



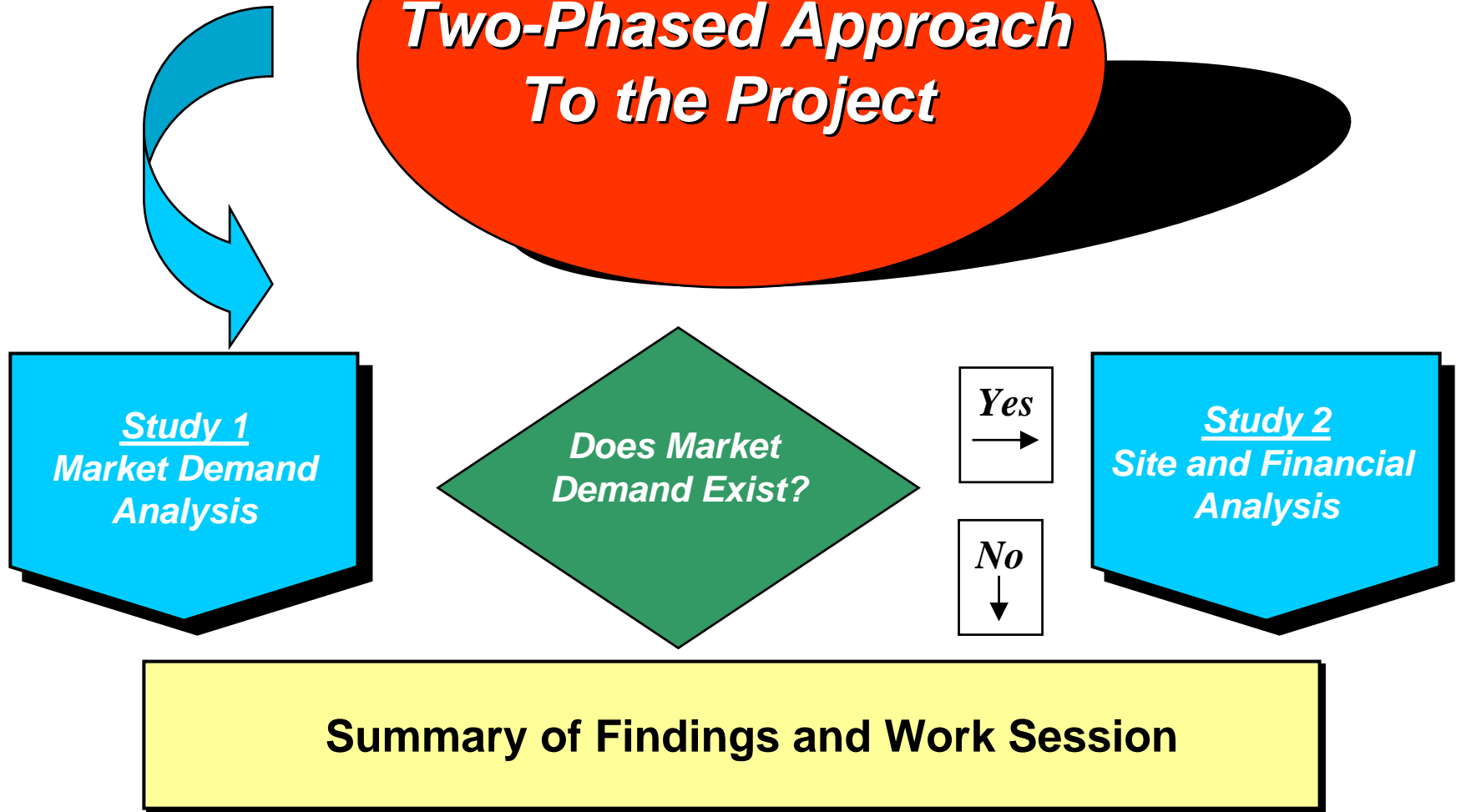
Market Analysis for a Proposed New Convention/Events/Civic Center

Workshop – May 23, 2005

Overview

- **Introduction of Project Team Members**
 - **KPMG**
 - **HNTB**
 - **Bohannon Huston Inc (BHI)**
- **Summary of Market Findings**
- **Questions**

Two-Phased Approach To the Project



Study Objectives

- Does market demand appear strong enough to support construction of the proposed new center?
- Which target markets and current users are not currently being accommodated by the existing facilities in the market and would the proposed new center address their needs?
- What changes to the current convention and meeting infrastructure elements (i.e. headquarters hotel, convention quality hotel properties, accessibility) may be necessary to support the proposed new center?
- Based on a preliminary building program recommendation, what type of event activity may utilize the proposed new center?

Phase 1 Market Demand Analysis

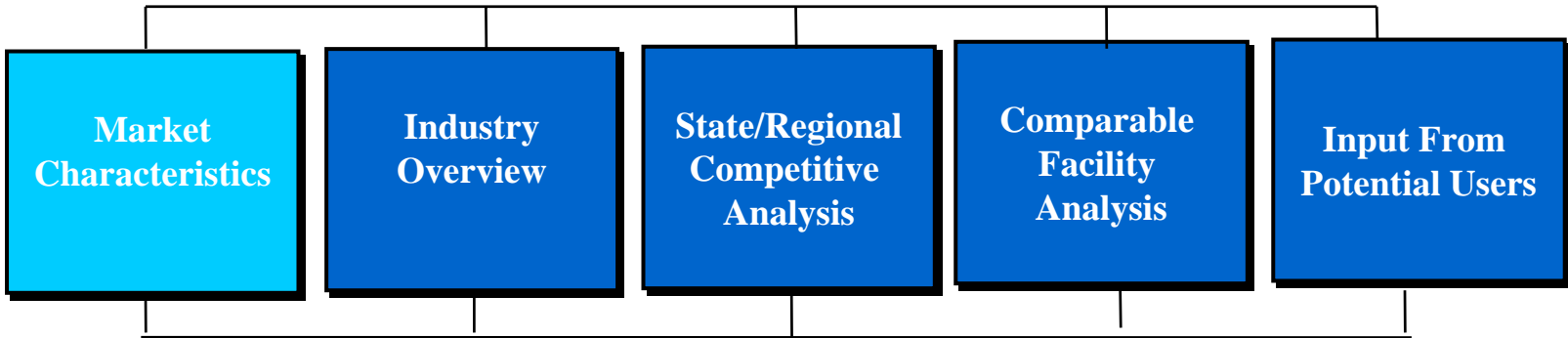
Completed Work Tasks

- Reviewed Previous Studies
- Conducted Meetings/Interviews with Representatives of Various Groups in the Community
 - City, CVB, NMSU, Area Hotels, Area Restaurants, Las Cruces Chamber of Commerce, Hispano Chamber of Commerce, White Sands Missile Range, MVEDA, Las Cruces Public Schools, Local Performing and Visual Arts groups
- Conducted Public Workshops in February and April
- Issued a Status Report in March
- Profiled Community Attributes and Meetings Infrastructure
- Profiled Area Facilities/Current Meeting Activity

Phase 1 Market Demand Analysis Completed Work Tasks (cont'd)

