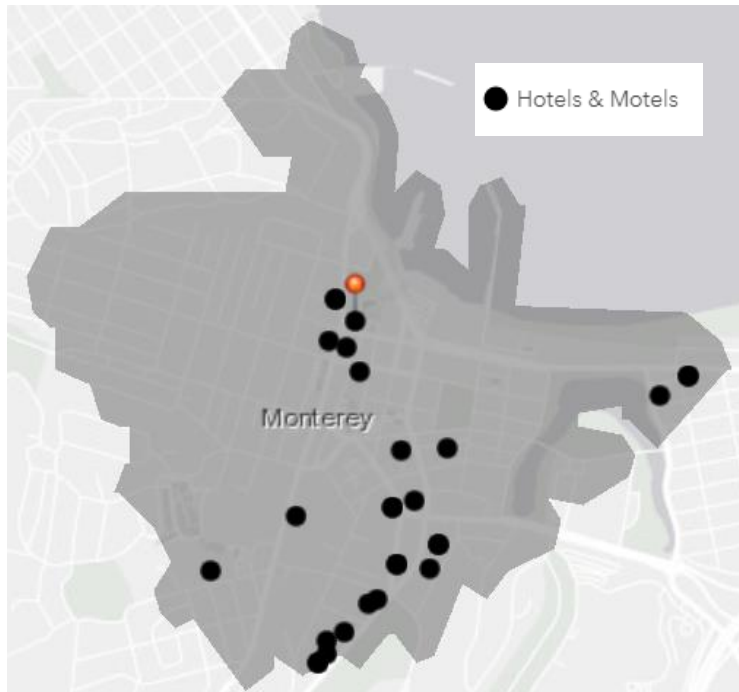
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# Monterey Conference Center



- Renovated in 2018 for \$60M
- Funding provided by bonds from revenue generated from Monterey hotels and motels
- Shares Plaza with Portola Hotel & Spa, and is connected via sky bridge to Monterey Marriot



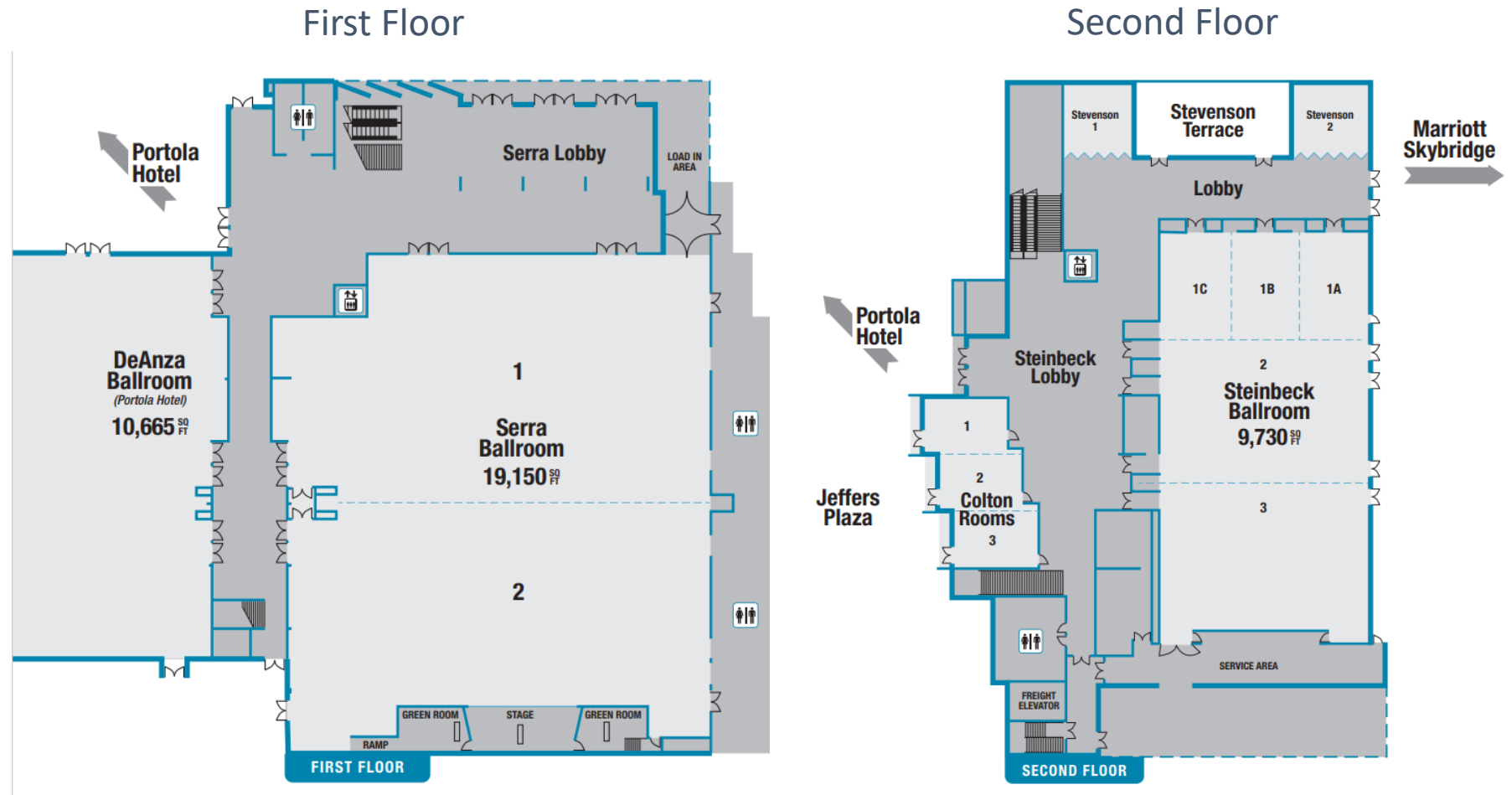
## Number of Amenities within 15-Minute Walk

Hotels & Motels	28
Restaurants & Bars	101
Retail	99
Recreation & Equipment	58

# Monterey Conference Center – Floor Plan



Function Spaces	SF
Serra Ballroom	19,150
Serra 1	10,500
Serra 2	8,650
Steinbeck Ballroom	9,730
Steinbeck 1	3,430
Steinbeck 1A	880
Steinbeck 1B	960
Steinbeck 1C	880
Steinbeck 2	2,730
Steinbeck 3	3,430
<b>Total Ballroom Space</b>	<b>28,880</b>
Colton	1,653
Colton 1	551
Colton 2	551
Colton 3	551
Stevenson 1	506
Stevenson 2	594
<b>Total Meeting Space</b>	<b>2,753</b>
<b>Total Function Space</b>	<b>31,633</b>

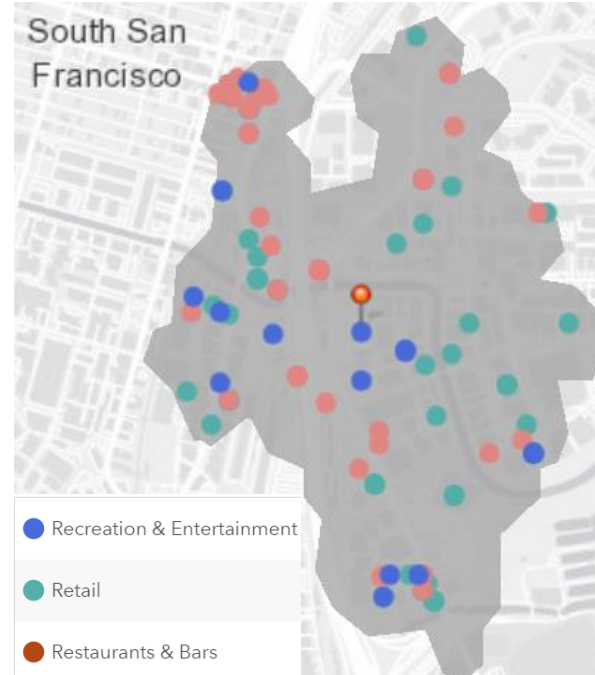


Source: Monterey Conference Center

# South San Francisco Conference Center



- Renovated in 2015
- Directly across from DoubleTree by Hilton
- Major ballroom is divisible into breakout rooms
- Shuttle service provided to BART, Ferry, and CalTrain



