

IOWA  
CONVENTION &  
ENTERTAINMENT  
REINVESTMENT  
DISTRICT







ECONOMIC ANALYSIS REPORT FROM  
C.H. JOHNSON CONSULTING INC.





Iowa Convention and Entertainment Reinvestment District  
Des Moines, Iowa  
Economic Impact Analysis

**SUBMITTED TO**  
Downtown Community Alliance

**SUBMITTED BY**  
C.H. Johnson Consulting, Incorporated

February 20, 2015



Experts in Convention, Hospitality,  
Sport and Real Estate Consulting.

# ECONOMIC IMPACT ANALYSIS FROM C.H. JOHNSON CONSULTING INC.



February 20, 2015

Mr. Tim Leach  
Director of Economic Development  
Downtown Community Alliance  
700 Locust Street, Suite 100  
Des Moines, Iowa 50309  
tleach@downtowndesmoines.com

RE: Economic Impact Analysis for Iowa Convention and Entertainment Reinvestment District in Des Moines, Iowa

Dear Mr. Leach:

C.H. Johnson Consulting, Inc. is pleased to submit this report to the Downtown Community Alliance regarding the proposed Iowa Events Center (IEC) Headquarters Hotel and Iowa Convention and Entertainment Reinvestment District in Des Moines, Iowa. Pursuant to our engagement, this report provides a benchmarking analysis of comparable facilities and markets, an analysis of lost business from the IEC, an assessment of the impact of a headquarters hotel on demand for convention facilities, and a projection of the economic impact of the proposed Headquarters Hotel, Randolph Hotel, and 420 Court projects in Des Moines.

Johnson Consulting has no responsibility to update this report for events and circumstances occurring after the date of this report. The findings presented herein reflect analyses of primary and secondary sources of information. Johnson Consulting used sources deemed to be reliable, but cannot guarantee their accuracy. Moreover, some of the estimates and analyses presented in this study are based on trends and assumptions, which can result in differences between projected results and actual results. Because events and circumstances frequently do not occur as expected, those differences may be material. This report is intended for the Clients' internal use and cannot be used for project underwriting purposes without Johnson Consulting's written consent.

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

Sincerely yours,  
C.H. Johnson Consulting, Inc.

Charles H. Johnson IV, President



## INTRODUCTION AND EXECUTIVE SUMMARY

Johnson Consulting was retained by the Downtown Community Alliance to prepare an analysis of the impact that a new headquarters hotel and commercial developments in downtown Des Moines would have on local, regional, and state economies. Our report will support and form part of the City of Des Moines' application under the State's Reinvestment Districts Program to assist with the development of the proposed Iowa Events Center (IEC) Headquarters Hotel and support development throughout the surrounding district referred to as Iowa Convention and Entertainment Reinvestment District (ICER District).

### OBJECTIVE OF STUDY

Our analysis focuses on the proposed IEC Headquarters Hotel as well as commercial developments referred to as Randolph Hotel and 420 Court within the District. The hotel development plan has gone through its own solicitation process through the issuance of Request of Qualifications (RFQ) and Request for Proposals (RFP), which has resulted in the selection of the developer team and its 330-room hotel proposal to move forward. Therefore, our analysis throughout this report is based upon the hotel projections prepared and finalized by the team in November 2014.

The main objective of this analysis is two-fold: (i) to show that the request for State incentive to support the IEC Headquarters Hotel and overall District development is justified, and (ii) to illustrate the impact of the proposed Headquarters Hotel combined with retail and restaurants at Randolph Hotel and 420 Court to Des Moines and Iowa.

### PERFORMED TASKS

As experienced in many cities, the presence of a headquarters hotel next to a convention facility and establishing a special convention district are benefitting the host city's community and economy on multiple fronts. To demonstrate how the proposed IEC Headquarters Hotel and its surrounding developments within the Iowa Convention and Entertainment Reinvestment District will impact Des Moines specifically, the following tasks are performed and documented in this report:

- Section 3:
  - Analysis of Des Moines' competitive position amongst peer markets, and how a headquarters hotel will change it,
  - Analysis of how much of lost business at the IEC has been related to hotel-related issues in Des Moines, and how a new headquarters hotel would make a difference.



- Section 4:
  - Examination of the reasonableness of the developer team’s hotel projections, by comparing it to top performers in peer markets,
  - Economic and fiscal impact analysis of the IEC Headquarters Hotel,
  - Economic and fiscal impact analysis of the retail and restaurants at Randolph Hotel and 420 Court,
  - Estimating the potential amount to tax revenues from IEC Headquarters Hotel and commercial areas at Randolph Hotel and 420 Court that will be available to support Reinvestment Districts Program as allowed by Iowa Reinvestment Act, and
  - Analysis of how much of the estimated impact can be considered “net new” to Des Moines.

#### REINVESTMENT DISTRICT PROGRAM

Following the model established in many states, pursuant to the Iowa Reinvestment Act (IRA), the Reinvestment Districts Program “provides for as much as \$100 million in new tax revenues generated by revenue-generating projects in certain districts to be ‘reinvested’ within those districts.” To be eligible for benefits under the program, the proposed district must meet the following requirements:

- The area must consist only of parcels of real property that the governing body of the municipality determines will be directly and substantially benefited by development in the proposed district,
- The area must be in whole or in part either an economic development enterprise zone or an urban renewal area, designated under the Iowa Code, and
- The area must consist of contiguous parcels and must not exceed 25 acres in total.

Applicants are required to submit a district plan that must be approved by the governing body of the municipality and state the governing body’s intention to establish a district. Feasibility and economic impact analyses are also required, including:

- The amount of gross revenues expected to be collected in the district as a result of the proposed project for each year that the district is in existence.
- Detailed explanation of the manner and extent to which the proposed project will contribute to the economic development of the State and the municipality, including an analysis of the project’s proposed economic impact.



- Estimate of the number of visitors or customers the proposed project will generate during each year that the district exists.
- Description of the unique characteristics of the proposed project.
- Detailed analysis of the financial benefit of the proposed district to the economy of the State and the municipality.
- Identification of one or more projected market areas in which the district can reasonably be expected to have substantial economic impact.
- Assessment of the fiscal and financial impact of the proposed district on businesses or on other economic development projects within the projected market area.

Additional conditions that must be met by the proposed district include:

- The projects proposed to be undertaken in the district must be of a unique nature and must be likely to have a substantial beneficial impact on the economy of the State and the economy of the municipality. “Unique nature” is defined as “a quality or qualities of the projects to be developed in the district which, when considered in the entirety, will substantially distinguish the district’s projects from other existing or proposed developments in the State.” Projects will be evaluated based on whether they will either: (i) permanently transform the aesthetics or infrastructure of a local community for the better, or (ii) contribute substantially more to the State’s economy or quality of life than other similar projects in the State.
- The proposed funding sources for each proposed project must be feasible.
- At least one of the projects proposed to be undertaken in the district must include a capital investment of at least \$10 million.
- The total amount of proposed funding from new tax revenues to be remitted to the municipality from the fund for all proposed projects in the proposed district plan must not exceed 35 percent of the total cost of all proposed projects in the proposed district plan.
- The amount of proposed capital investment within the proposed district related to retail businesses in the proposed district must not exceed 50 percent of the total capital investment for all proposed projects in the proposed district plan.
- The proposed district plan would not create an additional district within a municipality that has already established one.



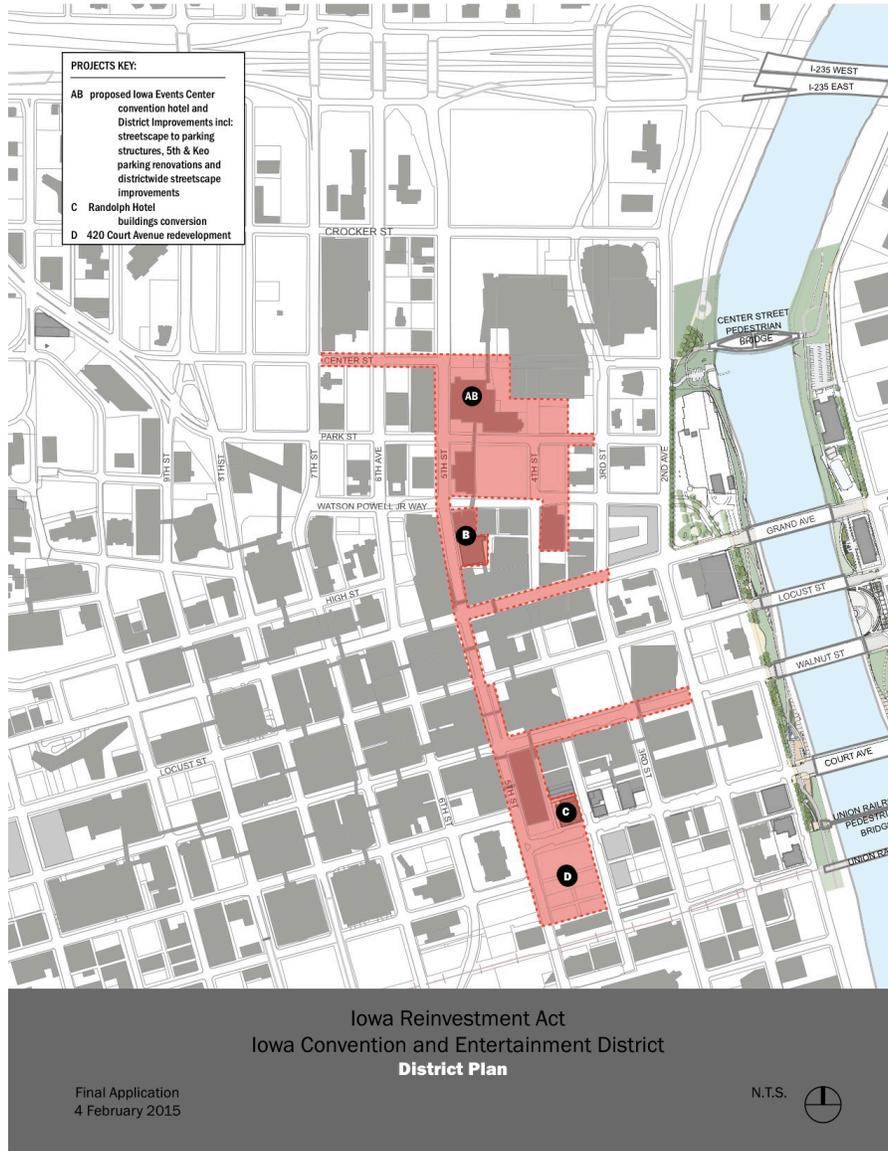
- The applicant is not requesting a plan amendment to increase the maximum benefit amount for an already approved district.

#### IOWA CONVENTION AND ENTERTAINMENT REINVESTMENT DISTRICT

The following figure shows the proposed Iowa Convention and Entertainment Reinvestment District surrounding the IEC and the site of the proposed Headquarters Hotel.