- Summarized Convention/Meetings Industry Trends
- Conducted Surveys
 - Area Businesses
 - State and Regional Meeting Planners
 - Citizens of the City of Las Cruces
- Profiled Competitive/Comparable Facilities
- Developed Preliminary Building Program Recommendations
- Prepared Estimate of Potential Utilization
- Summarized Findings in Report

Several Factors Impact the Potential Market Demand For A Proposed New Center in Las Cruces



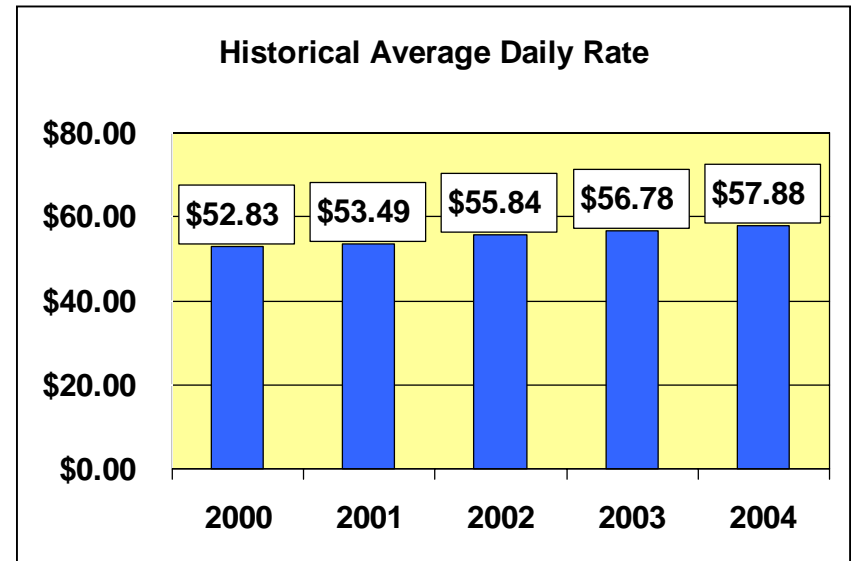
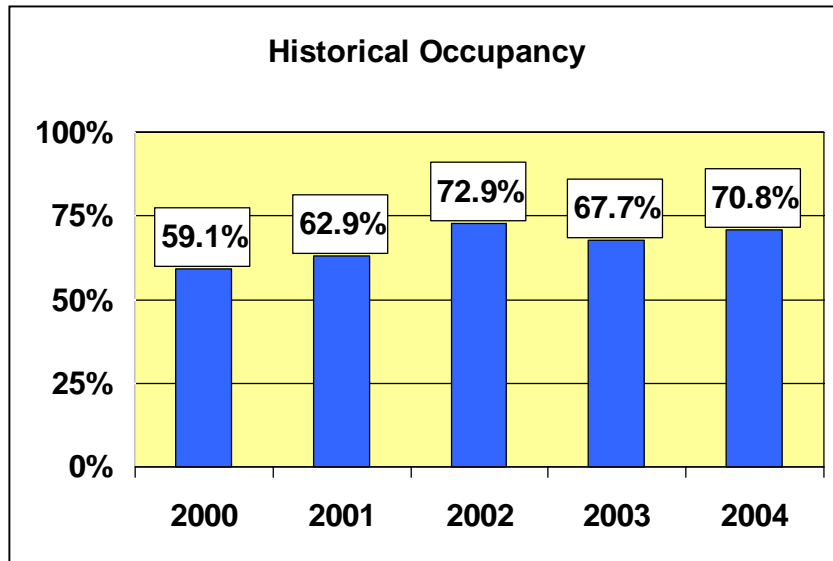
Market Findings Indicate Potential Demand for a New Center

Summary of Market Findings - Market Characteristics

- **Population and income of the Las Cruces MSA have experienced growth over the last five years which is projected to continue in the future**
- **Most common employment sectors in Las Cruces include health care, trade and services which represent target markets for the proposed new center**
 - **Three largest employers - Las Cruces Public Schools, NMSU and White Sands Missile Range**
- **The Las Cruces area has more than 2,300 hotel rooms**
 - **Approximately 62% or 1,200 rooms are located along Interstate 10 corridor**
 - **Largest properties are the Hilton (203 rooms) and Best Western Mesilla Valley Inn (160 rooms)**

Summary of Market Findings - Market Characteristics

- Various factors suggest that Las Cruces has a relatively healthy hotel market
 - an increase in occupancy and ADR over the last five years



- new hotel development currently underway
 - historical corporate, SMERF and association demand at hotels
 - increase in lodger's tax collections over the past 10 years
- Development of a proposed new center could provide an additional demand generator for area hotels

Summary of Market Findings - Market Characteristics

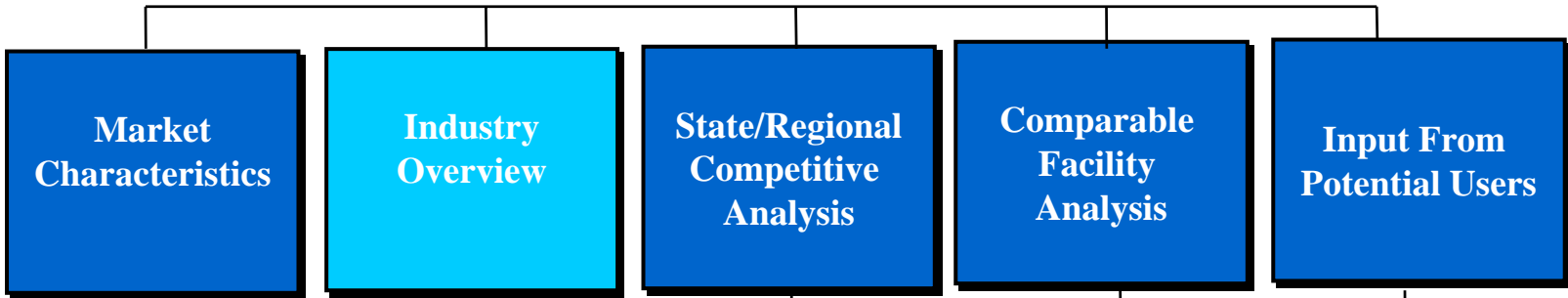
- Air accessibility is somewhat limited
 - El Paso International Airport
 - Las Cruces International Airport
- Las Cruces' has good vehicular access with I-10 and I-25
- Several area hotels offer meeting/ballroom space

Facility	Number of Units	Total Meeting & Ballroom SF	Largest Room (SF)	Largest Banquet Room (Capacity)	Total Number of Divisible Meeting Rooms
Ramada Palms	114	11,486	6,250	440	2
Hilton Las Cruces	203	8,160	5,000	320	5
Best Western Mesilla Valley Inn	160	7,637	5,850	366	4
Best Western Mission Inn	69	2,425	1,925	150	2
Teakwood Inn & Suites	130	2,204	1,779	125	1
SpringHill Suites by Marriott	101	1,240	1,240	75	2
La Quinta Inn	139	700	400	n/a	2
Total	916	33,852	22,444	1,476	18