## Number of Amenities within 15-Minute Walk

Hotels & Motels	17
Restaurants & Bars	38
Retail	39
Recreation & Equipment	15

# South San Francisco Conference Center – Floor Plan



Function Spaces	SF
Grand Ballroom	13,500
Salon E or F	3,750
Salons A, B, C, D, G, H, I or J	750
Baden Room	3,000
Room A	1,500
Room B	1,500
Oyster Point	4,000
<b>Total Meeting Space</b>	<b>7,000</b>
<b>Total Function Space</b>	<b>20,500</b>



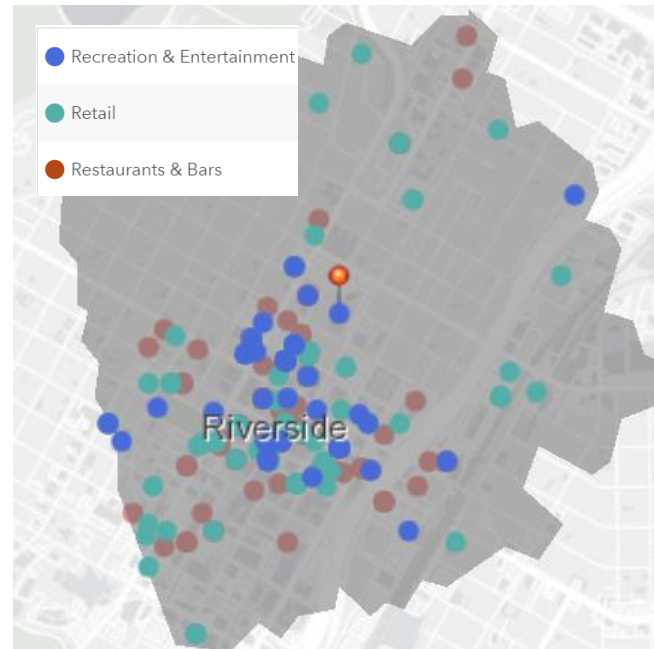
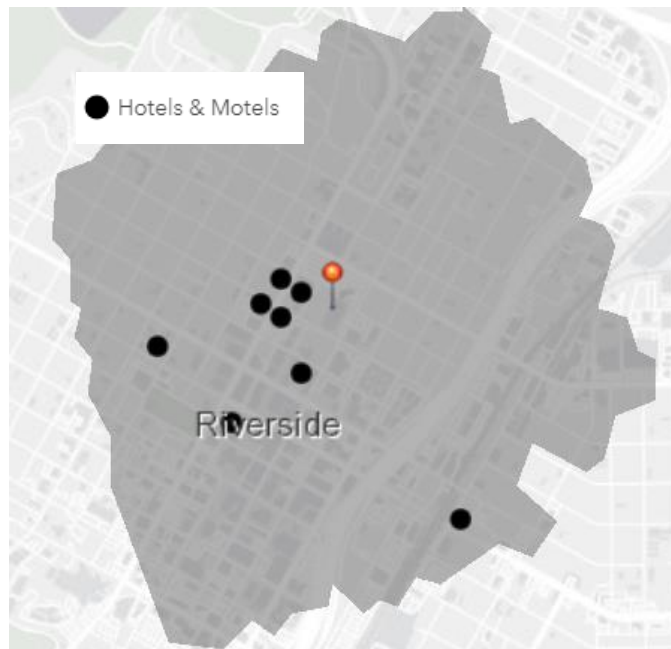
Source: South San Francisco Conference Center



# Riverside Convention Center



- Rebuilt in 2014
- Hosts over 300,000 guests annually
- Generated \$40M in gross direct spending in 2019
- Partnership with Marriott Riverside at the Convention Center



## Number of Amenities within 15-Minute Walk

Hotels & Motels	8
Restaurants & Bars	98
Retail	72
Recreation & Entertainment	38

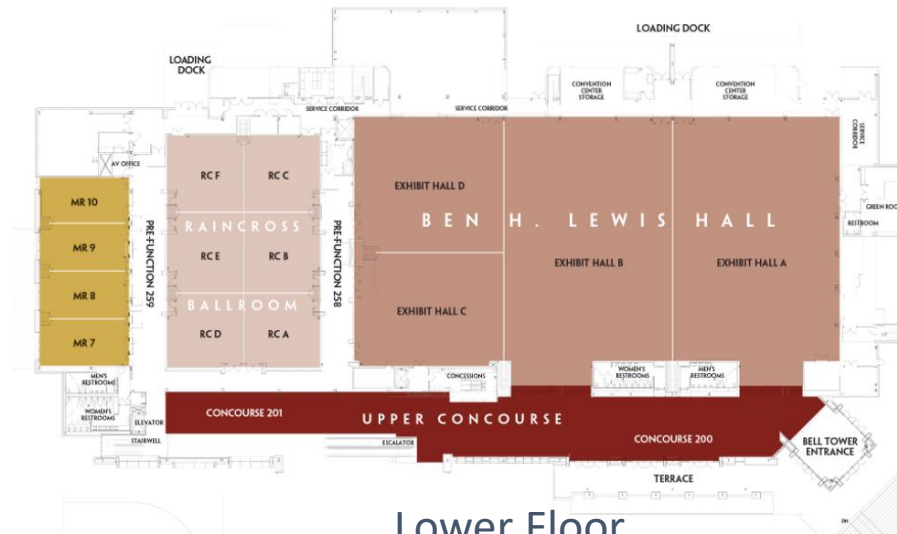
# Riverside Convention Center – Floor Plan



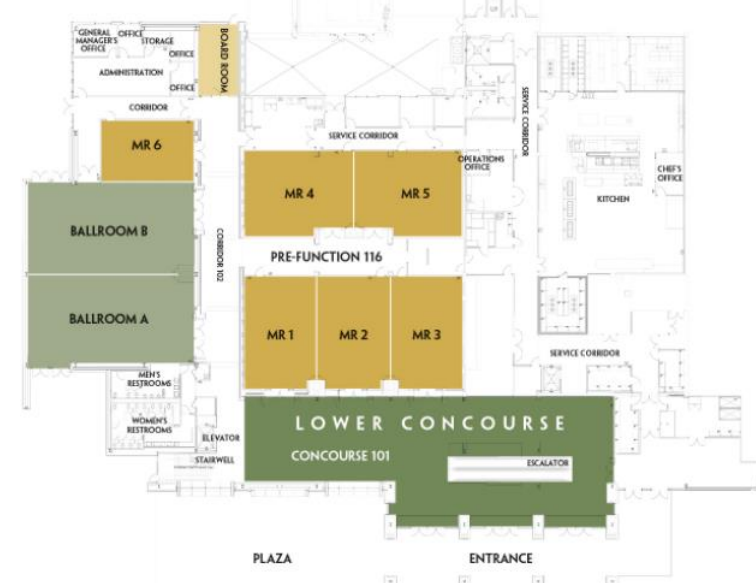
Function Spaces	SF
Ben H. Lewis Hall	27,953
Exhibit Hall A	9,965
Exhibit Hall B	9,965
Exhibit Hall C	3,785
Exhibit Hall D	4,505
Raincross Ballroom	7,898
RC A	1,311
RC B	1,321
RC C	1,323
RC D	1,307
RC E	1,381
RC F	1,381
Meeting Rooms 7-10	3,709
MR 7	925
MR 8	941
MR 9	938
MR 10	905

Function Spaces	SF
Ballroom	3,999
Ballroom A	1,978
Ballroom B	2,017
Meeting Rooms 1-6	6,447
MR 1	1,080
MR 2	1,115
MR 3	1,090
MR 4	1,202
MR 5	1,202
MR 6	758
Board Room	377
Function Spaces	SF
Total Exhibit Space	27,953
Total Ballroom Space	11,897
Total Meeting Space	10,533
<b>Total Function Space</b>	<b>50,383</b>

## Upper Floor



## Lower Floor



Source: Riverside Convention Center



# Demand Projections

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# Demand Methodology

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HVS based event demand projections for the proposed conference center in San Luis Obispo on the following research and analysis:

- the building program scenario presented in this report,
- a review of previous studies by Brailsford & Dunlavey, including a survey of potential users of the facility,
- industry data and trends,
- key market and economic indicators outlined in the Market Overview,
- comparable venue program and demand data, and
- discussions with representatives from the City of San Luis Obispo, Visit SLO, Paso Robles, as well as local stakeholders and hotel managers.