Figure 2-1





The key to this district is to create a support environment of national quality that matches the extensive investment made by Polk County in the IEC. Proposed developments within the district include:

- **Iowa Events Center Convention Hotel** – A headquarters hotel adjacent to the IEC, comprising 330 guest rooms and 15,000 square feet of meeting space. This Headquarters Hotel is the focus of the analysis in this report. This project will also include streetscaping and aesthetic treatments. Total cost is estimated at \$101.4 million. This project will also include improvements to the existing 5th and Keo parking structure, streetscaping, and aesthetic treatments, for an estimated additional cost of \$6.8 million, bringing the total cost of this development to \$108.2 million.
- **Randolph Hotel** – Existing 8-story building conversion to create market-rate apartments on the upper levels and approximately 8,000 square feet of at grade retail space. Total cost is estimated at \$19,086,000.
- **420 Court** – A proposed multi-story, mixed-use retail, restaurant and housing project, anchored by an approximately 35,000 square foot Hy-Vee store. Above the retail store will be a three floors of residential units comprising 83 market-rate one and two bedroom apartments. A parking deck will include 100 parking spaces, with an additional 100 surface parking spaces to be included in the overall development. Total project cost is estimated at \$26,563,000.

Total development budget for all the District components combined is \$153,849,000. On behalf of the District, the City of Des Moines is requesting State assistance for \$39,413,000.

### IOWA EVENTS CENTER HEADQUARTERS HOTEL

The Iowa Events Center Headquarters Hotel is a full-service 330-room, 234,973 square foot convention hotel for the Iowa Events Center. It will be located on the northeast corner of Fifth and Park Streets on the same block as the Iowa Events Center block in downtown Des Moines. The site has been assembled by the Des Moines Redevelopment Corporation (DMRC) for the purpose of building a headquarters hotel. With a two-stage solicitation process in 2013, DMRC secured a developer experienced in developing convention hotels in the U.S. to develop the site and construct the hotel.

The selected developer has proposed a 10-story hotel tower that is oriented north-south to provide views from the guestrooms to the downtown skyline to the west and easterly to the State Capitol and East Village. The facility includes ballrooms, meeting rooms, full service restaurant and bar, pool, exercise facility, and skywalk connections in addition to a variety of suites, executive rooms, and standard hotel rooms. The hotel will include one level of underground parking for approximately 120 cars. Nearby existing public parking structures will provide additional hotel and ballroom/meeting room parking needs. This project includes streetscape and skywalk improvements on Fifth and Center Streets to create better connections between existing parking structures and the Iowa Events Center and the proposed hotel.



Total project cost for the IEC Convention Hotel is \$108.2 million, or over 70 percent of total District cost. An 18-month period is anticipated for the design, development, and construction of the project.

**EXECUTIVE SUMMARY**

The City of Des Moines is requesting \$39,413,000 of State assistance to support the development of the Iowa Convention and Entertainment Reinvestment District. Based on our research and analyses, the request is more than justified, because the proposed 330-room Iowa Events Center Headquarters Hotel as well as retail and restaurants at Randolph Hotel and 420 Court, combined, are estimated to generate annual economic and fiscal impact as shown in Table 2-1, below.

**Table 2-1**

Iowa Convention and Entertainment Reinvestment District, Des Moines, Iowa Summary of Economic and Fiscal Impact of Headquarters Hotel and Retail and Restaurants at Randolph Hotel and 420 Court (\$Million)					
	Annual Impact			Total Impact	
	Year 1	Year 5	Year 10	20-Year	30-Year
<b>Economic Impact</b>					
Total Spending	<b>\$64</b>	<b>\$83</b>	<b>\$96</b>	<b>\$1,959</b>	<b>\$3,480</b>
Increased Earnings	24	31	36	734	1,303
Increased Employment (FTE)	657	757	756	756*	756*
<b>Fiscal Impact</b>					
Sales Tax	\$1.1	\$1.4	\$1.6	\$32	\$57
Hotel/ Motel Tax	0.7	1.1	1.2	25	44
Excise Tax	0.5	0.8	0.9	18	32
<b>Total</b>	<b>\$2.3</b>	<b>\$3.2</b>	<b>\$3.7</b>	<b>\$75</b>	<b>\$134</b>

*\*Employment figures are not additive. The jobs simply continue to the following year.  
Source: Johnson Consulting*

Our analyses also conclude that all these benefits are 100 percent net new, which means that the Headquarters Hotel is not taking away business from the other hotels in Des Moines. On the contrary, the Headquarters Hotel benefits other hotels in Des Moines, by generating new room nights to be shared by area hotels. The presence of the Hotel will enhance the IEC and improve its demand profile – recaptured lost event business from IEC alone is expected to generate over 32,000 room night demand upon the Hotel opening.

Iowa Convention and Entertainment Reinvestment District will transform the area around the Iowa Events Center. Building this Headquarters Hotel, the IEC will perform better, and long-term, this District will become an attractive revenue-producing area for Iowa.



## BENCHMARKING AND LOST BUSINESS ANALYSIS

In order to understand how the Des Moines hotel market is currently performing, Johnson Consulting performed a benchmarking analysis of key attributes and indicators compared to a set of peer cities. This analysis is presented in this Section, along with an analysis of lost business from the Iowa Events Center (IEC) and an assessment of the impact of a headquarters hotel on demand for convention facilities.

### COMPARABLE MARKETS

The following benchmarking analysis compares specific indicators of the Des Moines hotel market to a set of five peer markets. The peer markets are good and attractive cities, and include Omaha, Overland Park, Kansas; Grand Rapids, Michigan; Fort Worth, Texas; and Spokane, Washington, share similar attributes to Des Moines, in terms of size, orientation, and convention facilities. The following table summarizes the key characteristics of the peer set.

Table 3-1

Key Characteristics of Comparable Facilities and Markets						
Attributes	Des Moines, IA	Omaha, NE	Overland Park, KS	Grand Rapids, MI	Fort Worth, TX	Spokane, WA
Campus-wide	Community Choice Credit Union Convention Center/ Hy-Vee Hall; Wells Fargo Arena (17,000 seats)	CenturyLink Convention Center and Arena (17,000 seats); TD Ameritrade Park (24,000 seats)	Overland Park Convention Center	DeVos Place; DeVos Performance Hall (2,404 seats)	Fort Worth Convention Center and Arena (10,000 seats)	Spokane Convention Center; INB Performing Arts Center (2,700 seats)
Convention Center	Exhibit Hall: 146,926 SF Ballroom: 28,800 SF Meeting Rooms: 47,725 SF <b>Total: 223,451 SF</b>	Exhibit Hall: 194,000 SF Ballroom: 30,000 SF Meeting Rooms: 28,000 SF <b>Total: 252,000 SF</b>	Exhibit Hall: 58,494 SF Ballroom: 24,991 SF Meeting Rooms: 15,015 SF <b>Total: 98,500 SF</b>	Exhibit Hall: 162,000 SF Ballroom: 40,000 SF Meeting Rooms: 32,612 SF <b>Total: 234,612 SF</b>	Exhibit Hall: 227,613 SF Ballroom: 28,160 SF Meeting Rooms: 35,385 SF <b>Total: 296,817 SF</b>	Exhibit Hall: 100,160 SF Ballroom: 25,915 SF Meeting Rooms: 35,232 SF <b>Total: 161,307 SF</b>
<b>Demand (Most Recent Year)</b>						
# Events (per annum)	371	370*	339	484	371	462
Total Attendance (per annum)	463,437	1,169,679*	306,487	419,663	543,937	284,556
<b>Hotel Inventory</b>						
Total Hotel Rooms within 1 Mile of Convention Center	1,957	2,704	3,357	1,436	2,623	2,937
Headquarters Hotel	None	600-room Hilton	412-room Sheraton	682-room Amway Plaza	614-room Omni	721-room Double Tree
Year Opened	NA	2004	2002	1913	2009	Under Construction (2015)
<b>Hotel Market Indicators (2013)</b>						
Average Daily Rate (ADR)	\$122.48	\$115.10	\$101.42	\$129.90	\$154.58	\$104.13
Occupancy (%)	62.0%	67.4%	65.9%	65.0%	67.5%	61.8%
Revenue Per Available Room (RevPAR)	\$75.92	\$77.55	\$66.44	\$84.42	\$104.27	\$64.39

Source: Relevant Facilities, Smith Travel Research, mpaint, Johnson Consulting

### ATTRIBUTES

The IEC is the main convention facility in Des Moines, offering 223,451 square feet of rentable space, including 146,926 square feet of exhibit hall space and 28,800 square feet of ballroom space. The overall size of the IEC, in terms of total rental exhibit, ballroom, and meeting space, is larger than the convention facilities in Overland Park (98,500 square feet) and Spokane (161,307 square feet), and similar to those in the Omaha (252,000 square feet), Grand Rapids (234,612 square feet), and Fort Worth (296,817 square feet) markets. The IEC forms part of a broader campus that includes the 17,000-seat Wells Fargo Arena. With the



exception of Overland Park Convention Center, which is a standalone facility, all other convention facilities in the peer cities also form part of broader campus.

#### **DEMAND**

In 2013 the IEC hosted 371 events, which is consistent with figures recorded for Fort Worth (371 events), Omaha (370 events), and Overland Park (339 events), but substantially lower than figures recorded in Spokane (462 events) and Grand Rapids (484 events). During the same period, the IEC attracted 463,437 attendees. Omaha recorded the highest attendance of 1.2 million, including 728,649 persons who attended events at the arena, followed by Fort Worth (543,937 attendees), Grand Rapids (419,663 attendees), Overland Park (306,487 attendees), and Spokane (284,556 attendees).

#### **HOTEL INVENTORY**

There are 1,957 hotel rooms within a 1-mile radius of the IEC. This figure is slightly higher than that recorded in Grand Rapids (1,436 rooms) but substantially lower than figures recorded for Fort Worth (2,623 rooms), Omaha (2,704 rooms), Spokane (2,937 rooms), and Overland Park (3,357 rooms). Des Moines and Spokane are the only two markets in the peer set that do not have a headquarters hotel associated with their convention facility, although there is currently a 721-room Doubletree hotel under construction in Spokane and due for completion in July 2015.

#### **HOTEL MARKET INDICATORS**

For the purposes of this analysis, Johnson Consulting has defined the relevant hotel markets in each peer city to include properties within 1-mile of the convention facility. It is noted that Smith Travel Research (STR) imposes some restrictions on the definition of data sets, for example a single hotel property cannot comprise more than 40 percent of total rooms and a single brand/ parent company cannot account for more than 60 percent of total rooms. As such, in some cities not all properties within 1 mile of the convention facility are included and the total inventory may therefore be smaller than shown in the preceding table. Based upon our knowledge and experience in each market, we are confident that the properties selected represent each market's true competitive set for the purpose of this analysis.