Summary of Market Findings - Market Characteristics

- **There are several existing and planned public assembly facilities in the market**
 - **Corbett Center**
 - **Pan Am Center**
 - **Proposed Hotel and Campus Conference Center at NMSU**
 - **New Mexico Farm and Ranch Heritage Museum**
 - **Dickerson's Event Center**
 - **Peddler's Pavilion**
 - **Southern New Mexico State Fairgrounds**

Several Factors Impact the Potential Market Demand For A Proposed New Center in Las Cruces



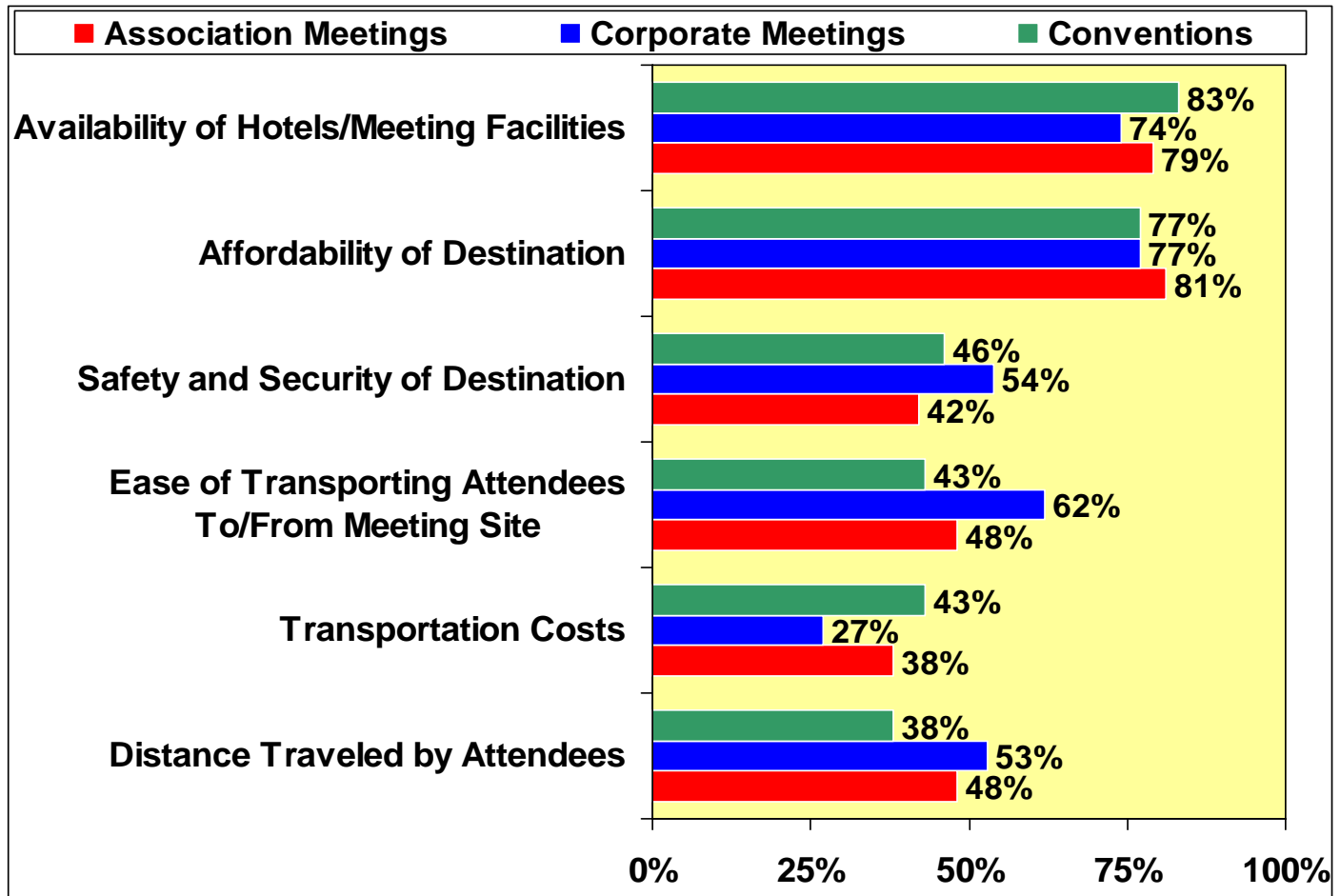
Market Findings Indicate Potential Demand for a New Center

Summary of Market Findings - Industry Overview

- The U.S. meetings market is very competitive
- Despite the current economic conditions and recent world events, new exhibition facilities and upgrades/expansions of existing facilities continue to emerge, many of which were underway prior to these events
- The projected growth of supply is anticipated to slow over the next several years
- Currently, approximately 16% of the exhibition facilities in the U.S. offer between 25,000 and 50,000 gross square feet of exhibition space – in addition, an increasing number of hotels are building exhibit space
- The U.S. meetings market is comprised of more than one million events annually, the vast majority of which are smaller corporate and association meetings.
- Both the number of meetings and conventions and attendance at these events have increased since 1999
- Approximately 45% of meetings and conventions held in the U.S. require 20,000 SF or less of gross exhibit space for their event
- The Mountain region of the country, which includes Las Vegas, hosted approximately 18% of major conventions in the U.S.

Meeting Planners Consider Many Factors When Choosing a Destination in Which to Host Their Event