For the purposes of this study, HVS assumes that the proposed conference center is fully operational by January 1, 2027. HVS estimates that event demand would stabilize in 2030, the fourth year of operation. Demand is not determined by assumptions of opening dates and the proposed opening dates should be taken as placeholders for the purpose of this analysis. Demand projections also assume the presence of a highly qualified, professional sales and management team for the proposed conference center.

# Introduction to Demand Projections

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HVS's analysis of local and competitive venues, market research, and interviews suggest that the proposed conference center could serve an unaccommodated base of local events and better serve those currently using smaller, older facilities in San Luis Obispo County. In addition, it would allow San Luis Obispo to compete against other facilities in neighboring cities for corporate and rotating association-based business. The conference center could provide a higher quality option to residents and groups looking to book meetings and social events throughout central California.

The proposed conference center could also become a valuable public asset providing event space to a variety of local groups, including local government, civic organizations, university groups, nonprofits, schools, charities, and businesses. The multipurpose ballroom would support fundraisers, recitals, sports competitions, graduations, health screenings, press conferences, and other uses.

Demand projections consider all locally and regionally competitive venues. If adjacent or proximate to hotel rooms, the proposed conference center would be the top venue in the County for events that produce a significant number of overnight stays.

# Demand Assumptions

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The figures that follow break down conference center event projections by type of event. Total attendance figures represent individual event attendees. Event types correspond to those described previously in this section, though meetings were divided into local meetings and corporate meetings to account for their different demand-levels, event behavior, and price sensitivities.

HVS recommends the facility be attached to a hotel of 150 to 200 rooms or in close proximity (walking distance) to a substantial supply of hotel rooms. In order to model a best-case scenario for San Luis Obispo, our projections assume one of the two recommendations are met.

Additionally, due to the lack of certainty about where a future conference center might be located, we have projected performance under a “site neutral” scenario. However, every potential site will have its strengths and weaknesses for the performance of an events venue.

Finally, HVS intends demand projections to show smooth growth over time. However, event demand and booking cycles do not always move smoothly. Business can shift due to unpredictable local and national economic factors. Event demand often runs in cycles based on rotation patterns and market conditions. HVS demand projections should be interpreted as a mid-point of a range of possible outcomes and as an average of multiple years.

# Event Demand Projections (Neutral Site)



Event Type	Events		Average Attendance		Total Attendance	
	Opening	Stabilized	Opening	Stabilized	Opening	Stabilized
	2027	2030	2027	2030	2027	2030
Conventions	2	5	500	500	1,000	2,500
Conferences	15	25	300	300	4,500	7,500
Local Meetings	80	110	100	100	8,000	11,000
Corporate Meetings	60	80	50	50	3,000	4,000
Banquet and Social Events	60	90	350	350	21,000	31,500
Entertainment	5	5	750	750	3,800	3,800
Consumer Shows	5	10	1,250	1,250	6,300	12,500
<b>Total</b>	<b>227</b>	<b>325</b>			<b>47,600</b>	<b>72,800</b>

HVS projects the San Luis Obispo Conference Center (“SLOCC”) will host 325 events by demand stabilization. Most of these events are meetings, both local and corporate, as well as banquet and social events. Banquets and social events also generate the most total attendees, followed by meetings and consumer shows.

# Comparable Event Demand Analysis



To test the reasonableness of the demand projections, We compared the demand at the SLOCC to five existing comparable venues nationwide that are located in similar markets and facilities. But there are differences in types of function space and hotel adjacency that affect demand at each venue.

Events	Venue 1	Venue 2	Venue 3	Venue 4	Venue 5	Set Average	SLO CC (Stabilized Year)
Conventions & Conferences	62	57	8	15	26	34	30
Consumer Shows	12	6	22	29	38	21	10
Meetings	92	485	206	90	31	181	190
Banquets	121	86	35	49	25	63	90
Entertainment and Assemblies	28	8	51	0	44	26	5
<b>Total</b>	<b>314</b>	<b>641</b>	<b>322</b>	<b>183</b>	<b>164</b>	<b>325</b>	<b>325</b>

Meetings and banquets are the most common event types among the comparable set, as they are at the proposed SLOCC. More of these events are projected for the SLOCC due to the limited number of meeting facilities in the San Luis Obispo area. The set average for consumer shows is higher than at the SLOCC because a few of the venues have dedicated exhibit halls for these types of events.



# Comparable Attendance Demand Analysis



Attendees	Venue 1	Venue 2	Venue 3	Venue 4	Venue 5	Set Average	SLO CC (Stabilized Year)
Conventions & Conferences	31,500	13,900	3,600	0	13,100	12,420	10,000
Consumer Shows	6,800	8,500	32,400	68,900	29,600	29,240	12,500
Meetings	25,500	20,700	27,500	23,900	7,300	20,980	15,000
Banquets	42,800	19,200	16,400	29,300	8,200	23,180	31,500
Entertainment and Assemblies	3,100	16,400	8,900	0	17,500	9,180	3,800
<b>Total</b>	<b>109,700</b>	<b>78,700</b>	<b>88,800</b>	<b>122,100</b>	<b>75,700</b>	<b>95,000</b>	<b>72,800</b>

The SLOCC would host slightly fewer total attendees than the average of the comparable event set due to the relatively low number of consumer show attendees. Banquet attendance varies among the set, and the SLOCC is closer to the larger end of the spectrum due to the high demand for ballroom space in San Luis Obispo County. Convention and conference attendance is slightly lower than the set, which is skewed by the large number of attendees at Venue 1. This venue has a larger exhibit hall and an adjacent hotel that enables it to host larger conventions and conferences.

# Room Night Parameters



HVS calculated the potential generation of room nights by the proposed SLOCC. These room nights represent new, induced demand into San Luis Obispo as a direct result of the development of the SLOCC. The following figure presents the assumptions used to generate room night estimates after the development. These assumptions are based on the operation of similar facilities.