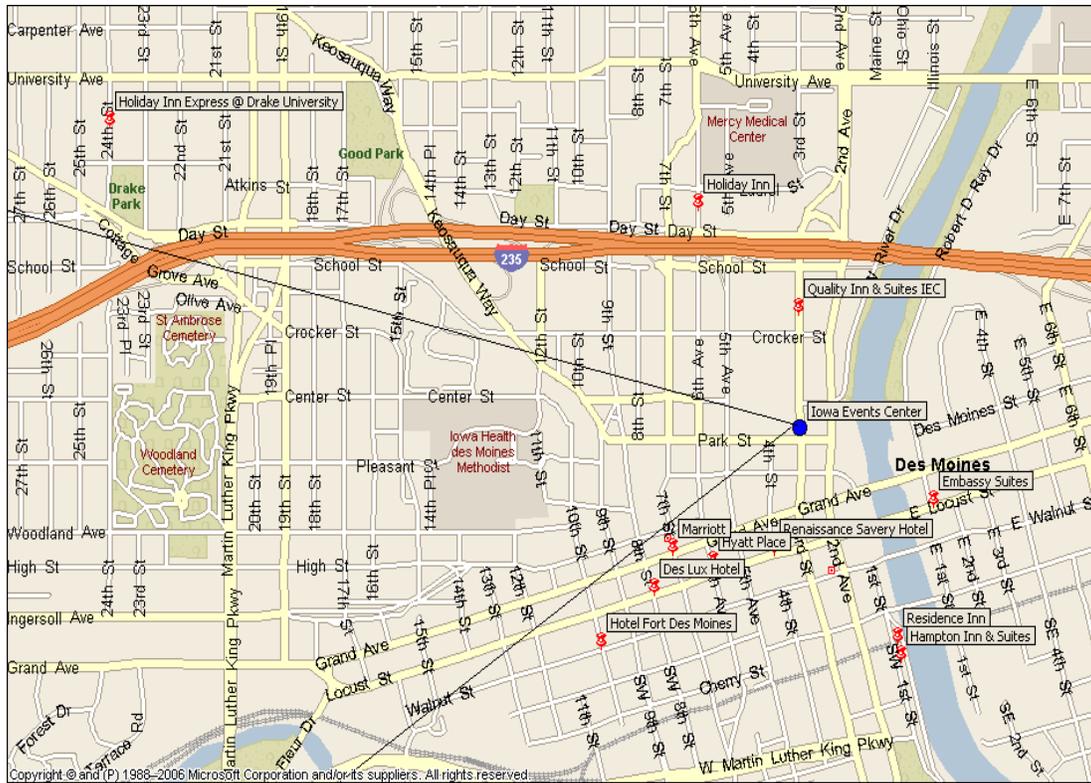
### OVERVIEW OF PEER CITIES

The following sub-sections summarize hotel inventory and lodging trends in Des Moines' peer cities: Overland Park, Grand Rapids, Fort Worth, and Spokane.

### DES MOINES, IOWA

The following figure shows the hotel properties in downtown Des Moines.

Figure 3-1





**Table 3-2**

**Des Moines, Iowa  
List of Downtown Hotel Inventory**

	<b># of Rooms</b>
1 Des Lux Hotel	51
2 Embassy Suites	234
3 Residence Inn	127
4 Hyatt Place	93
5 Hampton Inn & Suites	131
6 Quality Inn & Suites Event Center	155
7 Renaissance Savery Hotel	212
8 Hotel Fort Des Moines	234
9 Marriott	417
10 Holiday Inn - Mercy Area	251
11 Holiday Inn Express @ Drake University*	52
Total # of Rooms (all within 1 miles from IEC)	1,957
Average	178

*\*Not included as part of representative set for downtown lodging inventory that directly supports the IEC.  
Source: Smith Travel Research*

As shown, the Des Moines downtown hotel inventory is comprised of 11 properties totaling 1,957 hotel rooms, all of which are within 1 mile of the Iowa Events Center. In the near future, the inventory will grow to include four new properties listed on Table 3-3 below; while at the same time Renaissance Savery Hotel and Hotel Fort Des Moines are scheduled to close for major renovations through 2016.

**Table 3-3**

**Des Moines, Iowa  
List of Hotels Opening in Near Future**

<b>Hotel</b>	<b>Location</b>	<b># of Rooms</b>
AC Hotel	E. 4th and E. Grand	108
Staybridge Suites	E. 3rd and E. Locust	137
Holiday Inn Express	S.W. 11th and Tuttle	102
Courtyard Inn	Adjacent to Renaissance Savery Hotel	124

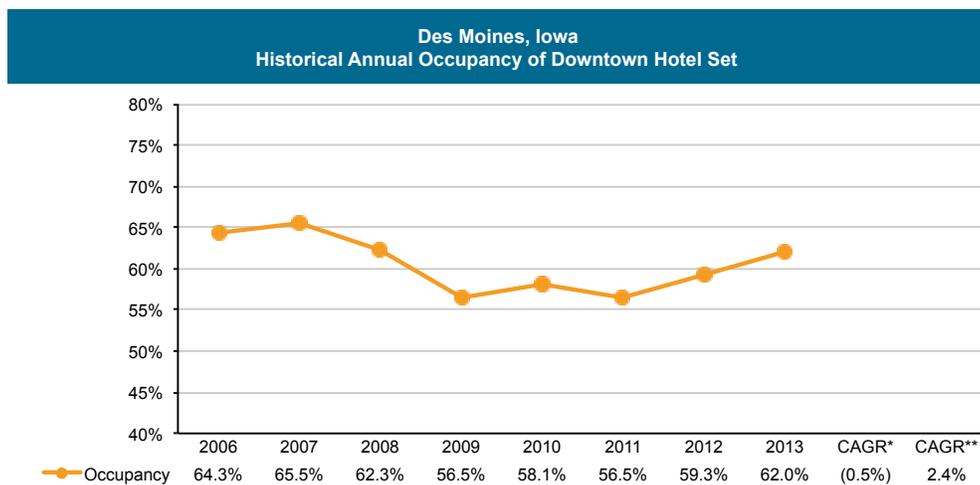
*Source: City of Des Moines Office of Economic Development*



The following charts shows historical statistics of ten downtown hotels listed in Table 3-2 – Holiday Inn Express at Drake University is not exactly in close proximity to IEC, so it is not included as part of the downtown.

The following figure shows historical occupancy rates at Des Moines downtown hotel set since 2006.

Figure 3-2



\*CAGR = Compounded Annual Growth from 2006 thru 2013.

\*\*Reflecting CAGR from occupancy's low point in 2009 thru 2013.

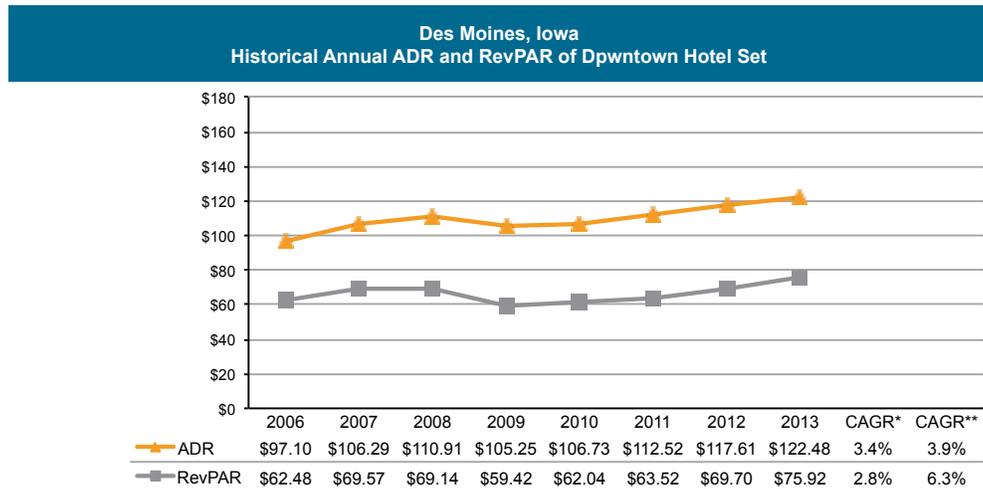
Source: Smith Travel Research

Between 2006 and 2013, occupancy rates in the Des Moines downtown hotel market recorded an overall compounded annual decrease of 0.5 percent. However, since 2009 when the market recorded its lowest occupancy of 56.5 percent, primarily attributed to the global recession, occupancy has grown at a compounded annual rate of 2.4 percent. In 2013, the occupancy rate in the Des Moines downtown hotel market was 62.0 percent, up from 59.3 percent in 2012.

The following figure shows historical Average Daily Rate (ADR) and Revenue Per Available Room (RevPAR) within the Des Moines downtown hotel market.



Figure 3-3



\*CAGR = Compounded Annual Growth from 2006 thru 2013.

\*\*Reflecting CAGR from ADR's and RevPAR's dip in 2009 thru 2013.

Source: Smith Travel Research

ADR and RevPAR have generally trended upwards since 2006 at compounded annual rates of 3.4 percent and 2.8 percent, respectively. Since 2009, when both ADR and RevPAR recorded a slight decrease from the previous year, both figures have increased at compounded annual rates of 3.9 percent and 6.3 percent, respectively. In 2013, the ADR in the Des Moines downtown hotel market was \$122.48, with an associated RevPAR of \$75.92.

### OMAHA, NEBRASKA

The following figure shows the hotel properties in downtown Omaha. There are 14 properties within 1 mile from CenturyLink Center Omaha, offering a total 2,704 rooms.