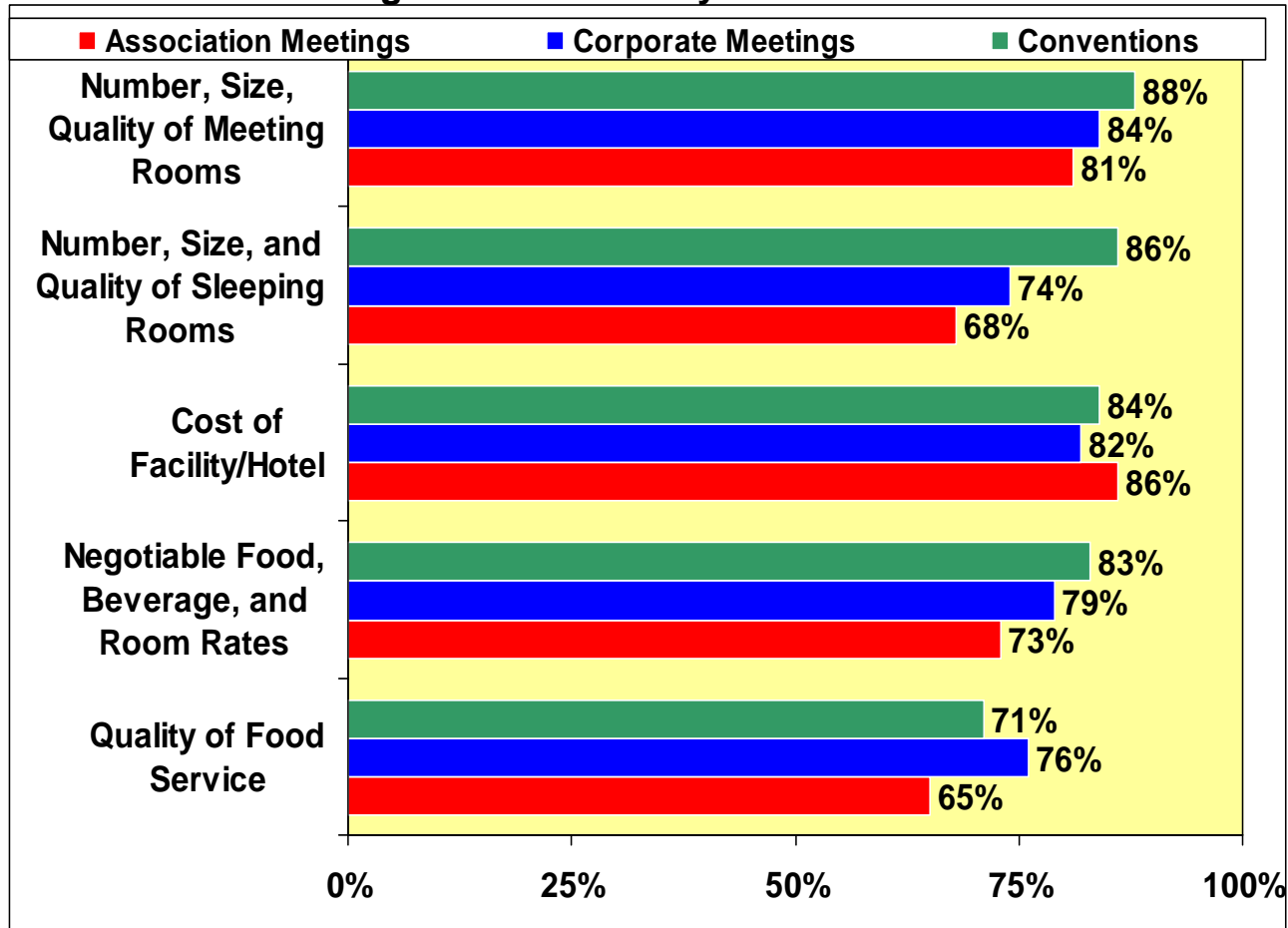
Meeting Planners' Site Selection Criteria



Source: 2004 Meetings Market Report.

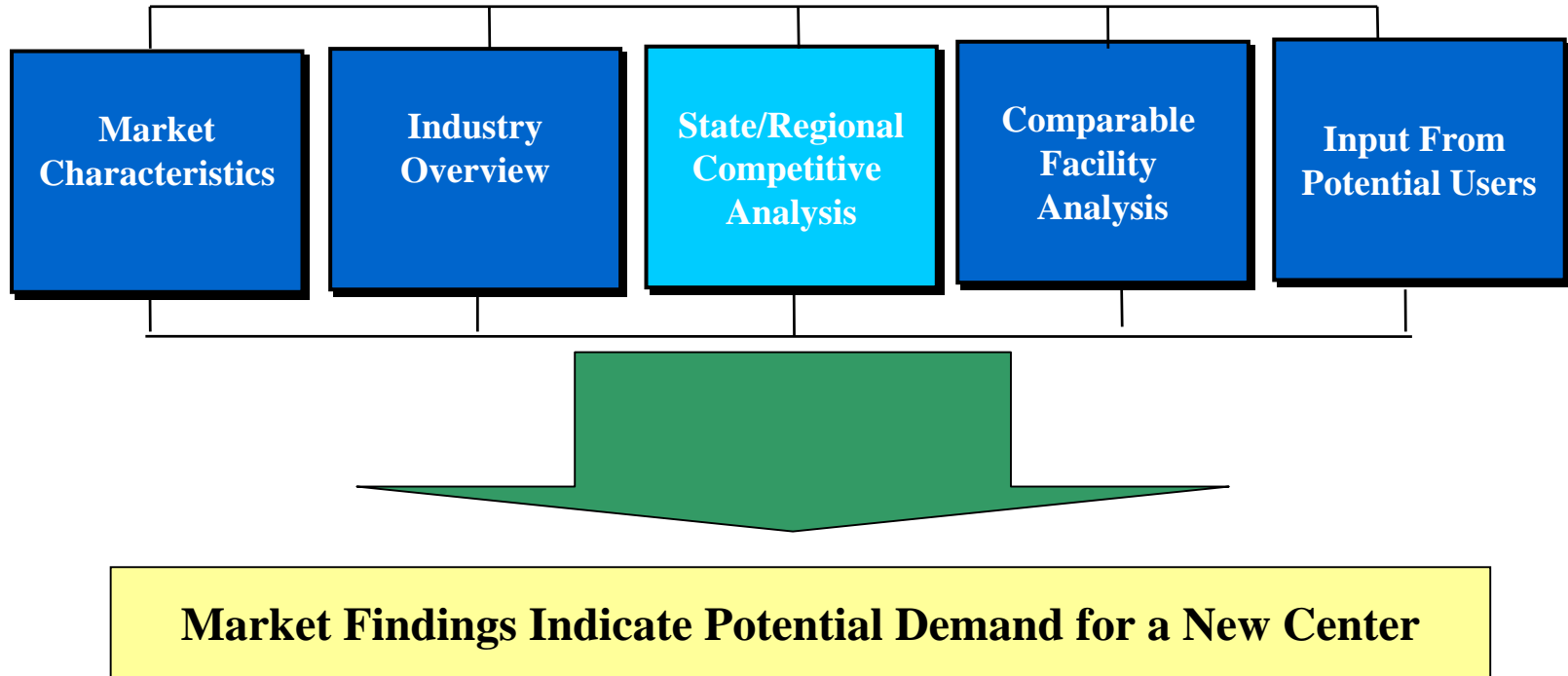
In Addition to Site Selection Criteria, Meeting Planners Consider Various Factors When Choosing a Facility in Which to Host Their Event

Meeting Planners' Facility Selection Criteria



Source: 2004 Meetings Market Report.

Several Factors Impact the Potential Market Demand For A Proposed New Center in Las Cruces



Facility and Destination Attributes for State Convention/Civic Public Assembly Facilities

Facility	Location	Existing Square Feet			# of Fully Divided Rooms	Theater Fixed Seating Capacity	Ratio of BR/MR space to Exhibit Space
		Exhibit	Meeting/ Ballroom	Total Function			
Albuquerque Convention Center	Albuquerque, NM	166,500	75,200	241,700	30	2,350	45%
Ruidoso Convention Center ¹	Ruidoso, NM	15,000	9,300	24,300	8	N/A	62%
Roswell Convention & Civic Center	Roswell, NM	13,000	2,300	15,300	4	N/A	18%
Sweeney Convention Center	Santa Fe, NM	10,000	6,500	16,500	8	N/A	65%
Farmington Civic Center	Farmington, NM	7,400	2,100	9,500	5	1,200	28%
Taos Convention Center	Taos, NM	6,100	12,900	19,000	8	N/A	211%
Alamogordo Civic Center	Alamogordo, NM	6,100	1,800	7,900	4	N/A	30%
Corbett Center	Las Cruces, NM	0	18,100	18,100	9	280	N/A
Average		28,000	16,000	44,000	10	1,277	66%
Median		8,700	7,900	17,300	8	1,200	45%

Notes: Sorted in descending order by exhibit space.