Event Type	Occupied Room Nights Parameters					
	Percent Lodgers		Length of Stay		Lodgers per Room	
	Opening 2027	Stabilized 2030	Opening 2027	Stabilized 2030	Opening 2027	Stabilized 2030
Conventions	75%	75%	3.0	3.0	1.10	1.10
Conferences	80%	80%	2.5	2.5	1.10	1.10
Local Meetings	0%	0%	1.2	1.2	1.10	1.10
Corporate Meetings	50%	50%	1.5	1.5	1.10	1.10
Banquet and Social Events	10%	10%	1.1	1.1	2.00	2.00
Entertainment	5%	5%	1.5	1.5	2.00	2.00
Consumer Shows	3%	3%	3.0	3.0	1.50	1.50

# Demand Projections



	Opening 2027	2028	2029	Stabilized 2030
<b>Events</b>				
Conventions	2	3	4	5
Conferences	15	17	22	25
Local Meetings	80	90	100	110
Corporate Meetings	60	67	73	80
Banquet and Social Events	60	70	80	90
Entertainment	5	5	5	5
Consumer Shows	5	7	9	10
<b>Total</b>	<b>227</b>	<b>259</b>	<b>293</b>	<b>325</b>
<b>Attendees</b>				
Conventions	1,000	1,500	2,000	2,500
Conferences	4,500	5,100	6,600	7,500
Local Meetings	8,000	9,000	10,000	11,000
Corporate Meetings	3,000	3,400	3,700	4,000
Banquet and Social Events	21,000	24,500	28,000	31,500
Entertainment	3,800	3,800	3,800	3,800
Consumer Shows	6,300	8,800	11,300	12,500
<b>Total</b>	<b>47,600</b>	<b>56,100</b>	<b>65,400</b>	<b>72,800</b>
<b>Occupied Room Nights</b>				
Conventions	1,500	2,600	3,400	4,300
Conferences	5,800	7,400	9,600	10,900
Corporate Meetings	2,700	3,400	3,700	4,100
Banquet and Social Events	700	800	900	1,000
Entertainment	200	200	200	200
Consumer Shows	300	400	500	500
<b>Total</b>	<b>11,200</b>	<b>14,800</b>	<b>18,300</b>	<b>21,000</b>



# Financial Projections

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# Introduction to Financial Analysis

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The conference center industry does not use a standardized set of accounts to report financial performance. Financial statements from different conference centers organize revenues and expenses differently. However, a few major revenue and expense categories are common to most convention facilities.

HVS developed a proprietary financial operating model that organizes financial operations according to these primary revenue and expense categories. The financial operating model quantifies the key variables and operating ratios that determine revenue potential and expense levels. Unless otherwise indicated, the model assumes an annual inflation rate of 3.0% applies to both revenues and expenses.

HVS intends for financial projections to show the expected levels of revenues and expenses. Projections show smooth growth over time. However, event demand and booking cycles are not always smooth. Unpredictable local and national economic factors can affect business. Event demand is often cyclical, based on rotation patterns and market conditions. Therefore, HVS recommends interpreting the financial projections as a mid-point of a range of possible outcomes and over a multi-year period rather than relying on projections for any one specific year.

# Revenue Parameters

Operating revenue line items include facility rental, food and beverage sales, event services, and audio-visual revenues. HVS uses a series of revenue parameters based on attendance, events, and event days.

To formulate the revenue parameters, HVS relied on industry information, knowledge of the performance of comparable venues, and information on price levels from local area sources. We adjusted the parameters for inflation and other anticipated trends in price levels.

Revenue Line Item and Demand Source	Revenue Estimation Unit	Amount per Unit	
		Opening	Stabilized
<b>Food and Beverage</b>			
Conventions	Attendee	\$55.00	\$55.00
Conferences	Attendee	45.00	45.00
Local Meetings	Attendee	12.00	12.00
Corporate Meetings	Attendee	18.00	18.00
Banquet and Social Events	Attendee	55.00	55.00
Entertainment	Attendee	12.00	12.00
Consumer Shows	Attendee	6.00	6.00
<b>Facility Rental</b>			
Conventions	Event	\$3,250	\$3,250
Conferences	Event	2,750	2,750
Local Meetings	Event	750	750
Corporate Meetings	Event	2,750	2,750
Banquet and Social Events	Event	1,750	1,750
Entertainment	Event	2,500	2,500
Consumer Shows	Event	2,500	2,500
<b>Event Services</b>			
Conventions	Event Days	\$3,500	\$3,500
Conferences	Event Days	3,000	3,000
Local Meetings	Event Days	1,000	1,000
Corporate Meetings	Event Days	2,000	2,000
Banquet and Social Events	Event Days	3,750	3,750
Entertainment	Event Days	500	500
Consumer Shows	Event Days	500	500
<b>Audio Visual</b>			
Conventions	Event	\$1,500	\$1,500
Conferences	Event	1,500	1,500
Local Meetings	Event	1,000	1,000
Corporate Meetings	Event	1,500	1,500
Banquet and Social Events	Event	3,500	3,500
Entertainment	Event	750	750
Consumer Shows	Event	1,750	1,750

# Revenue Parameters

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**Facility Rental**—Facility rental revenue includes the revenue the proposed conference center receives from clients that reserve one or more function areas in the facility. Average rates by event type reflect blended rates that include discounted rental rates or waived rental rates. Some facilities offer discounted rates during non-peak seasons for rentals by affiliated or non-profit organizations. The proposed conference center and adjoining hotel operation may opt to waive space rental fees in order to book an event that has a high impact on room nights or food and beverage spending. Ballroom rental rates are typically different from those for meeting spaces and exhibit halls.

**Food and Beverage**—Most events that use the conference center’s function spaces will also arrange food service for their attendees during events. This food service includes catering, which can range from coffee breaks associated with a meeting to a full dinner associated with a conference or banquet. Most conventions and conferences generate demand for multiple meals during the course of these multi-day events. Banquets, which generally include a single meal and beverage services, would be the largest driver of food and beverage revenue. HVS projects estimated gross food and beverage revenues on a per attendee basis depending on the type of event.

**Event Services**—Other event services include the fees charged to tenants for services that could include business services, set-up and take down of function spaces, cleaning services, security services, commissions from decorators and other services provided by third-party contractors at events. Banquets and other upscale events can often require elaborate decorating services. We estimate event services revenues based on the number of event days consistent with industry averages.

**Audio Visual**—Event technology includes the fees charged to tenants for services that could include audio and video technical assistance, set-up and take down of presentation stages, internet services, electricity and other utilities, and any technological services. Many events require audio, video, communications and internet services, and service charges vary by type of event. Some of these services may be included in the rental charges for using the facility, but others will be add-on service charges.



# Comparable Venue Revenue Analysis



- All revenues are adjusted to 2030 dollars using a CPI based inflator.
- Food and beverage generates the most revenue in nearly all venues.
- Differences in categorization of revenues affect the mix of reported revenues.

	Inflated \$'s (2030)				
	Comp 1	Comp 2	Comp 3	Average of Available Data	Projected SLO CC
<b>Per Event Revenue</b>					
Facility Rental	1,587	1,658	3,618	2,288	2,238
Food & Beverage (Gross)	13,618	6,089	7,773	9,160	9,730
Event Services	8,471	1,531	3,639	4,547	3,850
Audio Visual	1,041	12	8,495	3,183	2,349
<b>Total Operating Revenue</b>	<b>24,717</b>	<b>9,290</b>	<b>18,646</b>	<b>17,551</b>	<b>18,167</b>
<b>Ratio to Total Sales - Revenue</b>					
Facility Rental	6%	18%	19%	15%	12%
Food & Beverage (Gross)	55%	66%	63%	61%	54%
Event Services	34%	16%	20%	23%	21%
Audio Visual	4%	0%	46%	17%	23%

# Direct Operating Expenses

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**Salaries & Benefits**—HVS estimated the staffing level, salaries, and associated benefits for permanent full- and part-time employees dedicated to administration, marketing, building operations, and other functions.

**Food & Beverage Costs**—The food and beverage operation would be operated by an in-house food service operator or through an attached hotel. Costs of food service include the raw costs of food and beverages sold as well as the labor associated with food preparation and service. HVS used historical margins based on total food and beverage revenue as the basis for these costs.

**Contractual Services**—and event services costs are the costs incurred by the facility for client reimbursed expenses such as audio-visual set-up, security, cleaning, and event set-up. HVS estimated event services costs as a percentage of gross event services based on industry averages.

**Supplies & Equipment**—This category includes items such as computers, office machines, furniture, consumables, and chemicals that are required to support and maintain the operations of the facility.

# Other Expenses

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**Administrative & General**—Office and administrative operations incur day-to-day facility expenses. Such expenses typically include travel, telephone, printing, permits, and other miscellaneous professional services.