Figure 3-4

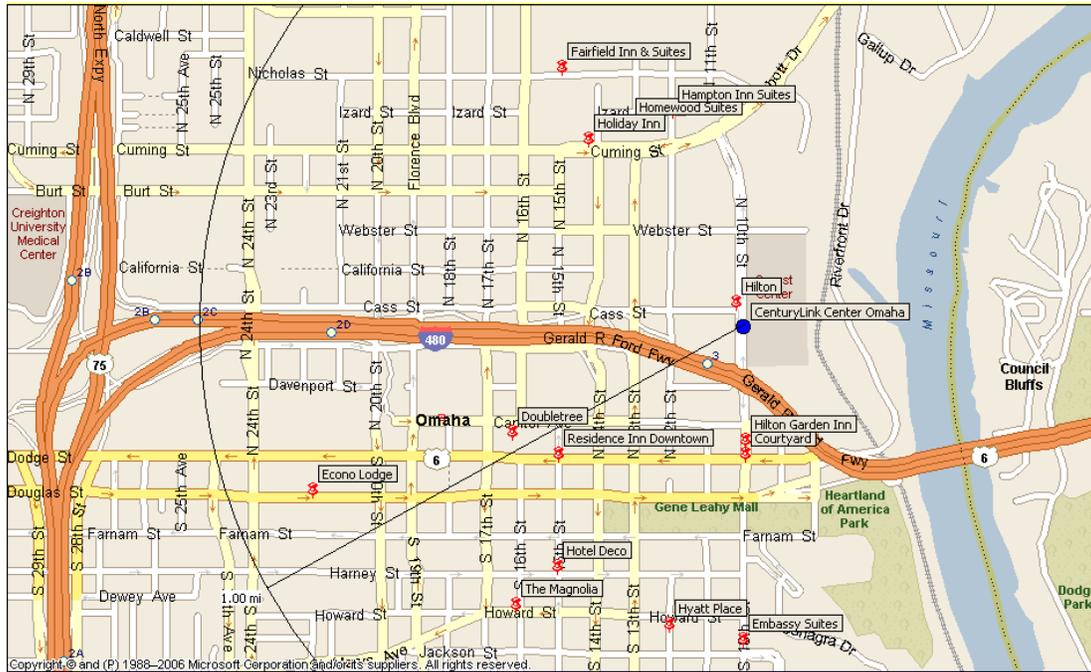




Table 3-4

**Omaha, Nebraska  
List of Downtown Hotel Inventory**

	<b># of Rooms</b>
<b>Within 1 mile from CenturyLink Center</b>	
1 Hilton Omaha	600
2 Hampton Inn Suites	139
3 Residence Inn	152
4 Hilton Garden Inn - Old Market Area	178
5 Holiday Inn Airport	114
6 Hyatt Place - Old Market	159
7 Homewood Suites	123
8 Fairfield Inn & Suites	113
9 Embassy Suites	249
10 Doubletree Hotel Executive Meeting Center	414
11 Hotel Deco	89
12 Econo Lodge	48
13 Courtyard - Old Market Area	181
14 The Magnolia Hotel	145
Subtotal	<b>2,704</b>
Average	<b>193</b>
<b>Further than 1 mile but less than 2 miles from CenturyLink Center</b>	
15 Comfort Inn @ The Zoo	79
16 Candlewood Suites - Airport	82
17 Sleep Inn & Suites - Airport	90
18 element - Midtown Crossing	132
19 Colonial Hotel	44
20 Comfort Inn	122
21 Residence Inn	80
Total # of Rooms	<b>3,333</b>
Average	<b>159</b>

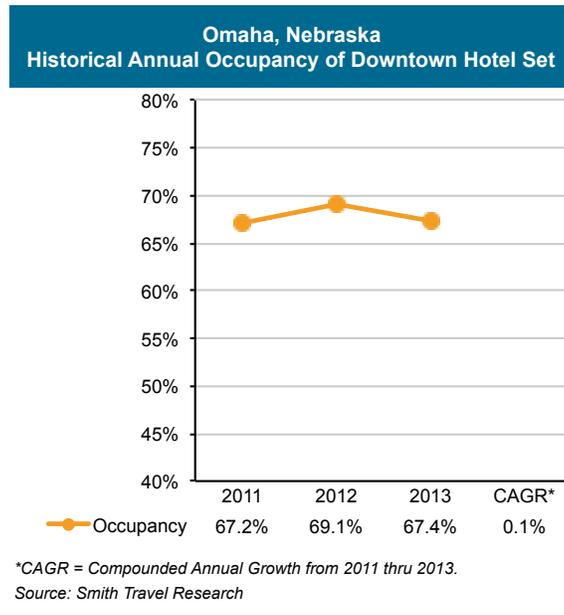
Source: Smith Travel Research

The following figures show historical lodging statistics of Omaha downtown hotels. To allow data to be produced, Omaha downtown set includes seven additional properties (#15 thru #21 on the table above).

The following figure shows historical occupancy rates at these hotels since 2011.



Figure 3-5

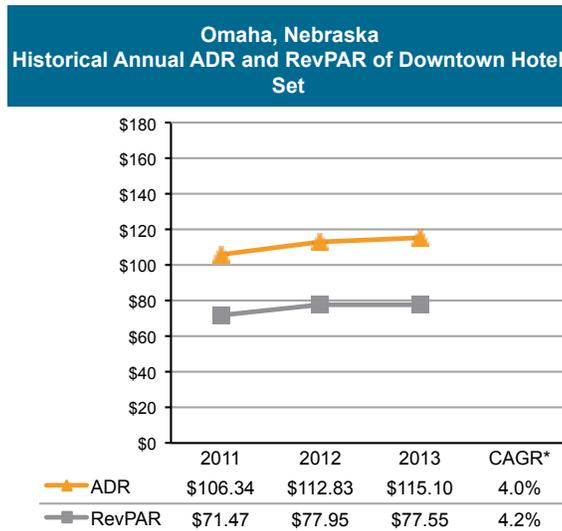


Between 2011 and 2013, occupancy rates in the Omaha downtown hotel market recorded an overall compounded annual decrease of 0.1 percent. In 2013, the occupancy rate in the Omaha downtown hotel market was 67.4 percent, down from 69.1 percent in 2012.

The following figure shows historical Average Daily Rate (ADR) and Revenue Per Available Room (RevPAR) within the Omaha downtown hotel market.



Figure 3-6



\*CAGR = Compounded Annual Growth from 2011 thru 2013.

Source: Smith Travel Research

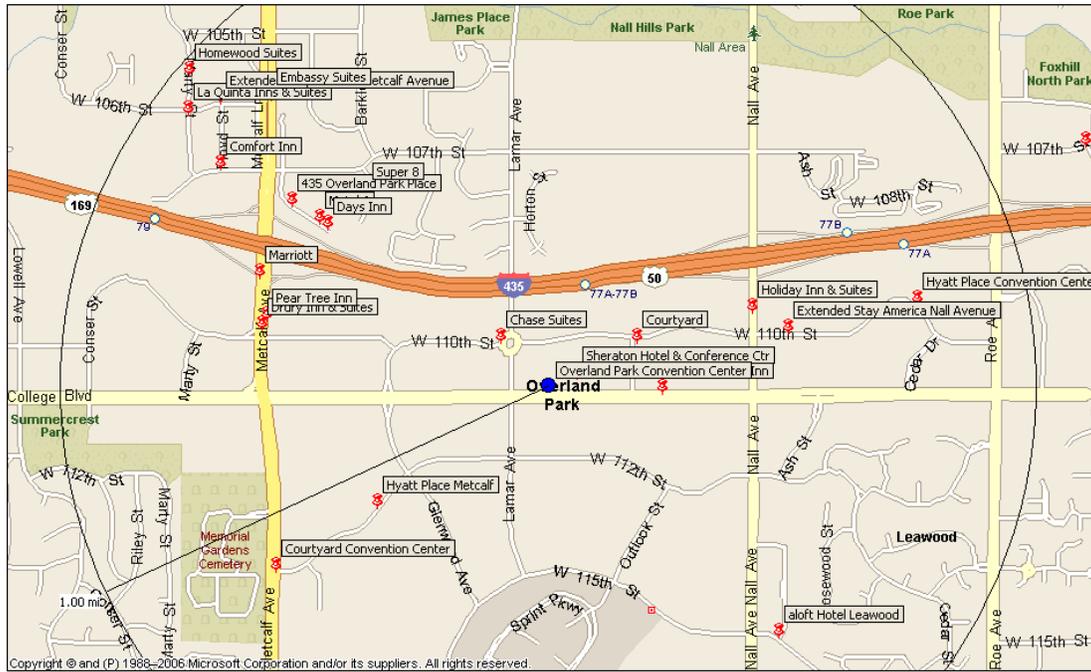
ADR and RevPAR have trended upwards since 2011 at compounded annual rates of 4.0 percent and 4.2 percent, respectively. In 2013, the ADR in the Omaha downtown hotel market was \$115.10 with an associated RevPAR of \$77.55.

### OVERLAND PARK, KANSAS

The following figure shows the hotel properties in Overland Park downtown inventory. There are 22 properties within 1 mile from Overland Park Convention Center (OPCC), including 13 properties offering 2,341 rooms located south of Interstate 435 therefore closer to OPCC, and 9 properties clustered on the north of Interstate 435.



Figure 3-7





**Table 3-5**

**Overland Park, Kansas  
List of Downtown Hotel Inventory**

	<b># of Rooms</b>
<b>South of Interstate 435</b>	
1 Marriott	398
2 Drury Inn & Suites	169
3 Courtyard	149
4 Pear Tree Inn	149
5 Holiday Inn & Suites	119
6 Hilton Garden Inn	125
7 aloft Hotel	156
8 <b>Sheraton Hotel &amp; Conference Center</b>	<b>412</b>
9 Hyatt Place - Metcalf	124
10 Chase Suites	112
11 Hyatt Place - Convention Center	134
12 Courtyard Convention Center	168
13 Extended Stay America	126
Subtotal	2,341
Average	180
<b>North of Interstate 435</b>	
14 Super 8	88
15 Motel 6	50
16 Days Inn	48
17 435 Overland Park Place	180
18 Embassy Suites	199
19 Homewood Suites	92
20 Comfort Inn	82
21 La Quinta Inns & Suites	143
22 Extended Stay America Metcalf Avenue	133
Subtotal	1,015
Average	113
Total Within 1 Mile from Overland Park CC	3,356
Average	153

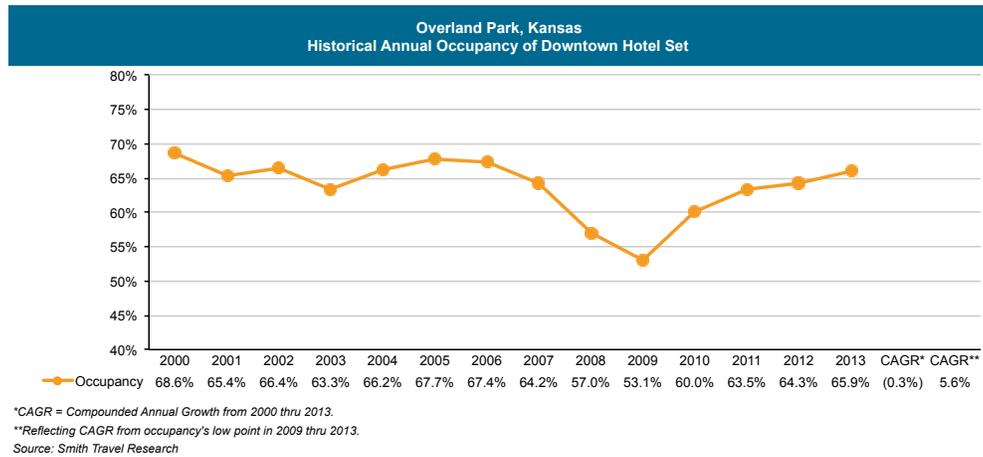
*Source: Smith Travel Research*

The following figures show historical statistics of the group south of I-435 as they more closely support the OPCC.