¹ The Ruidoso Convention Center can offer 22,400 SF of exhibit space by combining the exhibit hall with meeting rooms 4-6, leaving 1,900 SF of meeting space.

Source: Individual Facilities.

Facility	Location	Hotel Characteristics				Accessibility	
		HQ Hotel	Proximate Supply	Citywide Supply	Total Tax	Enplanements	Distance to Major Airport
Albuquerque Convention Center	Albuquerque, NM	690	936	5,000	12.1%	2,945,500	5
Ruidoso Convention Center	Ruidoso, NM	120	120	1,000	11.9%	1,409,200	138
Roswell Convention & Civic Center	Roswell, NM	0	n/a	1,100	11.9%	2,945,500	201
Sweeney Convention Center	Santa Fe, NM	219	2,500	5,500	14.3%	2,945,500	66
Farmington Civic Center	Farmington, NM	0	0	1,700	11.9%	2,945,500	182
Taos Convention Center	Taos, NM	88	259	2,100	12.0%	2,945,500	135
Alamogordo Civic Center	Alamogordo, NM	0	0	1,100	12.1%	1,409,200	83
Corbett Center	Las Cruces, NM	0	115	2,257	11.0%	1,409,200	45
Average (excluding Las Cruces)		200	800	2,500	12.3%	2,506,600	116
Median (excluding Las Cruces)		104	259	1,900	12.0%	2,945,500	137

Sources: Destination Visitor and Meeting Planner Guides; individual CVBs.

Facility and Destination Attributes for Regional Convention/Civic Public Assembly Facilities

Facility	Location	Existing Square Feet			# of Fully Divided Rooms	Theater Fixed Seating Capacity	Ratio of BR/MR space to Exhibit Space
		Exhibit	Meeting/ Ballroom	Total Function			
Phoenix Civic Plaza	Phoenix, AZ	220,000	83,000	303,000	43	2,587	38%
Tucson Convention Center ¹	Tucson, AZ	113,900	30,800	144,700	11	2,235	27%
Judson F. Williams Convention Center	El Paso, TX	80,000	14,500	94,500	16	2,516	18%
Amarillo Civic Center	Amarillo, TX	51,300	35,900	87,200	32	2,324	70%
Lubbock Memorial Civic Center	Lubbock, TX	40,000	25,000	65,000	14	1,403	63%
Mesa Centennial Center	Mesa, AZ	15,000	13,500	28,500	12	100	90%
Yuma Civic & Convention Center	Yuma, AZ	14,900	7,000	21,900	11	N/A	47%
Del Rio Civic Center	Del Rio, TX	10,000	14,200	24,200	5	N/A	142%
Glendale Civic Center ²	Glendale, AZ	0	12,800	12,800	6	N/A	N/A
Average		60,600	26,300	86,900	17	1,861	62%
Median		40,000	14,500	65,000	12	2,280	55%

Notes: Sorted in descending order by exhibit space.

¹ The Tucson Convention Center also offers an additional 33,750 SF of exhibit space on the arena floor.

² The Glendale Civic Center offers one ballroom divisible into six sections that can be used as exhibit, ballroom or meeting function space

Source: Individual Facilities.

Facility	Location	Hotel Characteristics				Accessibility	
		HQ Hotel	Proximate Supply	Citywide Supply	Total Tax	Enplanements	Distance to Major Airport
Phoenix Civic Plaza	Phoenix, AZ	712	1,800	8,100	12.7%	18,252,900	5
Tucson Convention Center ¹	Tucson, AZ	300	850	3,000	11.5%	1,699,800	7
Judson F. Williams Convention Center	El Paso, TX	359	467	7,750	15.5%	1,409,200	7
Amarillo Civic Center	Amarillo, TX	0	0	4,500	15.0%	387,800	15
Lubbock Memorial Civic Center	Lubbock, TX	575	634	3,500	13.0%	508,100	5
Mesa Centennial Center	Mesa, AZ	273	273	4,900	11.8%	18,252,900	19
Yuma Civic & Convention Center	Yuma, AZ	0	0	1,724	10.2%	58,900	2
Del Rio Civic Center	Del Rio, TX	95	n/a	1,000	13.0%	3,120,100	158
Glendale Civic Center ²	Glendale, AZ	0	500	8,100	12.1%	18,252,900	20
Average		260	570	4,700	12.8%	6,882,500	26
Median		270	480	4,500	12.7%	1,699,800	7

Notes: ¹ Tucson also has \$1.00 surcharge per room night.

² Glendale does not have a dedicated CVB.

Sources: Individual Facilities, Destination Visitor and Meeting Planner Guides; individual CVBs.

In Addition to Public Assembly Facilities, Area Hotels Also Offer Function Space for a Variety of Local, State and Regional Events

Property	Guest Rooms	Total Function Space	Number of Meeting Rooms	Largest Room Capacity
Albuquerque, NM				
Sheraton Old Town	187	24,402	14	1,100
Hyatt Regency Albuquerque	395	22,350	18	1,000
Embassy Suites	261	21,606	15	1,100
Radisson Hotel & Conference Center	366	18,268	12	500
Marriott Pyramid	310	16,484	13	800
Hilton Albuquerque	450	16,050	15	650
Albuquerque Marriott	411	14,820	17	740
Sheraton Albuquerque Uptown	273	13,997	10	550
Wyndham Albuquerque Hotel	276	11,767	19	644
Holiday Inn Mountain View	364	8,129	13	315
Howard Johnson - East	150	5,100	6	300
DoubleTree Hotel	295	5,047	7	124
Average	310	14,800	13	650
Mescalero, NM				
Inn of the Mountain Gods	273	36,396	6	660
Santa Ana Pueblo, NM				
Hyatt Regency Tamaya	350	21,000	8	1,263
San Juan Pueblo, NM				
Ohkay Casino & Resort	101	20,200	1	1,700
Las Cruces, NM				
Ramada Palms	114	11,486	2	440
Hilton Las Cruces	203	8,160	5	500
Best Western Mesilla Valley Inn	160	7,637	4	550
Santa Fe, NM				
La Fonda	167	14,617	7	550
Inn & Spa at Loretto	135	10,234	8	200
Sunrise Springs Inn & Retreat	58	7,500	4	210
Camel Rock Casino	120	7,200	1	500
Hilton of Santa Fe	157	6,462	8	300
Pueblo of Acoma, NM				
Sky City Casino	132	8,490	4	700
Taos, NM				
Sagebrush Inn & Conference Center	100	13,852	8	750
Best Western Kachina Lodge	118	7,448	5	350
Average	160	12,900	5	620

Note: Sorted in descending order by total meeting and ballroom square footage.