**Marketing & Sales**—This category includes costs associated with the promotion and marketing of the proposed conference center. These costs may include travel and entertainment expenses and the costs of producing marketing materials. HVS assumes marketing efforts would be divided between proposed conference center staff and a CVB or DMO, such as Visit SLO. However, the exact distribution of marketing and sales responsibilities can drastically alter this expense line.

**Repair & Maintenance**—This category includes both routine and one-time facility maintenance expenses that are primarily the responsibility of in-house facility operations personnel. It also includes more specialized activities, such as HVAC system maintenance, electrical work, and maintenance of other mechanical systems, often contracted out to third parties.

**Utilities**—including electricity, gas, water, and other charges often represent one of the largest expenses incurred by facility operators.

**Insurance**—costs include property insurance and other liability insurance required for facility operations.

**Reserve for Replacement**—we recommend the establishment of a capital maintenance reserve fund to be used for major repairs, equipment replacement, and other updates to the facility.

# Expense Parameters



HVS estimated operating expenses as a blend of fixed costs and variable percentage of operating revenues, as summarized in the figure below. HVS based these fixed and variable assumptions on multiple years of comparable revenue and expense data and other industry standards.

Expense Line Item	Estimation Method		Amount Per Unit	Fixed %
<b>Operating Expense</b>				
Salaries & Benefits	Fixed Amount		\$1,648,750	100%
Food & Beverage Costs	Ratio to Sales	Food and Beverage	35.00%	10%
Contractual Services	Ratio to Sales	Event Services	70.00%	15%
Supplies & Equipment	Ratio to Sales	Total Revenue	8.50%	15%
<b>Fixed Expense</b>				
Administrative & General	Ratio to Sales	Total Revenue	5.00%	50%
Marketing & Sales	Ratio to Sales	Total Revenue	3.00%	50%
Repair & Maintenance	Ratio to Sales	Total Revenue	4.00%	20%
Utilities	Ratio to Sales	Total Revenue	4.50%	0%
Insurance	Unit	Attendee	\$2.00	0%
Capital Maintenance Reserve	Ratio to Sales	Total Revenue	4.00%	0%

# Proposed Staffing Schedule



Based on the operation of comparable facilities, HVS compiled a potential staffing plan for the proposed conference center. This staffing schedule should serve as a benchmark for potential total salaries and benefits in order to operate the conference center effectively. Actual staffing, salaries, and benefits level may vary at the actual facility.

The schedule includes both full-time and part-time positions. Full-time positions would be eligible for benefits as well as their salary, which HVS has estimated to be 25% of the total salary. Salaries shown are in 2024 dollars.

Position	Number	Salary	Total Salary
<b>Part Time Positions</b>			
Custodians/Housekeeping	6	20,000	120,000
Catering and Food Service	10	30,000	300,000
<b>Total Part Time</b>			420,000
<b>Full Time Positions</b>			
ADMINISTRATION/FINANCE			
General Manager	1	80,000	80,000
Administrative Assistant	2	35,000	70,000
Finance Manager	1	60,000	60,000
SALES & MARKETING			
Director of Event Sales & Service	1	65,000	65,000
Senior Sales Manager	1	60,000	60,000
Sales/Event Coordinator	4	45,000	180,000
EVENT SERVICES			
Director of Event Services	1	60,000	60,000
BUILDING OPERATIONS			
Director of Operations	1	68,000	68,000
Operations/Event Set-up	4	45,000	180,000
Event Manager	4	40,000	160,000
<b>Total</b>		20	983,000
<b>Benefits</b>		25%	245,750
<b>Total Full Time</b>			1,228,750
<b>Total Salaries and Benefits</b>			<b>1,648,750</b>

# Pro Forma – Neutral Site (Inflated \$000's)



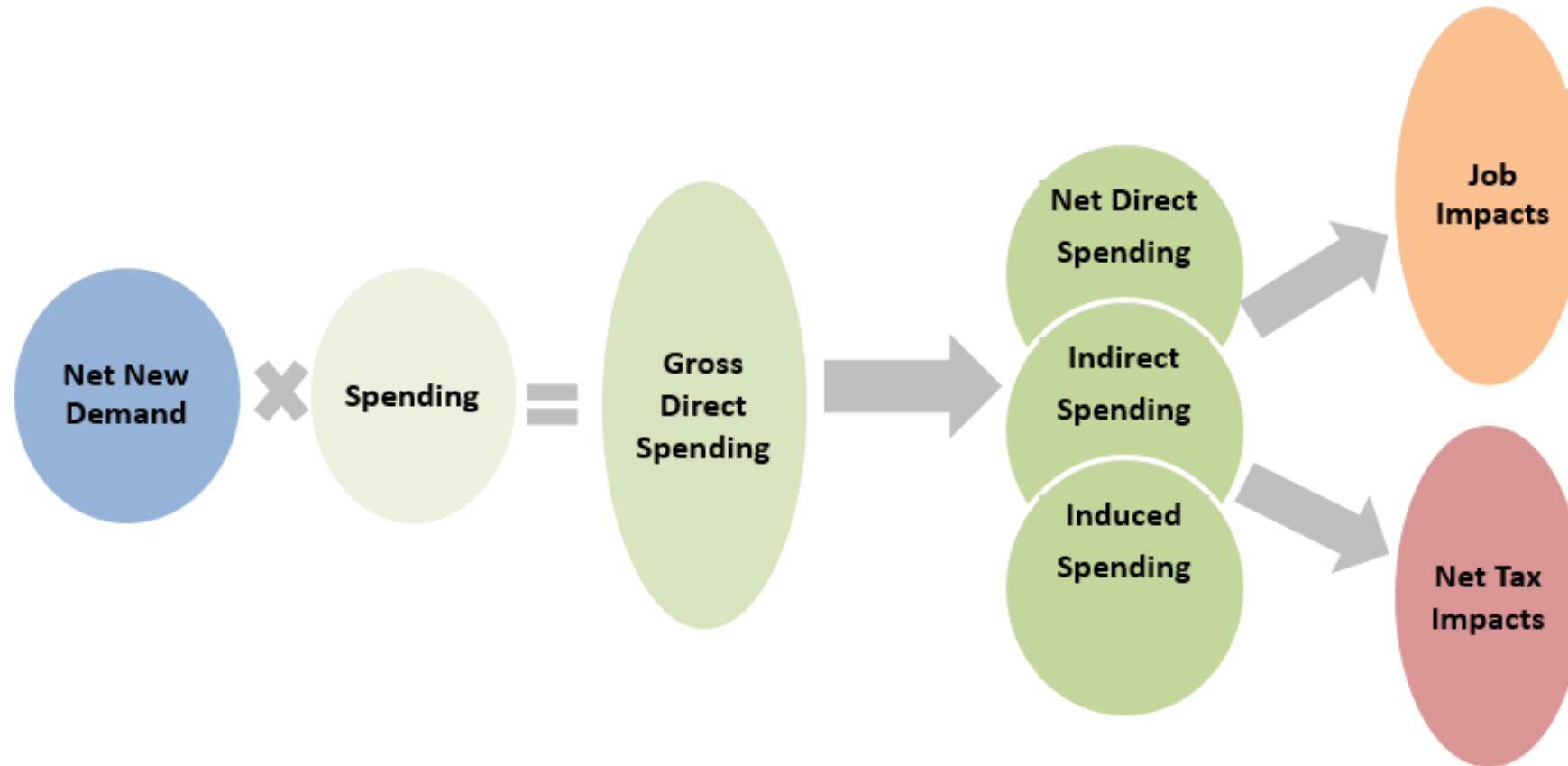
	Opening			Stabilized	
	2027	2028	2029	2030	2031
<b>Revenue</b>					
Food and Beverage	\$2,031	\$2,436	\$2,908	\$3,359	\$3,443
Facility Rental	721	856	1,016	1,162	1,191
Event Services	581	687	814	936	960
Audio Visual	422	499	583	667	684
<b>Total Revenue</b>	<b>\$3,755</b>	<b>\$4,478</b>	<b>\$5,321</b>	<b>\$6,124</b>	<b>\$6,277</b>
<b>Operating Expense</b>					
Salaries & Benefits	\$1,502	\$2,007	\$2,233	\$2,449	\$2,511
Food & Beverage Costs	711	729	854	974	998
Contractual Services	407	502	580	655	672
Supplies & Equipment	319	398	461	521	534
<b>Total Operating Expense</b>	<b>\$2,939</b>	<b>\$3,636</b>	<b>\$4,128</b>	<b>\$4,599</b>	<b>\$4,714</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$816</b>	<b>\$842</b>	<b>\$1,193</b>	<b>\$1,524</b>	<b>\$1,562</b>
<b>Fixed Expense</b>					
Administrative & General	\$207	\$258	\$282	\$306	\$314
Marketing & Sales	197	170	169	184	188
Repair & Maintenance	165	142	218	245	251
Utilities	186	202	239	276	282
Insurance	110	100	159	182	186
Capital Maintenance Reserve	113	116	213	245	251
<b>Total Fixed Expense</b>	<b>\$978</b>	<b>\$988</b>	<b>\$1,282</b>	<b>\$1,437</b>	<b>\$1,473</b>
<b>TOTAL NET INCOME (LOSS)</b>	<b>(\$161)</b>	<b>(\$146)</b>	<b>(\$88)</b>	<b>\$87</b>	<b>\$89</b>