The following figure shows historical occupancy rates at these hotels since 2000.



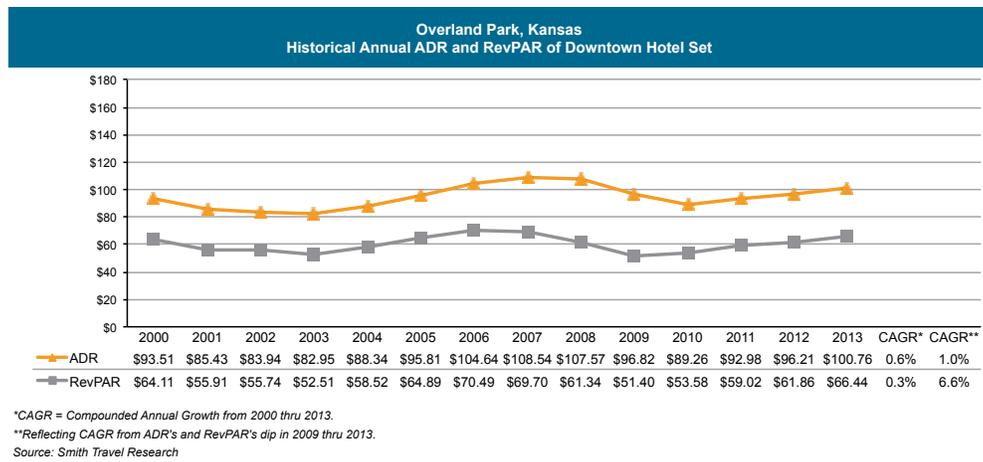
Figure 3-8



Between 2000 and 2013, occupancy rates in the Overland Park downtown hotel market recorded an overall compounded annual decrease of 0.3 percent. However, since 2009 when the market recorded its lowest occupancy of 53.1 percent, occupancy has grown at a compounded annual rate of 5.6 percent. In 2013, the occupancy rate in the Overland Park downtown hotel market was 65.9 percent, up from 64.3 percent in 2012.

The following figure shows historical ADR and RevPAR within the Overland Park downtown hotel market.

Figure 3-9





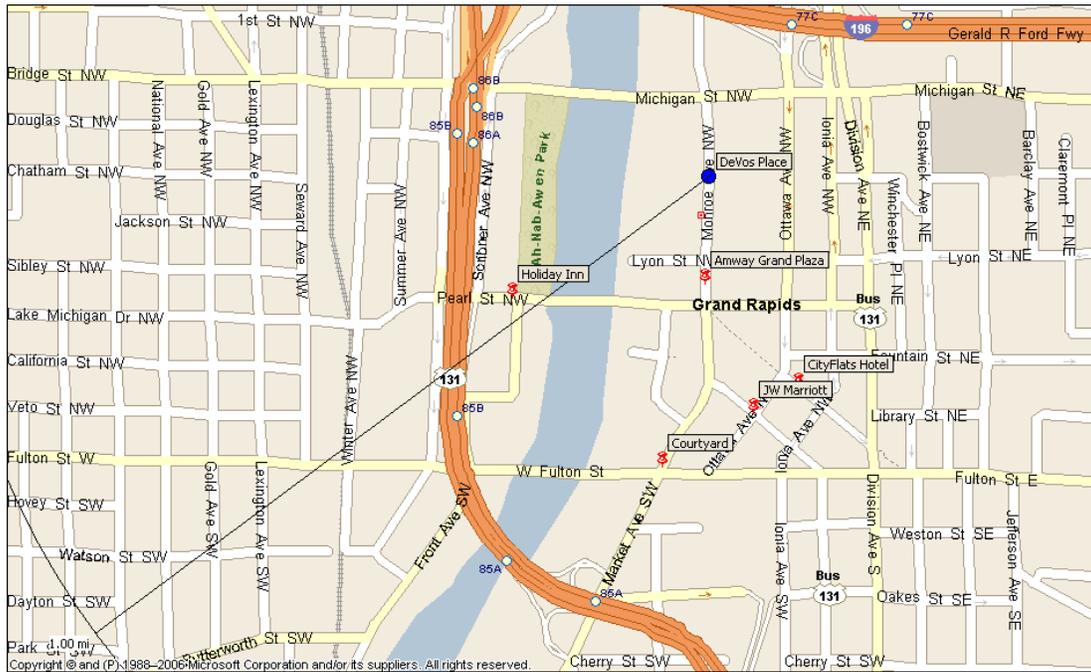
ADR and RevPAR have generally trended upwards since 2000 at compounded annual rates of 0.6 percent and 0.3 percent, respectively. Since 2009, when both ADR and RevPAR recorded a slight decrease from the previous year, both figures have increased at compounded annual rates of 1.0 percent and 6.6 percent, respectively. In 2013, the ADR in the Overland Park downtown hotel market was \$100.78, with an associated RevPAR of \$66.44.

In Overland Park, the convention center headquarters hotel opened in 2002. In 2001, the market recorded an ADR of \$85.43 and a RevPAR of \$55.91. By 2007, which is assumed to be the year of stabilization of operations at the hotel property, the market’s ADR and RevPAR had increased to \$108.54 and \$69.70, respectively.

**GRAND RAPIDS, MICHIGAN**

The following figure shows the hotel properties in Grand Rapids downtown set. There are five properties offering a total of 1,435 hotel rooms, all of which are within 1 mile of DeVos Place.

**Figure 3-10**





**Table 3-6**

**Grand Rapids, Michigan  
List of Downtown Hotel Inventory**

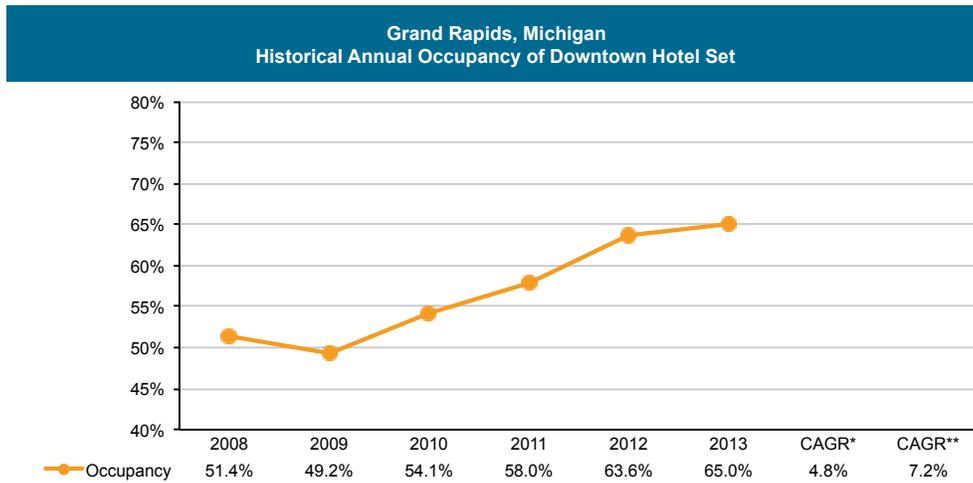
	<b># of Rooms</b>
<b>Within 1 Mile from DaVos Place</b>	
1 Courtyard	214
2 JW Marriott	336
3 CityFlats Hotel	28
4 <b>Preferred Amway Grand Plaza Hotel</b>	<b>682</b>
5 Holiday Inn - Downtown	175
Total	<b>1,435</b>
Average	287
<b>Further than 1 Mile but Less than 2 Miles from DaVos Place</b>	
6 Riverfront Hotel	162
7 Country Inn & Suites	60
8 Americas Best Value Inn & Suites Walker	102
9 Holiday Inn Express & Suites	94
10 Hampton Inn	84
11 Travelodge	54
Total # of Rooms	1,991
Average	181

*Source: Smith Travel Research*

To allow historical statistics to be produced, Grand Rapids representative set includes six additional hotels within 2 miles from DaVos Place (#6 thru #11 on the table above). The following figure shows historical occupancy rates at these hotels since 2008, which was the longest time series available.



Figure 3-11



\*CAGR = Compounded Annual Growth from 2008 thru 2013.

\*\*Reflecting CAGR from occupancy's low point in 2009 thru 2013.

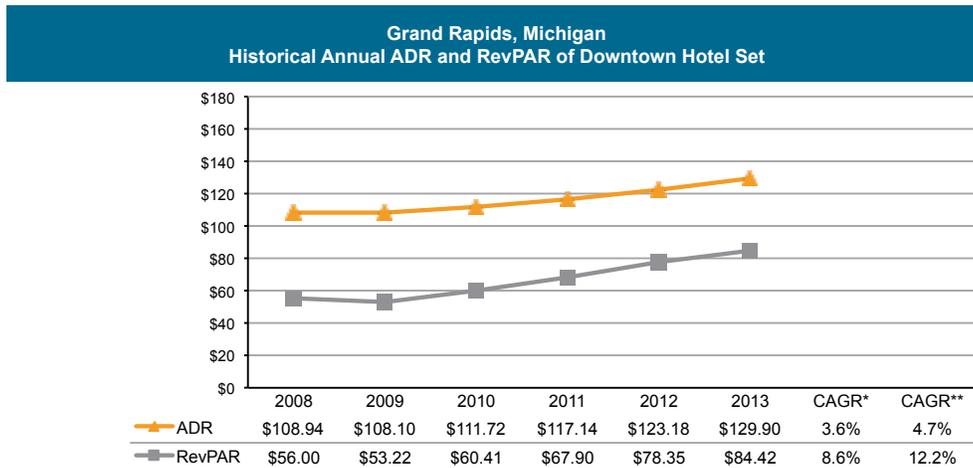
Source: Smith Travel Research

Between 2008 and 2013, occupancy rates in the Grand Rapids downtown hotel market recorded an overall compounded annual increase of 4.8 percent, with an annual increase of 7.2 percent since 2009 when the market recorded its lowest occupancy of 49.2 percent. In 2013, the occupancy rate in the Grand Rapids downtown hotel market was 65.0 percent, up from 63.6 percent in 2012.

The following figure shows historical ADR and RevPAR within the Grand Rapids downtown hotel market.



Figure 3-12



\*CAGR = Compounded Annual Growth from 2008 thru 2013.

\*\*Reflecting CAGR from ADR's and RevPAR's dip in 2009 thru 2013.

Source: Smith Travel Research

ADR and RevPAR have generally trended upwards since 2008 at compounded annual rates of 3.6 percent and 8.6 percent, respectively. Since 2009, when both ADR and RevPAR recorded a slight decrease from the previous year, both figures have increased at compounded annual rates of 4.7 percent and 12.2 percent, respectively. In 2013, the ADR in the Grand Rapids downtown hotel market was \$129.90, with an associated RevPAR of \$84.42.