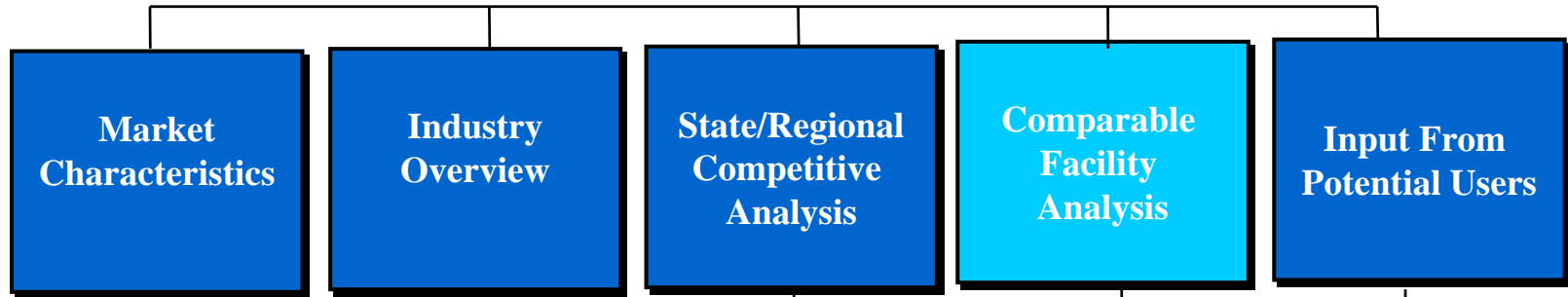
Sources: Meetings and Conventions - OMF; Individual facilities; KPMG research.

Property	Guest Rooms	Total Function Space	Number of Meeting Rooms	Largest Room Capacity
El Paso, TX				
Camino Real Hotel	359	31,560	19	600
Hilton - Airport	272	17,000	13	1,050
Marriott	296	8,350	11	100
Embassy Suites	185	6,640	7	275
Radisson Suite Inn - Airport	239	6,400	3	80
Average	270	14,000	11	420

Notes: Sorted in descending order by total meeting and ballroom square footage.

Sources: Meetings and Conventions - OMF; Individual facilities; KPMG research.

Several Factors Impact the Potential Market Demand For A Proposed New Center in Las Cruces



Market Findings Indicate Potential Demand for a New Center

Comparable Facilities Analysis

- **Comparable facilities were chosen based on one or more of the following criteria:**
 - **Located in markets similar in size**
 - **Located in markets with similar amenities to Las Cruces**
 - **Offer similar amounts of exhibit, meeting and/or ballroom space as the proposed facility that is under consideration in Las Cruces**
- **Building, destination and utilization characteristics are compared**
- **Profiled comparable centers host a variety of events including conventions, meetings, tradeshow, banquets/receptions, and community events**
 - **These profiled facilities average 570 events and approximately 264,000 attendees annually**

Comparable Facilities Analysis

Summary of Facility and Market Characteristics

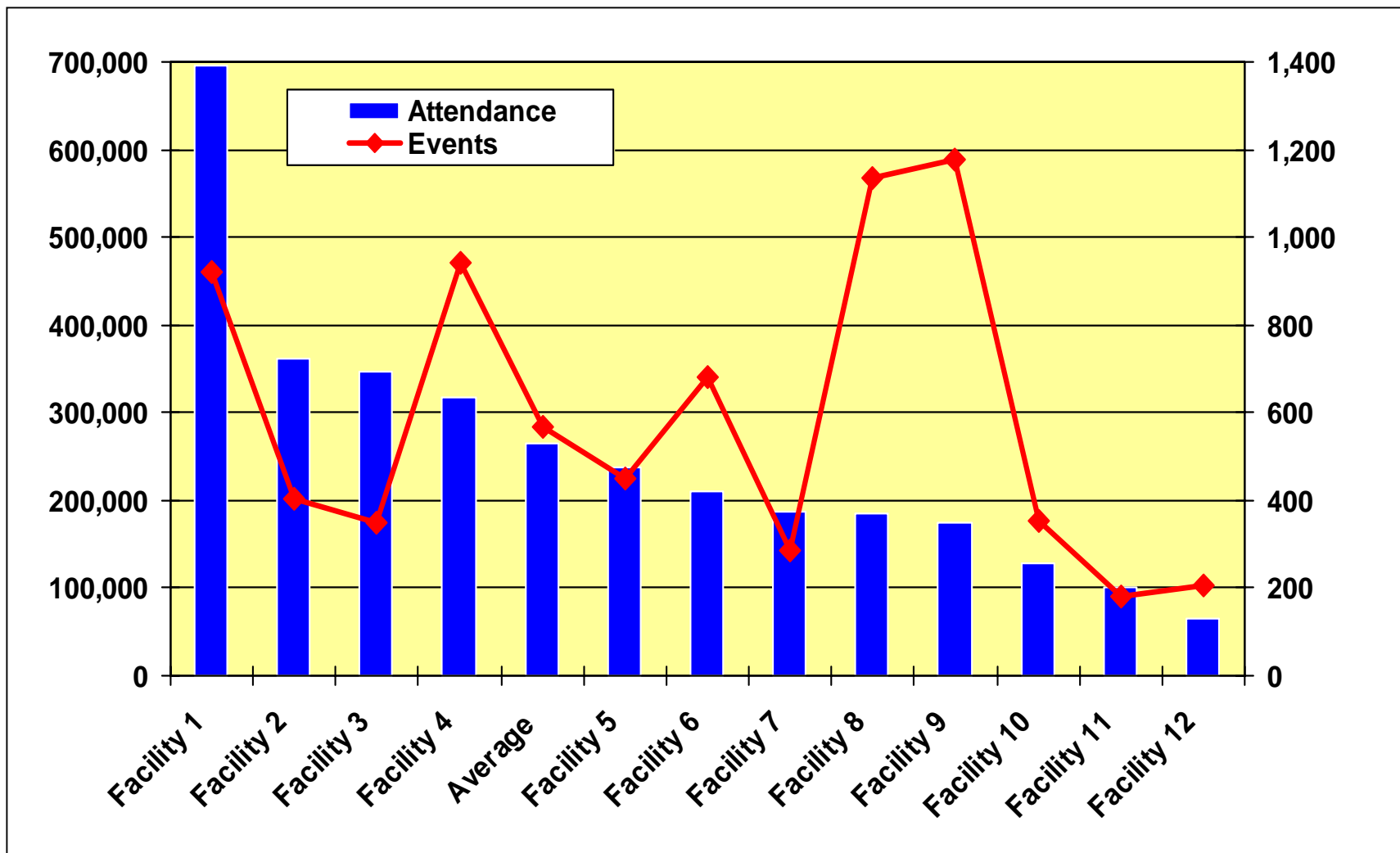
Building Program

- Exhibit Space – 29,200 SF
- Meeting/Ballroom Space – 13,500 SF
- Ratio of Meeting/Ballroom Space to Exhibit Space – 46%
- Fully Divisible Meeting Rooms - 12