# Economic Impact

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# Economic Impact Methodology





# Direct, Indirect, and Induced Spending

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Spending falls into three categories:

- **Direct spending**—includes the new spending of event attendees and organizers. For example, an attendee’s expenditure on a restaurant meal is a direct spending impact. Direct spending includes only new spending that originates from outside San Luis Obispo. Spending by attendees who live within the market area is a transfer of income from one sector of the area’s economy to another; therefore, this analysis does not count spending by local residents as a new economic impact. Net direct spending are the amounts of direct spending that falls into the local economy.
- **Indirect spending**—follows from the business spending resulting from the initial direct spending. For example, an event attendee’s direct expenditure on a restaurant meal causes the restaurant to purchase food and other items from suppliers. The portion of these restaurant purchases that remain within San Luis Obispo count as indirect impacts.
- **Induced spending**—represents the change in local consumption due to the personal spending by employees whose incomes change from direct and indirect spending. For example, a waiter at a local restaurant may have more personal income as a result of an event attendee dining at the restaurant. The amount of the increased income that the waiter spends in the local economy is an induced impact.

# Sources of Direct Spending

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HVS identified four sources of new direct spending impact:

- **Overnight Guests:** Visitors who require overnight lodging, including convention delegates, meeting attendees, and attendees at other proposed conference center events. Overnight delegate spending includes the spending on meals, shopping, local transportation, recreation and entertainment, and other goods and services while in town.
- **Daytrip Attendees:** Visitors to the proposed conference center who do not require paid lodging. In most markets, day-trippers typically spend money on meals, shopping, local transportation, recreation and entertainment, and other goods and services while in town.
- **Event Organizers:** Individuals, associations, or other organizations that plan, sponsor, organize, and coordinate events that take place at proposed conference center facilities. In addition to facility spending, event organizers also spend on lodging, meals, local transportation, facility rentals, equipment rentals, and other goods and services required to plan and organize a successful event.
- **Exhibitors:** Individuals or companies that rent exhibition space, typically from event organizers, to display information or products at events. In addition to spending at the facility, exhibitors purchase lodging, meals, local transportation, vendor services, meeting room rentals, equipment rentals, and other goods and services.

# Percent of Spending New to San Luis Obispo



HVS estimated the percentage of each visitor type that would come from outside the market rather than from the local area. The spending estimates only include new visitor spending because non-residents import income, whereas residents transfer income already in the market area.

HVS estimated that 25% of day-trip attendees to banquet and social events and entertainment events would be from outside the City because these events attract primarily local attendees. Day trip attendees to other events were estimated using the assumption that attendees traveling from within 60-minutes of the venue would drive.

Calculation of New Day Trips	
48,670	City of San Luis Obispo Population
÷	
462,252	Population within 60-Minute Drive Time
<hr/>	
11%	Percent of Daytrips from Within the City

Geographic Area/Visitor Type	Overnight Guests	Day Trips
<b>City of San Luis Obispo</b>		
Conventions	95%	89%
Conferences	95%	89%
Local Meetings	0%	0%
Corporate Meetings	95%	89%
Banquet and Social Events	95%	25%
Entertainment	95%	25%
Consumer Shows	95%	89%

# Visitation from SLO Conference Center



The product of the visitor forecasts and the percent of demand new to the market yields an estimate of the sources of impact shown in the table below. That is:

$$\begin{aligned} \text{Total Overnight Guests} \times \text{Percent New} &= \text{New Overnight Stays} \\ \text{Total Day Trips} \times \text{Percent New} &= \text{New Day Trips} \\ \text{Total Delegate Days} \times \text{Percent New} &= \text{New Delegate Days} \end{aligned}$$

Demand Type	Convention Overnight	Convention Daytrip	Convention Delegate Days	Attendee Days	Leisure Overnight	Leisure Daytrip
Conventions	4,800	1,600	5,400	6,700	0	0
Conferences	12,800	3,400	14,300	16,700	0	0
Local Meetings	0	0	0	0	0	0
Corporate Meetings	2,600	2,700	0	5,300	0	0
Banquet and Social Events	0	0	0	17,400	3,000	7,800
Entertainment	0	0	0	2,900	300	1,400
Consumer Shows	800	10,300	0	11,100	0	0
<b>Total</b>	<b>21,000</b>	<b>18,000</b>	<b>19,700</b>	<b>60,100</b>	<b>3,300</b>	<b>9,200</b>

# Spending Data Sources

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- **Longwoods:** Our primary source is the Travel USA study by Longwoods International. This survey is conducted annually with a sample size of approximately 350,000 trips and assesses origin, spending, party size, and the primary purpose of the trip.
- **Destination International:** The Destination International (“DI”) Convention Expenditure & Impact Study surveyed event organizers across over 1,000 events to gather daily spending parameters on overnight convention attendees, day-trip event attendees, exhibiting companies, and event organizers. HVS applies parameters from the Corporate Travel Index (“CTI”) to account for local spending patterns. Adjusted data from DI provides estimates of organizer spending per visitor day.
- **STR:** STR reports hotel Average Daily Rate for the City of San Luis Obispo. HVS used a 12-month average from August 2023 of \$180.

# Spending Parameters



Overnight Convention Attendees		\$512.56
Hotel Average Daily Room Rate	39%	
Food & Beverage	16%	
Other Hotel Charges	13%	
Retail	12%	
Recreation	9%	
Transportation at Destination (Taxi/Uber/Other)	7%	
Transportation at Destination (Rental)	4%	

Daytrip Convention Attendees		\$246.56
Food & Beverage	33%	
Retail	26%	
Recreation	19%	
Transportation at Destination (Gasoline)	15%	
Transportation at Destination (Taxi/Uber/Other)	8%	

Exhibitor Spending Per Overnight Day		\$45.73
Hotels and motels, including casino hotels	28%	
All other food and drinking places	30%	
Advertising, public relations, and related services	7%	
Other amusement and recreation industries	7%	
Other support services	6%	
Equipment Rental	6%	
Commercial and industrial machinery and equipment rent	5%	
Other real estate	4%	
Retail - General merchandise stores	3%	
Transit and ground passenger transportation	2%	
Retail - Gasoline stores	1%	

Organizer Spending per Attendee Day		\$4.36
Hotels and motels, including casino hotels	43%	
Retail - General merchandise stores	32%	
Advertising, public relations, and related services	23%	
Automotive equipment rental and leasing	1%	
State government passenger transit	1%	
Transit and ground passenger transportation	0%	

Overnight Leisure Attendees		\$172.98
Hotel Average Daily Room Rate	69%	
Food & Beverage	10%	
Retail	8%	
Recreation	6%	
Transportation at Destination (Taxi/Uber/Other)	4%	
Transportation at Destination (Rental)	2%	

Daytrip Leisure Attendees		\$52.98
Food & Beverage	34%	
Retail	27%	
Recreation	20%	
Transportation at Destination (Taxi/Uber/Other)	13%	
Transportation at Destination (Gasoline)	6%	

# Facility Revenue

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Event organizers and exhibitors create additional spending impacts through spending at the proposed conference center through facility rentals, the purchase of event food and beverage services, and other spending at the venue. HVS estimated spending by exhibitors and event organizers at the proposed conference center as described in the Financial Projections section of this report.