### FORT WORTH, TEXAS

The following figure shows the hotel properties included within the Fort Worth competitive set.





Table 3-7

**Fort Worth, Texas  
Downtown Hotel Inventory**

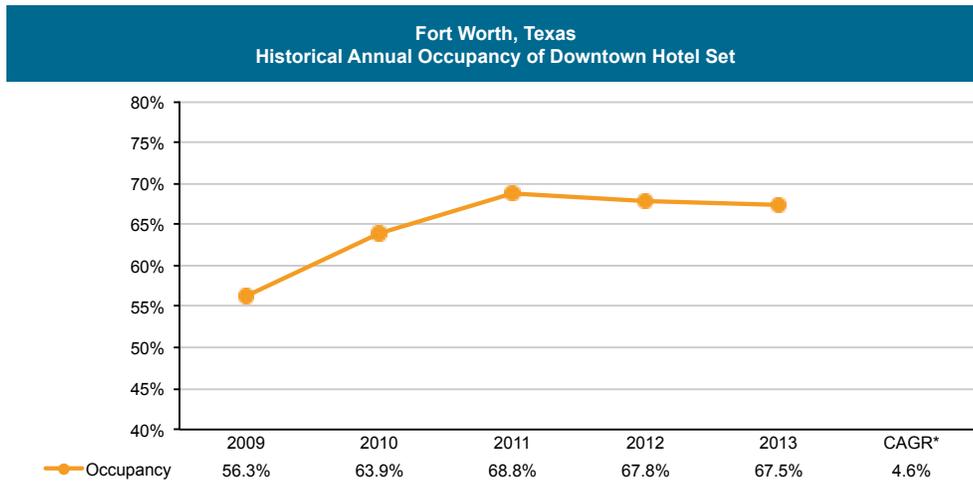
	# of Rooms
1 Embassy Suites	156
2 <b>Omni Hotel</b>	<b>614</b>
3 Sheraton Hotel & Spa	431
4 TownePlace Suites	140
5 Holiday Inn Express & Suites	132
6 Renaissance The Worthington	504
7 Hilton	294
8 Park Central Hotel	110
9 Ashton Hotel	39
10 Courtyard Blackstone	203
Total # of Rooms	<u>2,623</u>
Average	262

Source: Smith Travel Research

As shown, the Fort Worth downtown hotel inventory is comprised of 10 properties totaling 2,623 hotel rooms, all of which are within 1 mile of the convention center. The following figure shows historical occupancy rates at these hotels since 2009.



Figure 3-14



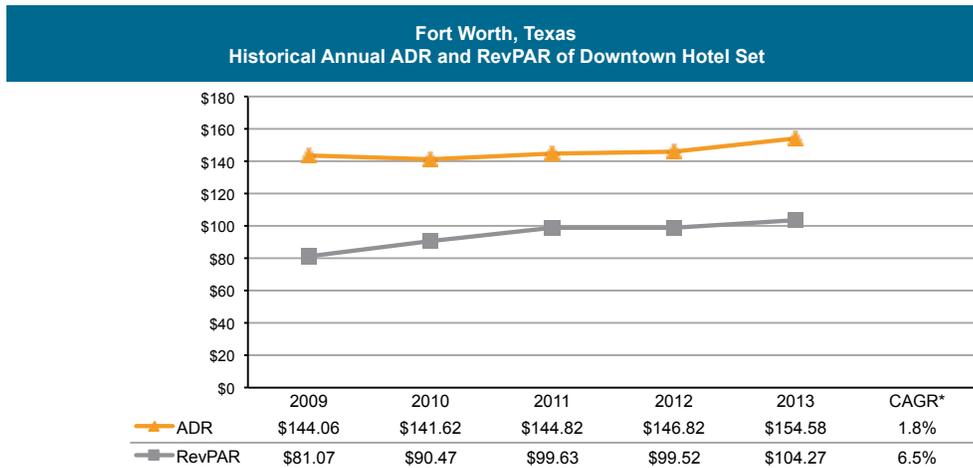
\*CAGR = Compounded Annual Growth from 2009 thru 2013.  
Source: Smith Travel Research

Between 2009 and 2013, occupancy rates in the Fort Worth downtown hotel market recorded an overall compounded annual increase of 4.6 percent. In 2013, the occupancy rate in the Fort Worth downtown hotel market was 67.5 percent, down slightly from 67.8 percent in 2012.

The following figure shows historical ADR and RevPAR within the Fort Worth downtown hotel market.



Figure 3-15



\*CAGR = Compounded Annual Growth from 2009 thru 2013.

Source: Smith Travel Research

ADR and RevPAR have generally trended upwards since 2009, which is when the headquarters hotel opened, at compounded annual rates of 1.8 percent and 6.5 percent, respectively. In 2013, the ADR in the Fort Worth downtown hotel market was \$154.58, with an associated RevPAR of \$104.27.

### SPOKANE, WASHINGTON

The following figure shows the hotel properties in Spokane downtown inventory.



Figure 3-16

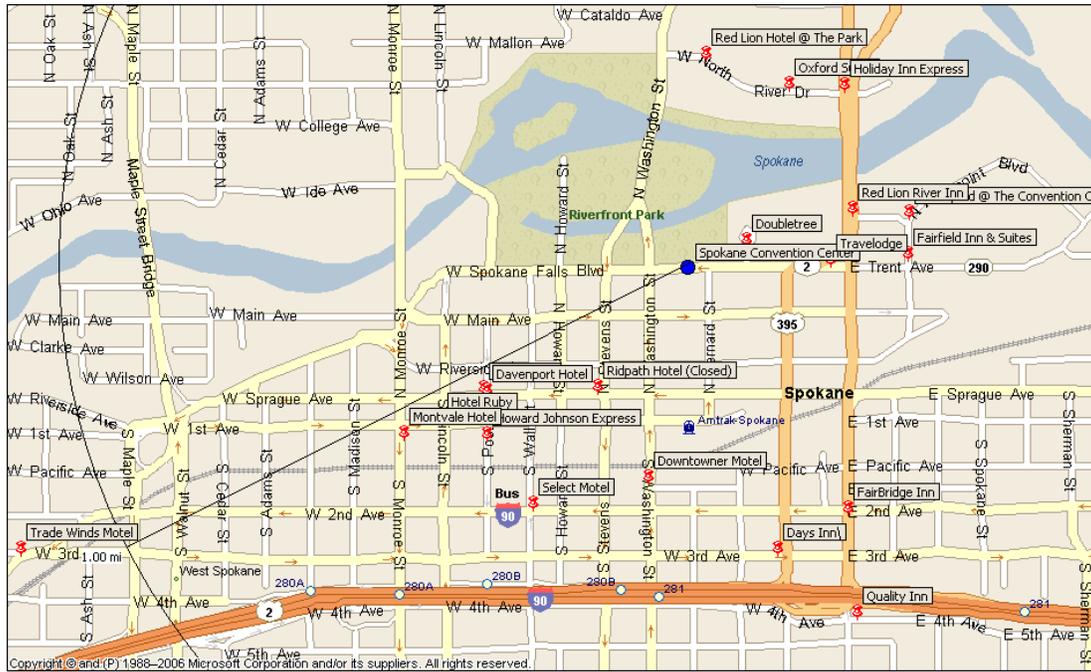




Table 3-8

**Spokane, Washington  
List of Downtown Hotel Inventory**

	<b># of Rooms</b>
1 Red Lion Hotel @ The Park	400
2 Montvale Hotel	36
3 Howard Johnson Express - Arts District	52
4 Travelodge	80
5 Davenport Hotel	611
6 Downtowner Motel	39
7 Hotel Lusso	48
8 <b>Doubletree City Center*</b>	<b>375</b>
9 Days Inn 120 West	88
10 Hotel Ruby	36
11 Select Motel	54
12 Oxford Suites	125
13 Quality Inn Downtown 4th Avenue	150
14 FairBridge Inn Express	79
15 Holiday Inn Express Downtown	119
16 Courtyard @ The Convention Center	149
17 Red Lion River Inn	245
18 Fairfield Inn & Suites	84
19 Comfort Inn**	105
20 The Madison Inn**	62
<b>Total # of Rooms</b>	<b>2,937</b>
<b>Average</b>	<b>147</b>

*\*Currently the closest hotel to Spokane Convention Center.  
A 721-room Headquarters Hotel is under construction for a  
July 2015 opening.*

*\*\*Not included as part of representative set for downtown lodging  
inventory that directly supports Spokane Convention Center.*

*Source: Smith Travel Research*

As shown, Spokane downtown hotel inventory is comprised of 20 properties offering a total of 2,937 hotel rooms, all of which are within 1 mile of the Spokane Convention Center. However, Comfort Inn and The Madison Inn are outside the clusters of other hotels and are not exactly in close proximity to the Convention Center, so they are not included as part of the downtown set whose historical lodging statistics are shown on the following figures. The following figure shows historical occupancy rates at these hotels since 2006.



Figure 3-17



\*CAGR = Compounded Annual Growth from 2006 thru 2013.

\*\*Reflecting CAGR from occupancy's low point in 2009 thru 2013.

Source: Smith Travel Research

Between 2006 and 2013, occupancy rates in the Spokane downtown hotel market recorded an overall compounded annual decrease of 0.4 percent, with an annual increase of 2.3 percent since 2009 when the market recorded its lowest occupancy of 56.4 percent. In 2013, the occupancy rate in the Spokane downtown hotel market was 61.8 percent, down slightly from 62.7 percent in 2012.

The following figure shows historical ADR and RevPAR within the Spokane downtown hotel market.



Figure 3-18



\*CAGR = Compounded Annual Growth from 2006 thru 2013.

\*\*Reflecting CAGR from ADR's and RevPAR's slight dip in 2009 thru 2013.