Destination Attributes

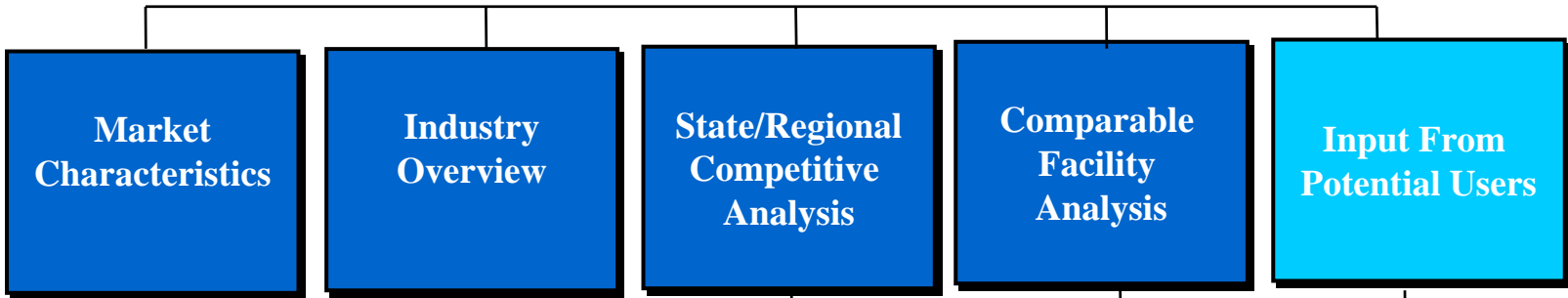
- Population – 232,600
 - Excludes Phoenix and Seattle
- Hotel Supply
 - 700 rooms – close proximity
 - 3,400 rooms – Citywide
- Las Cruces has 2,300 rooms Citywide

Summary of Event Activity at Comparable Facilities



Profiled comparable centers host a variety of events including conventions, meetings, tradeshows, banquets/receptions, and community events

Several Factors Impact the Potential Market Demand For A Proposed New Center in Las Cruces



Market Findings Indicate Potential Demand for a New Center

Summary of Input from Potential Users

- Given the multi-purpose nature of the proposed new event center, potential business would likely come from diverse sources and encompass a wide range of event activity
 - Local Market – corporate and civic meetings, consumer/public shows, graduations, banquets/social events
 - State and Region – State association conventions, tradeshow, conferences and meetings
- Representatives of various groups were interviewed
 - Local citizens
 - Governmental entities
 - Educational institutions
 - Area businesses
 - Local performing and visual arts groups
 - Meeting planners

Summary of Input from Potential Users

Local User Groups

- Many local groups indicated interest in the proposed new facility
- Constrained by the amount, type and availability of space
- NMSU and CVB indicated that they both turn away business
- Users expressed a need for more purpose built theater space

Area Businesses

- 69% had met in Las Cruces recently – most at the Hilton, Best Western Mesilla Valley Inn and the Ramada Palms
- 48% have in-house meeting facilities
- Likelihood of hosting event was higher w/ HQ hotel (48%) than w/o HQ hotel (38%)
- Majority of businesses
 - Support development of the facility
 - Think it would be beneficial to the City
 - Think it should be operated privately

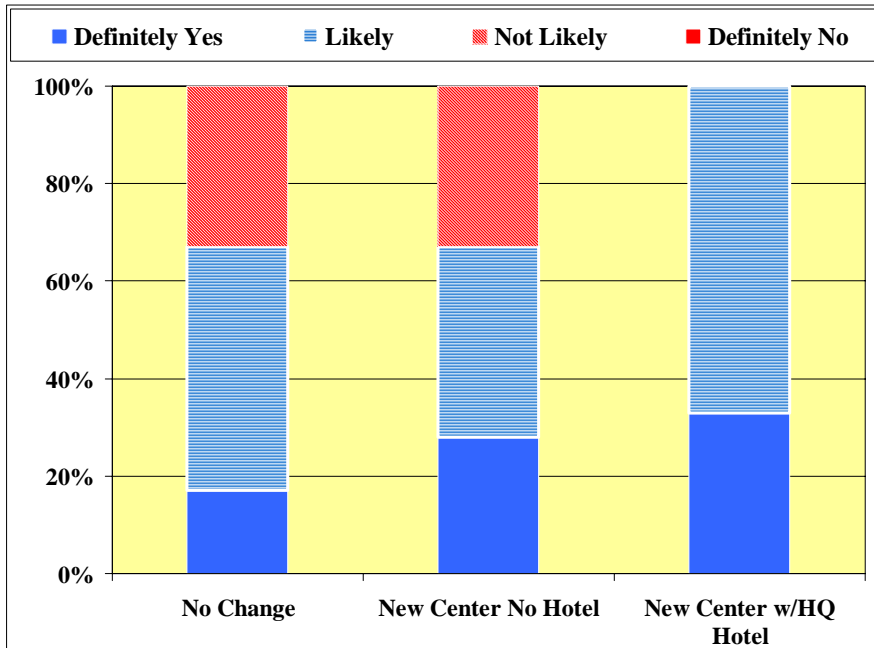
Summary of Survey Results – Meeting Planners

- Received responses from 41 of 150 State and regional associations who were contacted via phone, fax and/or email to assess (27% response rate)
 - Interest in using the proposed facility in Las Cruces
 - Facility specific needs
 - Destination related needs
- 27% of the groups do not rotate their event - 64% of which meet in Albuquerque
- Of those groups that rotate, approximately 60% had previously met in Las Cruces - 72% of which had held their event at the Hilton
- Several groups mentioned that while Las Cruces had historically hosted their event, existing facilities in the City are becoming increasingly difficult to accommodate their event
- Reasons given not to return to Las Cruces included
 - Facilities no longer sufficient to meet needs
 - Cost of facilities
 - Location/accessibility issues relative to other destinations in the State

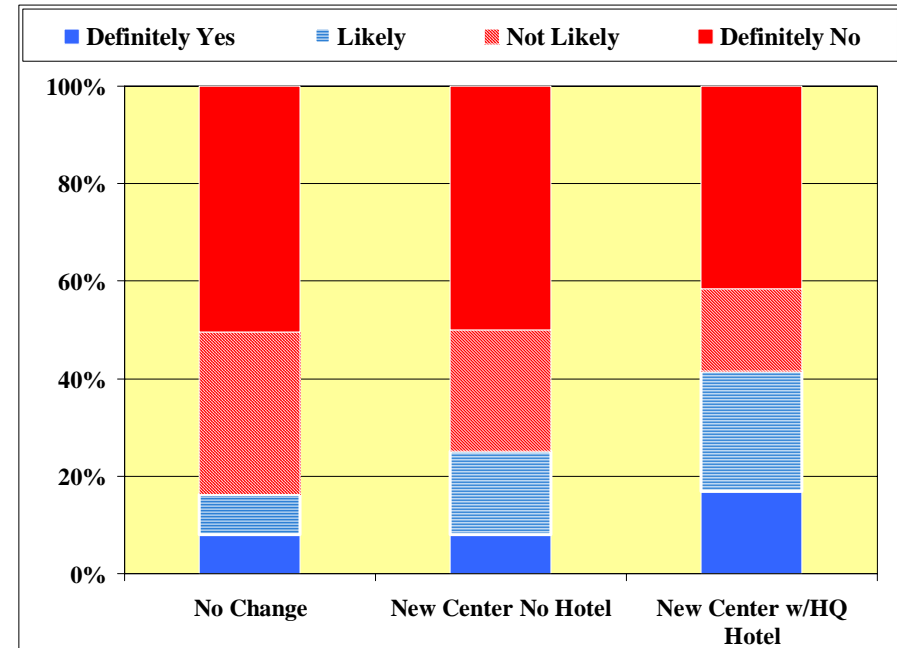
Summary of Survey Results – Meeting Planners