HVS adjusted total facility revenues to account for the percentage of business that would originate from within San Luis Obispo, based on the financial analysis presented earlier in this report.

# Gross Direct Spending (Stabilized Year)



HVS applied the previous sources of spending impacts and spending parameters to estimate gross direct spending for a stabilized year.

Visitor Type	Number of New Visitors	Net Daily Spending	Total Spending (Millions)
<i>City of San Luis Obispo</i>			
<b>Overnight Visitor Spending =</b>	22,900	x \$482.58 =	\$11.05
<b>Daytrip Visitor Spending =</b>	26,000	x 169.77 =	\$4.41
<b>Exhibiting Company Spending per attendee =</b>	16,000	x 57.84 =	0.93
<b>Event Organizer Spending per attendee =</b>	56,000	x 4.33 =	\$0.24
		<b>Facility Revenue =</b>	\$4.03
		<b>Total Gross Direct Spending =</b>	<b>\$20.67</b>



HVS uses the IMPLAN input-output model to estimate indirect and induced spending and employment impacts. IMPLAN is a nationally recognized model developed at the University of Minnesota and commonly used to estimate economic impacts. An input-output model generally describes the commodities and income that normally flow through the various sectors of a given economy. The indirect and induced spending and employment effects represent the estimated changes in the flow of income, goods, and services caused by the estimated direct spending.

The IMPLAN model accounts for the specific characteristics of the local area economy and estimates the share of indirect and induced spending that it would retain.

HVS categorized new direct expenditures into spending categories that we provide inputs into the IMPLAN model. Specifically, the IMPLAN model relies on spending categories defined by the U.S. Census according to the North American Industry Classification System (“NAICS”). Because the spending data from the spending surveys used by HVS do not match the NAICS spending categories, HVS translates the spending categories into the NAICS spending categories that most closely match.

# Annual Economic Impact (Stabilized Year)



<b>Impact (\$ Millions)</b>	<b>City of San Luis Obispo</b>
<b>Spending Estimates</b>	
Net Direct	\$19.1
Indirect	2.3
Induced	0.5
<b>Total</b>	<b>\$22.0</b>

HVS calculated the full-time equivalent jobs supported by the spending in each economic sector.

<b>Full-Time Equivalent Jobs</b>	<b>City of San Luis Obispo</b>
Direct	165
Indirect	35
Induced	25
<b>Total Permanent Jobs</b>	<b>225</b>

Fiscal impacts are the public sector share of the economic impacts generated by tax collections on new spending. The previously discussed spending estimates provide a basis for estimating potential tax revenue, as certain existing San Luis Obispo taxes would apply to some of the spending.

The IMPLAN analysis generates net-direct, indirect, and induced outputs, which fall into various NAICS categories. HVS determined which taxes would apply to which category of output. HVS then used the appropriate tax rates to estimate the amount of tax revenue.

HVS applied these nominal tax rates to a detailed breakdown of spending and income categories that result from direct, indirect, and induced spending through operation of the proposed conference center. HVS then estimated the potential annual revenue from each tax source as shown in the following figures.

# Annual Fiscal Impact



The IMPLAN analysis generates net-direct, indirect, and induced outputs, which fall into various NAICS categories. HVS determined which taxes would apply to which category of output. HVS applied nominal tax rates to a detailed breakdown of spending and income categories.

<b>Tax Category</b>	<b>Tax Base</b>	<b>Nominal Tax Rate</b>	<b>Estimated Tax Revenue</b>
<b>Sales &amp; Use Tax</b>	\$13,830,359	1.50%	\$197,100
<b>Hotel Motel Room Tax</b>	\$6,227,887	10.00%	\$591,600
<b>TBID Lodging Tax*</b>	\$6,227,887	2.00%	\$118,300
<b>TMD Lodging Tax**</b>	\$6,227,887	1.50%	\$88,700
			<hr/> <b>\$995,700</b> <hr/>

*\*Tourism Business Improvement District*

*\*\*Tourism Marketing District*

# Summary of Impacts

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<b>Summary of Impacts*</b>	<b>City of San Luis Obispo</b>
Economic Impact (Millions)	\$22.0
Fiscal Impact (000's)	\$995.7
Jobs	225
*In a stabilized year.	



# Financing and Partnership Analysis

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# Conference Center Ownership

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Many stand-alone conference centers in the United States are publicly owned. Municipal or county ownership is the most common ownership arrangement for these facilities. Many communities have established quasi-governmental or non-profit authorities to own their conference facilities on behalf of the local and/or state governments. Regardless of ownership structure, a conference center board of directors or other advisory committee is typically responsible for the operation and long-term maintenance of the facility.

The primary benefits of a public ownership arrangement are public control of the development and operation and access to low-cost tax-exempt debt which is frequently used to finance the project. The primary risks associated with Municipal ownership concerns the initial and ongoing investments in the conference center. To remain competitive, the facility would likely require ongoing capital improvements. Moreover, a public owner would bear the risk associated with operating losses at the facility.

Most privately-owned conference centers are operated as departments of larger developments, including hotels, resorts, corporate headquarters, and universities. Privately-owned stand-alone centers are often located in larger metropolitan areas, primarily serving local businesses and corporations for off-site day meetings.

# Public Management

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Conference center management of a publicly-owned facility can take one of two primary forms.

**In-house Management:** the governing authority, district, or local government department can directly employ in-house staff to manage and operate the venue. With this arrangement, the venue owner maintains control over decisions related to the following activities:

- Financial reporting,
- Staffing levels and qualifications,
- Training and customer service requirements,
- Marketing priorities,
- Booking policies,
- Repair and maintenance schedules, and
- Long-term capital improvements.

The primary risks of this management arrangement include:

- Locating the necessary experience and talent to manage a facility successfully,
- Replacing expert management if key personnel leave,
- Financial operating risks associated with operating losses, and
- Inability to incentivize the sales team due to public employee compensation rules.



# Alternative Management Options

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**Private management company:** The most common alternative to an in-house management staff is to engage a private facility management company to operate a venue. The private management company is responsible for operating a facility with a complete staff employed directly by the management company. Financial reporting and other operational procedures are typically governed by the standards established by the management company.

There is no correlation between a facility's financial performance and public versus private contract management. The experience and talent level of specific personnel within a conference center's management team is more important than whether the management is a public agency or a private company.

The most appropriate reason to consider private management of a conference center is that the public owner may not have the necessary experience, talent, or expertise available to manage the facility successfully. A private manager often provides a more professional and efficient operation.

# Alternative Management Risks

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Private management involves some disadvantages and risks. The requirement to pay management fees presents the clearest financial drawback. Management fees at conference centers are roughly three percent of gross revenue with additional incentive fees based on performance. If public management staff is either nonprofessional or when expenses are excessive, a change from public management to private management can improve the financial performance of a conference center. In such cases, the management fees may be well worth the investment.