Source: Smith Travel Research

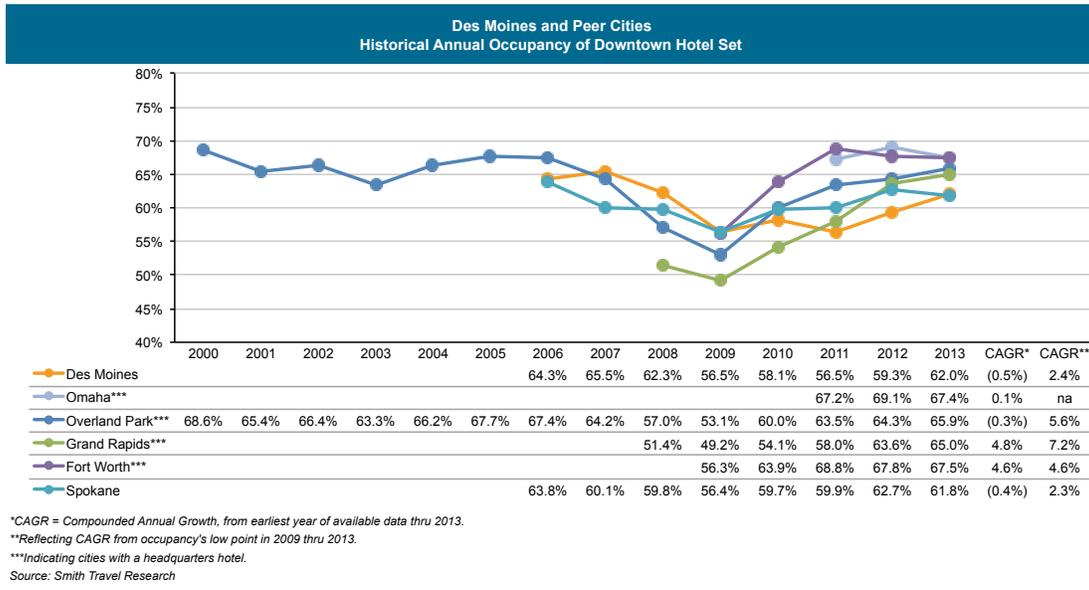
ADR and RevPAR have generally trended upwards since 2006 at compounded annual rates of 2.2 percent and 1.8 percent, respectively. Since 2009, when both ADR and RevPAR recorded a slight decrease from the previous year, both figures have increased at compounded annual rates of 1.1 percent and 3.4 percent, respectively. In 2013, the ADR in the Spokane downtown hotel market was \$104.13, with an associated RevPAR of \$64.39.

### SUMMARY OF PEER MARKETS

The following figure shows a comparison of historical occupancy rates across the peer set of markets.



Figure 3-19

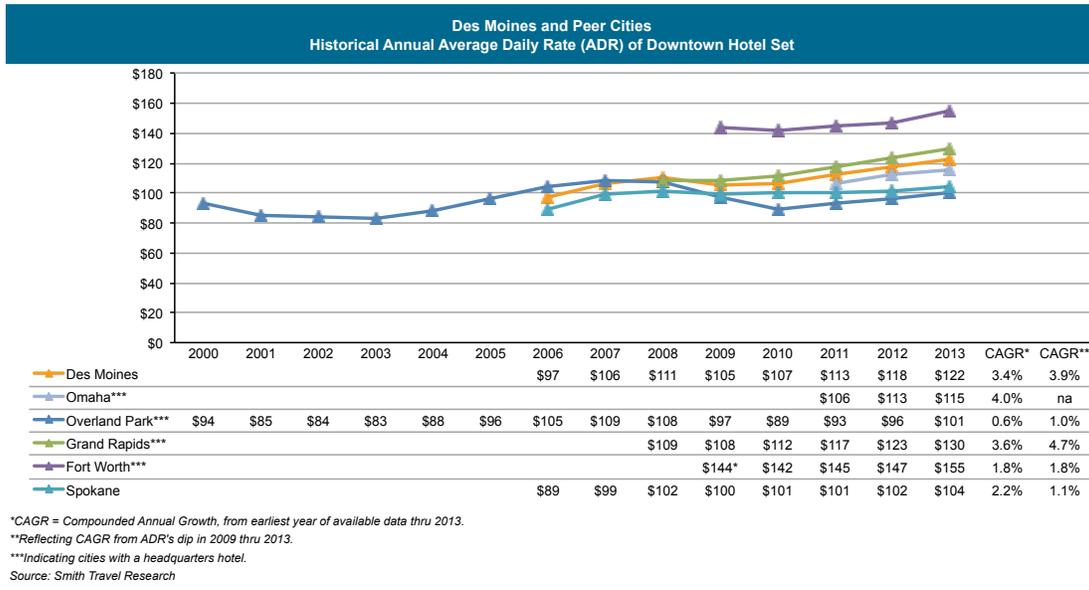


In 2013, the highest occupancy rate was recorded in Omaha (69.1 percent), followed by Fort Worth (67.5 percent), Overland Park (65.9) and Grand Rapids (65.0). All of these markets have headquarters hotels associated with their convention facilities, with lower occupancy rates recorded in Des Moines (62.0 percent) and Spokane (61.8 percent), which do not have headquarters hotels. Since 2009, the highest compounded annual growth in occupancy rates was recorded in Grand Rapids (7.2 percent), followed by Overland Park (5.6) and Fort Worth (4.6), with substantially lower rates of increase recorded in Des Moines (2.4) and Spokane (2.3).

The following figure shows a comparison of historical ADRs across the peer set of markets.



Figure 3-20

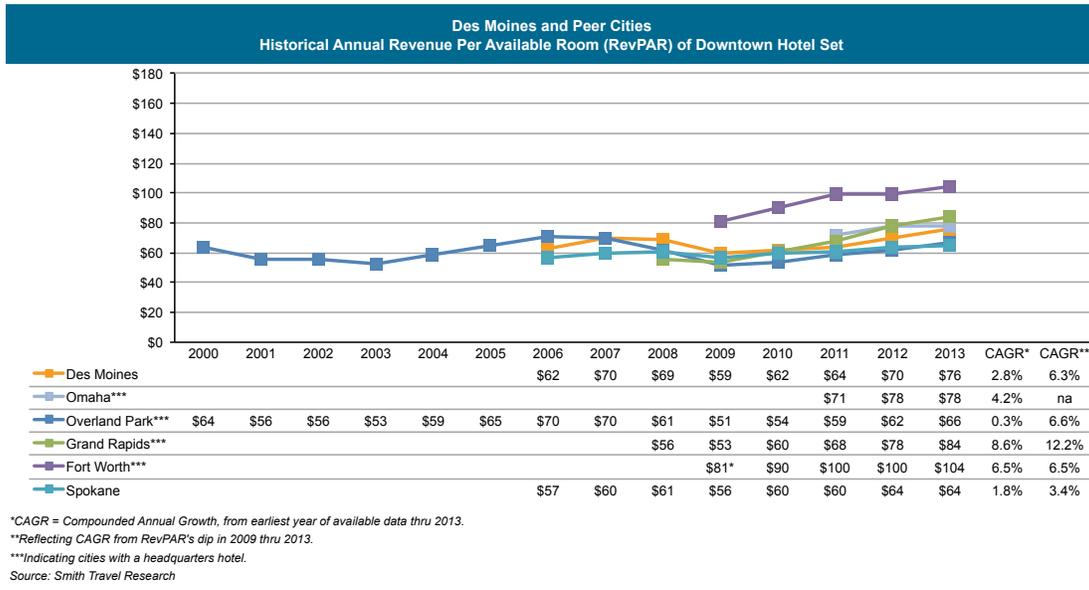


In 2013 the highest ADRs were recorded in Fort Worth (\$155) and Grand Rapids (\$130), with both of these markets having headquarters hotels associated with their convention facilities. The next highest ADR was recorded in Des Moines (\$122), followed by Omaha (\$115), with substantially lower figures recorded in Spokane (\$104) and Overland Park (\$101). Since 2009, the highest compounded annual growth in ADR was recorded in Grand Rapids (4.7 percent), followed by Des Moines (3.9), with substantially lower rates of increase recorded in Fort Worth (1.8), Spokane (1.1) and Overland Park (1.0).

The following figure shows a comparison of historical RevPAR across the peer set of markets.



Figure 3-21



In 2013, the highest RevPAR was recorded in Fort Worth (\$104), followed by Grand Rapids (\$84), Omaha (\$78) and Des Moines (\$76). Lower RevPAR was recorded in the Overland Park (\$66) and Spokane (\$64) markets. Since 2009, the highest compounded annual growth in RevPAR was recorded in Grand Rapids (12.2 percent), followed by Overland Park (6.6), Fort Worth (6.5) and Des Moines (6.3), with a substantially lower rate of increase recorded in Spokane (3.4).

In summary, Fort Worth has been the most purposeful community of the set of cities analyzed. The consistency by leadership and efforts by the private sector to build a good district near the convention center are paying off. The Des Moines hotel market generally underperforms the peer set with respect to occupancy rates but is achieving ADR and RevPAR more in line with the top performing markets that have headquarters hotels. This suggests that Des Moines is an attractive market, especially given its redevelopment of its convention center, and with the addition of a headquarters hotel, could see a substantial increase in occupancy, with a resultant uptick in ADR and RevPAR to more closely align with Fort Worth, Grand Rapids, and Omaha.

In the next Section of this report, we focus in on the top performing hotels in each market and draw specific conclusions on how a new hotel in Des Moines should perform.



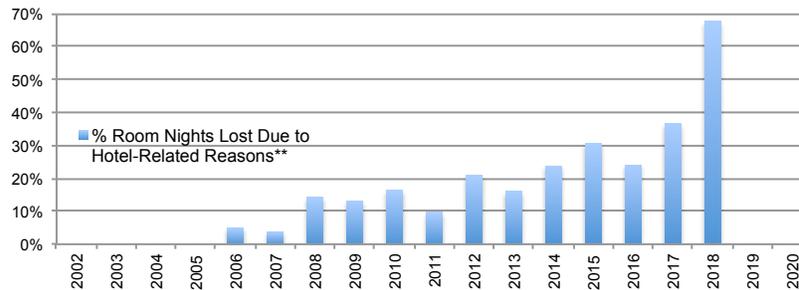
### LOST BUSINESS ANALYSIS

Iowa Events Center provided records of lost business from bookings for 2002 through 2020. The following table summarizes those lost convention event opportunities, amounting to 1,211 lost convention leads in 19 years. These events reflect lost opportunities in from Iowa Events Center, but are causing loss in Des Moines hotels and business as well.



Table 3-9

**Iowa Events Center, Des Moines, Iowa  
Summary of Lost Convention Event Business (2002 thru 2020\*)**



	# of Events Lost		# of Attendees Lost		# of Room Nights Lost	
	Total (A)	Hotel-Related Reasons*** (B)	Total (C)	Hotel-Related Reasons (D)	Total (E)	Hotel-Related Reasons (F)
2002	2	0	800	0	850	0
2003	4	0	4,000	0	1,880	0
2004	9	0	30,195	0	1,775	0
2005	22	0	16,830	0	21,385	0
2006	56	2	25,907	267	22,203	1,083
2007	117	6	117,145	1,240	77,538	2,912
2008	122	9	144,662	11,930	112,192	15,945
2009	119	11	162,235	10,115	128,180	16,983
2010	137	16	141,845	16,685	110,942	18,135
2011	146	8	228,615	11,350	197,332	19,112
2012	141	13	320,522	33,070	216,513	45,271
2013	143	10	282,473	25,450	208,954	33,464
2014	95	10	130,015	18,280	122,593	29,156
2015	65	14	98,605	32,675	113,223	34,693
2016	24	3	59,005	16,725	56,596	13,611
2017	10	3	17,200	4,950	30,373	11,105
2018	7	5	16,350	5,550	23,546	15,919
2019	1	0	2,000	0	3,260	0
2020	1	0	7,000	0	14,719	0
<b>Total</b>	<b>1,221</b>	<b>110</b>	<b>1,805,404</b>	<b>188,287</b>	<b>1,464,054</b>	<b>257,389</b>
<b>% Hotel-Related Reasons</b>		<b>9%</b>		<b>10%</b>		<b>18%</b>

\*Based on records of event leads that withdraw.