- Two-thirds of respondents who have previously met in Las Cruces indicated an interest in returning under a no change scenario
- All of these respondents indicated some level of interest at a new facility with a HQ hotel
- Approximately 17% of respondents who had *not* previously met in Las Cruces would consider meeting there given its current inventory
- Positive responses increased to 25% under the new facility/no HQ hotel scenario and 42% under the new facility/headquarters hotel scenario

Groups That Have Previously Met in Las Cruces



Groups That Have Not Met in Las Cruces Before



Summary of Survey Results – Citizens

- Research and Polling Inc. (RPI) conducted a research study of citizens in the City
- Random sample of 400+ surveys were completed – 4.9% margin of error
 - In general, 70% of residents support (49% strongly support) the development of the proposed facility
 - 61% feel that the proposed facility would be beneficial to Las Cruces
 - Good for economic development
 - Increase tourism and conventions/events
 - City needs more space
 - 21% oppose the proposed development
 - 69% are supportive if lodgers' tax is used to fund the proposed facility
 - 22% oppose development event if lodgers' tax source is utilized – they do not believe it generates enough revenue and that the tax is too high already
 - Support decreases slightly to 62% if general fund is used to cover expenses that Lodgers' tax does not cover
 - 49% feel it should be operated by the City compared to 31% for a private management company

Summary of Overall Findings

- The City of Las Cruces has been contemplating development of a proposed new convention/events/civic center for several years
- From a market demand perspective, the research presented in the report indicates support for additional exhibit/meeting/ballroom space in Las Cruces
- Existing facilities in Las Cruces are not fulfilling some of the needs of local user groups, event producers and association/corporate meeting planners based on the amount, configuration, and primary use of space and/or date availability
- A flexible multi-purpose facility that is aggressively marketed should allow Las Cruces to increase its penetration in various market segments, particularly for smaller group business
- Several factors that should be considered in conjunction with any plans for a proposed new multi-purpose facility (i.e. hotel supply)

Preliminary Building Program Recommendations

Based on the market research including the City’s objectives that the proposed new facility be able to effectively host various local, civic, corporate and private events as well as larger convention/meeting and consumer show activity, the following table summarizes the recommended building program for the proposed new facility in Las Cruces by the type and amount of space:

Component	Square Footage of Space Preliminary Recommendation		
	Proposed New Facility		
Exhibit Hall (SF)	20,000	-	25,000
Ballroom (SF)	8,000	-	10,000
Meeting Space (SF)	5,000	-	6,000
Total Function Space (SF)	33,000	-	41,000
Estimated Support Space (SF)	33,000	-	41,000
Estimated Gross Building Area (SF)	66,000	-	82,000
Number of Breakout Rooms	10		12
Ratio of Meeting/Ballroom Space to Exhibit Space	65%		64%

A multi-purpose facility with flexible exhibit, meeting and ballroom space appears most suitable for the area.

Preliminary Building Program Recommendations

- Proposed facility will likely hold more smaller, concurrent events rather than large events utilizing the total space available
- The exhibit space should be divisible into multiple halls to maximize flexibility and be able to accommodate multiple events simultaneously
- The meeting and ballroom space should be column-free and divisible in order to offer groups maximum flexibility as well
- Modern amenities such as high-tech capabilities for meeting planners and users should be instituted to increase the facility's marketability
- Appropriate prefunction and registration areas should be provided in order to adequately host multiple events
- User groups indicated that a high level of quality/customer service will be required at any new facility in order to better meet their needs and to be more competitive with similar facilities in the State and region.
- The facility alone will not attract event activity, particularly convention/meeting events, to the market - sufficient surrounding infrastructure needs to be in place and packaged to event planners in order to support the facility (i.e. hotel rooms, restaurants, retail, entertainment, attractions, etc.).

Preliminary Building Program Recommendations

- **The amount of space developed needs to be in balance with the hotel room inventory in the area**
 - **The number of committable hotel rooms available for convention/meetings business which can limit the size of groups interested in utilizing the facility**
 - **Survey respondents indicated that an appropriate number of committable hotel rooms would be approximately 150 within walking distance**
- **Availability and location of hotel rooms are important criteria for meeting planners**
 - **Developing a new, convention quality hotel in conjunction with the proposed new facility will be important to its success**
 - **Other markets have done this through various forms of public/private partnerships**

Estimate of Utilization

Typically in new or expanded convention/meeting facilities, there is a “ramp up” period to a stabilized level of activity which occurs for several reasons

- Some groups that book their event years in advance may not want to risk that a facility’s construction is delayed and not completed in time for their event
- In addition, some groups may choose to let management “fine tune” its operations before meeting in a new facility

Hypothetical Estimate of Utilization for the Proposed New Center in Las Cruces			
Event Type	Hypothetical Range of Event Activity For a Stabilized Year of Operations		
<i>Number of Events</i>			
Conventions/Tradeshows/Conferences	12	to	14
Consumer/Public Shows	10	to	12
Meetings/Seminars	70	to	80
Banquets/Receptions	40	to	44
Other Public Events	12	to	16
Total	144	to	166
<i>Average Attendance</i>			
Conventions/Tradeshows/Conferences	350	to	400
Consumer/Public Shows	3,000	to	3,500
Meetings/Seminars	40	to	50
Banquets/Receptions	250	to	300
Other Public Events	1,000	to	1,200
<i>Total Attendance</i>			
Conventions/Tradeshows/Conferences	4,200	to	5,600
Consumer/Public Shows	30,000	to	42,000
Meetings/Seminars	2,800	to	4,000
Banquets/Receptions	10,000	to	13,200
Other Public Events	12,000	to	19,200
Total	59,000	to	84,000
<i>Total Attendee Days</i>			
Conventions/Tradeshows/Conferences	12,600	to	16,800
Consumer/Public Shows	30,000	to	42,000
Meetings/Seminars	2,800	to	4,000
Banquets/Receptions	10,000	to	13,200
Other Public Events	12,000	to	19,200
Total	67,400	to	95,200

Next Steps

- It is recommended that the City authorize the KPMG/HNTB/BHI project team to conduct the Phase II study effort which would include the following tasks:
 - Develop Site Selection Criteria
 - Conduct Site Analysis
 - Estimate Preliminary Construction Costs
 - Prepare Conceptual Designs
 - Assist Management in its Estimate of Financial Operations
 - Profile Potential Operating Scenarios
 - Estimate Economic/Fiscal Benefits
 - Identify Potential Funding Sources
 - Hold Public Update Meetings
 - Summarize Findings in a Report
 - Conduct Work Session

Questions