One potential risk associated with using a private management firm is that a facility owner may not be able to monitor staff training and maintenance decisions as closely as it would as an in-house operation. If a venue owner decides to engage a private management firm, HVS recommends the careful implementation of an evaluation process that focuses on both customer service satisfaction levels and facility maintenance procedures.

Another important risk associated with using a private management firm is that the host municipality may not have much control over the selection of top management positions at the conference center. The level of experience and talent a private management firm can bring to a public facility can vary substantially depending on whom the firm recruits for key positions, such as General Manager and Sales Director. Although the managers working for private management firms are among the world's best, each City must consider the likelihood of attracting this top tier of talent to its facility.

# Integrated Hotel Conference Center Development

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An integrated hotel and conference center development can generate positive cash flows and thereby create potential for private investment. But the amounts of private investment in the form of debt and equity that could be attracted to the project are unlikely to be sufficient to finance the entire project.

In a public-private partnership (“PPP”), the hotel and conference center could be owned and developed by the private partner. The conference center may be publicly owned and financed but is usually leased to the hotel owner who becomes responsible for the operation of the entire project. Public involvement may take the form of a public subsidy that “bridges the gap” between the cost of constructing and financing the project and the debt and equity that a private developer is able to secure.

Traditionally, full-service hotels have supported conference centers, but increasingly high quality select-service hotels have been developed adjacent to conference centers. Select-service hotels offer a more cost-effective design and operation and may be more feasible in lower rated or tertiary markets.

# Conference Center Financing

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In the United States, cities usually finance the construction of convention and conference facilities with tax-exempt public debt, which is repaid over a 20- to 30-year period. Cities justify public investment based on the potential economic impact of a project or because it represents the development of a community asset with broad support that would not be developed without public spending.

Projects that are relatively small or that municipalities finance with rapidly growing tax bases are sometimes paid for directly out of appropriated funds. However, this type of pay-as-you-go financing is not common for large projects. In San Luis Obispo, as in most cities, the difficulty of providing sufficient revenues to pay for the entire project during the construction period effectively eliminates the pay-as-you-go option.

The types of bonds used for projects depend on the size of the investment, lending rates, the creditworthiness of the borrowing entity, and the availability of revenue sources to repay the debt. The mix of revenue sources selected for particular projects depends on the comparative level of existing taxes or fees, as well as what is considered to be both fair and feasible under the unique political and economic circumstances of each development.

# Conference Center Financing

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Most facilities have been funded through the issuance of long-term debt so that the payment of capital costs corresponds to the period over useful life of the facility and associated public benefits are realized. Cities typically structure the debt in the form of bonds or other municipal debt instruments. One approach to reduce interest expense is to repay debt using specific taxes or general fund revenues, backed by the full faith and credit of the issuer. Due to the backup pledge of full faith and credit of the issuer, these are considered general obligation bonds.

Governments, authorities, or public benefit corporations may issue revenue bonds, which are repaid from specific tax sources and do not have a general claim on public resources. For convention and conference center projects, cities often use taxes or fees that derive from the activities or businesses that are most likely to use or otherwise benefit from the facility. Hotel room occupancy taxes, sales taxes, car rental fees, parking taxes, prepared meal taxes, airport access fees, and development fees are the revenue sources most commonly used to repay debt service for revenue bonds. In addition, cities frequently use these tax sources to finance ongoing operating and marketing needs of the facility.



# Conference Center Financing Case Studies

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# Monterey Conference Center

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- The Monterey Conference Center was built in 1977 and was renovated most recently in 2015. The newly renovated facility opened in January 2018. The renovation cost \$60 million and was paid for by bonds supported by transient occupancy tax collections within a Conference Center Facilities District (“CCFD”)
- The renovation was funded using the Mello-Roos Community Facilities Act of 1982. The City Council approved the CCFD in order to levy a special tax to fund the conference center development.
- The owners of Visitor Accommodation Facilities (Hotel, Motel, and Inn Owners) voted to enable the City Council to levy the special tax on the district. 90.8% of hotel owners voted in favor of the tax increase
- The district funds any improvement to the Monterey Conference Center.
- The lack of a distinct project or improvement enables the district or facility to avoid any California Environmental Quality Act review.

# Monterey Conference Center



The tax rate within the CCFD varies by proximity to the Conference Center and type of hotel, as defined by Smith Travel Research.

Hotel Property	Special Tax Rate
Adjacent Hotel	4.15% of all Rent
Full Service Hotel	1.6% of all Rent
Limited Service Hotel	0.8% of all Rent

Annual collections of the CCFD generate approximately \$5 million in tax revenue per year. This dropped during the COVID-19 pandemic, which illustrates the potential risk of this financing approach.

Year	CCFD Collections
2019	\$5,114,897
2020	\$1,894,443
2021	\$4,359,552
2022	\$5,762,792
2023*	\$5,488,926

\* Does not include December collections

Source: Monterey CCFD



# South San Francisco Conference Center

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- The South San Francisco Conference Center was built in 1993 and most recently renovated in 2019.
- It is governed by the South San Francisco Conference Authority. This board is made up of 9 commissioners that represent hoteliers, the City Council, and the local community.
- The Conference Authority controls the revenue generated by a \$2.50 surcharge on all hotel room nights, citywide. This surcharge is specifically used to fund the Conference Center operations and renovations.
- This differs from Monterey because it is a flat rate, not a percentage of the total rent, and is levied on all room nights within South San Francisco, not just in proximity to the conference center.

# South San Francisco Conference Center

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The room surcharge generated more than \$2 million in revenues pre-COVID-19, with collections nearly returning to that level in fiscal year 2023, which ran from July 2022 to June 2023.

Year	TOT Collections
FY 2018	\$2,150,818
FY 2019	\$2,248,066
FY 2020	\$1,794,405
FY 2021	\$1,385,545
FY 2022	\$1,817,344
FY 2023	\$1,936,096

Source: South San Francisco CAFR

# Modesto Centre Plaza

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- The Modesto Centre Plaza opened in 1989.
  - The land the facility was built on was acquired using the City general fund.
  - Construction was paid for using increment financing issued by the Modesto Renewal Agency
    - The renewal agency used the Centre Plaza to stimulate further development in downtown Modesto
    - The renewal agency went bankrupt in 2013 and the property, among others, was sold to the City of Modesto to operate as is.
- Current facility operates with an annual subsidy from the City general fund.
- Discussions to add an additional hotel adjacent to the Centre Plaza are ongoing
  - Additional hotel development would enable the facility to attract more events, larger groups, and increase operating revenues.

# Salem Convention Center

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- The Salem Conference Center opened in 2005 and was renamed to the Salem Convention Center in 2012.
- The facility cost \$32 million to build.
  - The Convention Center is located in a downtown urban renewal district that can issue bonds based on increases in assessed value of land in the district, also known as tax increment financing. Urban renewal bonds were issued to pay for most of the construction.
  - Section 108 Housing and Urban Development Loans (\$7.9 million) were also used to pay for construction.
  - The revenue bonds were paid off in 2018.
- A 193-room hotel opened at the same time as the Convention Center and is attached to the facility.
  - A hotelier paid for the hotel to be developed on its own.
  - The parking garage is operated through a PPP that shares parking revenues.

# Assumptions and Limiting Conditions

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

# Certifications

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

1. the statements of fact presented in this report are true and correct;
2. the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
3. we have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved;
4. HVS is not a municipal advisor and is not subject to the fiduciary duty set forth in section 15B(c)(1) of the Act (15 U.S.C. 78o-4(c)(1)) with respect to the municipal financial product or issuance of municipal securities;
5. we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
6. our engagement in this assignment was not contingent upon developing or reporting predetermined results;
7. our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this analysis;

A handwritten signature in black ink that reads 'Thomas Hazinski'.

Thomas A. Hazinski, MPP  
Managing Director

A handwritten signature in black ink that reads 'Anthony Davis'.

Anthony Davis, MPP  
Project Manager

# Contact Information



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