\*\*Reflecting Column (F) datapoints as a percentage of Column (E) datapoints.

\*\*\*Column (B), (D), and (F) are subsets of Columns (A), (C), and (E), respectively.

They show the number of events, attendees, and room nights that are lost due to hotel-related reasons.

Hotel-related reasons include the following citations: [lack of] attached hotel, hotel availability, hotel facilities, insufficient rooms downtown, and preference to have] all under one roof.

Source: Iowa Events Center, Johnson Consulting



As summarized on the table, the 1,221 lost event leads are anticipated to have had generated 1.8 million attendees and 1.46 million room nights. Of those 1,221 lost convention leads, hotel-related reasons are cited in 9 percent of lost events, 10 percent of lost attendance, and 18 percent of lost room nights. Hotel-related reasons include citations such as [lack of] attached hotel, hotel availability, hotel facilities, insufficient rooms downtown, and preference to have all under one roof.

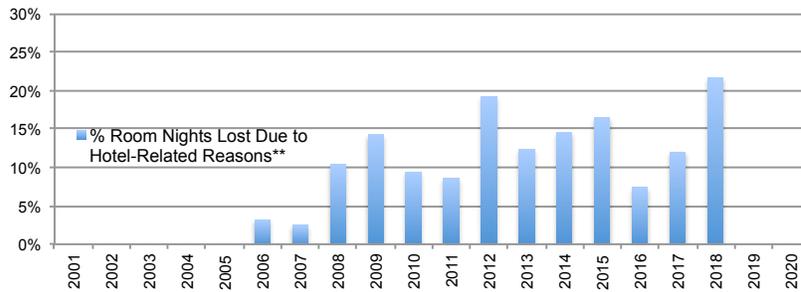
Moreover, the significance of hotel-related issues are increasing over time, especially for such convention events. For example, hotel-related reasons are cited in five out of seven lost convention leads for 2018, responsible to over 65 percent of all lost room nights that year.

The following table shows lost opportunities in conventions and sports events.



Table 3-10

**Iowa Events Center, Des Moines, Iowa  
Summary of Lost Convention and Sports Event Business (2001 thru 2020\*)**



	# of Events Lost		# of Attendees Lost		# of Room Nights Lost	
	Total	Hotel-Related Reasons***	Total	Hotel-Related Reasons	Total	Hotel-Related Reasons
	(A)	(B)	(C)	(D)	(E)	(F)
2001	1	0	1,500	0	2,100	0
2002	2	0	800	0	850	0
2003	9	0	6,050	0	3,205	0
2004	10	0	45,195	0	2,775	0
2005	28	0	30,030	0	31,013	0
2006	69	2	72,432	267	34,066	1,083
2007	140	7	241,075	3,240	129,735	3,212
2008	150	12	329,692	30,160	189,992	19,690
2009	152	16	435,065	27,715	203,945	29,183
2010	183	20	562,670	25,915	237,394	22,210
2011	189	12	634,670	41,150	332,093	28,520
2012	181	18	550,732	45,670	296,899	57,031
2013	176	13	581,468	65,450	339,986	41,924
2014	131	11	495,490	19,380	218,912	31,966
2015	93	15	484,355	33,775	227,439	37,503
2016	41	3	356,105	16,725	184,073	13,611
2017	20	3	239,700	4,950	92,605	11,105
2018	14	5	205,850	5,550	73,588	15,919
2019	1	0	2,000	0	3,260	0
2020	1	0	7,000	0	14,719	0
<b>Total</b>	<b>1,591</b>	<b>137</b>	<b>5,281,879</b>	<b>319,947</b>	<b>2,618,649</b>	<b>312,957</b>
<b>% Hotel-Related Reasons</b>		<b>9%</b>		<b>6%</b>		<b>12%</b>

\*Based on records of event leads that withdraw.

\*\*Reflecting Column (F) datapoints as a percentage of Column (E).

\*\*\*Column (B), (D), and (F) are subsets of Columns (A), (C), and (E), respectively.

They show the number of events, attendees, and room nights that are lost due to hotel-related reasons.

Hotel-related reasons include the following citations: [lack of] attached hotel, hotel availability, hotel facilities, insufficient rooms downtown, and prefer[ence to have] all under one roof.

Source: Iowa Events Center, Johnson Consulting



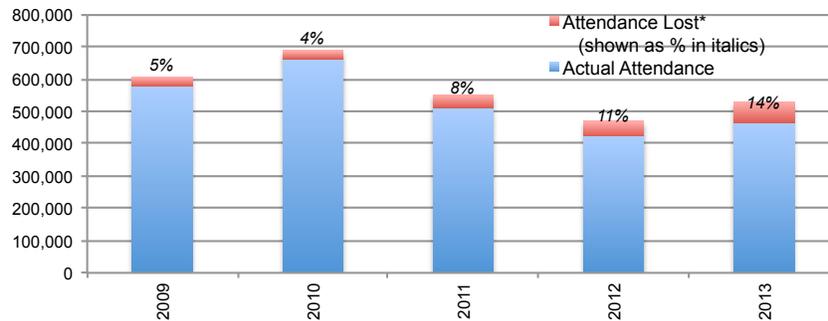
In lost convention and sports event opportunities combined, hotel-related reasons are cited in 9 percent of lost events, 6 percent of lost attendance, and 12 percent of lost room nights. The importance of hotel-related issues remains significant.

**LOST BUSINESS COMPARED TO ACTUAL DEMAND**

Comparing actual attendance at the Iowa Events Center to lost attendance illustrates how much Des Moines’ hotel-related issues have affected event business and how this loss is accelerating over time. The following table shows such comparison.

**Table 3-11**

**Iowa Events Center, Des Moines, Iowa  
Comparison of Historical Demand vs. Hotel-Related Lost Business (2009 thru 2013)**



	Actual		Events Lost*		Attendance Lost*	
	# of Events	# of Attendees	# of Events	As % of Actual***	# of Attendees	As % of Actual****
	(A)	(B)	(C)	(D)	(E)	(F)
2009	420	578,535	16	4%	27,715	5%
2010	380	661,868	20	5%	25,915	4%
2011	293	509,950	12	4%	41,150	8%
2012	319	423,176	18	6%	45,670	11%
2013	371	463,437	13	4%	65,450	14%
<b>Average %</b>				<b>4%</b>		<b>8%</b>

\*Showing attendance lost due to hotel-related reasons only.

Percentage figures in italics in graph correspond to Column (F).

\*\*Showing events lost due to hotel-related reasons only.

\*\*\*Reflecting Column (C) datapoints as a percentage of Column (A) datapoints.

\*\*\*\*Reflecting Column (E) datapoints as a percentage of Column (B) datapoints.

Source: Iowa Events Center, Johnson Consulting



As shown on the table, lost attendance due to hotel-related reasons is equivalent to 8 percent of actual attendance from 2009 through 2013. In 2013 alone, lost attendance due to hotel-related reasons is equivalent to 14 percent of actual attendance. Notably, this ratio has increased over time (5 percent in 2009 to 14 percent in 2013), strongly suggesting that hotel-related issues need to be resolved.

**IMPACT OF HEADQUARTERS HOTEL DEVELOPMENT**

In order to demonstrate the positive impact that a new headquarters hotel can have on the performance of a convention facility, and the local hotel market, Johnson Consulting undertook a detailed analysis of the Omni Fort Worth Hotel at the Fort Worth Convention Center (FWCC). The 614-room hotel opened in 2009 and caused a significant upward trend in the demand profile and market penetration of the FWCC. The following table provides a summary of key market indicators between 2007-08 and 2011-12.

**Table 3-12**

Impact of Headquarters Hotel Fort Worth, TX (FY 2008-2012)					
	2007-08	2008-09*	2009-10	2010-11	2011-12
<b>Leads</b>					
Events	907	970	944	1,101	1,257
Room Attendance	767,584	775,417	543,280	496,096	604,375
Show Attendance	479,430	815,099	1,157,894	1,136,012	1,445,009
Room Nights	1,091,333	1,264,406	1,209,110	1,187,397	1,316,219
<b>Definite</b>					
Events	342	331	293	309	371
Room Attendance	281,968	147,761	101,234	104,323	128,622
Show Attendance	93,045	689,337	335,575	419,117	543,937
Room Nights	241,382	261,153	273,689	215,521	249,853
<b>Lost</b>					
Events	574	416	683	760	886
Room Attendance	550,217	375,719	486,193	455,947	478,267
Show Attendance	300,445	38,400	678,025	793,434	843,757
Room Nights	806,475	645,677	923,297	984,437	1,124,666

\*Omni Fort Worth Hotel (614 rooms) opened in January 2009  
Source: Fort Worth CVB, Johnson Consulting

Using the 2007-08 operating year as a baseline for performance of the FWCC, without a headquarters hotel, it is apparent that by 2011-12 the number of event leads, show attendance and room nights have all increased significantly. This reflects a new level of interest in the FWCC, primarily attributed to the development of the hotel, a notion that was reinforced through discussions with both the Fort Worth CVB and facility management.

Data from STR indicates the positive influence of the Omni Fort Worth Hotel on the competitive local set:



- **Occupancy** – In 2010 the competitive set for the Omni Fort Worth Hotel recorded an occupancy rate of 65 percent, up from 55.5 percent in 2009. In 2011, occupancy increased to 69.4 percent and stabilized at 68.9 percent in 2012.
- **Average Daily Rate (ADR)** – ADR fell slightly to \$143.40 in 2010 from \$145.15 in 2009, but rebounded to reach \$145.55 by 2012.
- **Revenue per Available Room (RevPAR)** – The competitive set recorded a RevPAR of \$93.25 in 2010, reflecting a 15.7 percent increase of the preceding year. RevPAR further increased to \$101.82 in 2011, before contracting slightly in 2012 (\$100.24).
- **Supply** – Total hotel room supply increased to 611,806 guest rooms in 2010, reflecting a 1.4 percent increase over 2009. By 2011, total hotel rooms supply had increased by an additional 4.1 percent, reaching 637,146 rooms. STR did not report the addition of any rooms to the market in 2012.
- **Total Revenue** – Total revenue increased from \$48.6 million in 2009 to \$64.9 million 2012.

The impact of the Omni Fort Worth Hotel is typical of new headquarters hotel developments across the U.S., having resulted in increased demand for the adjacent convention center and absorbed by the market with no negative effects. Furthermore, headquarters hotels have proven to help improve occupancy and hotel rates in the local market to levels well above those achieved prior to the addition of the hotel to the marketplace.

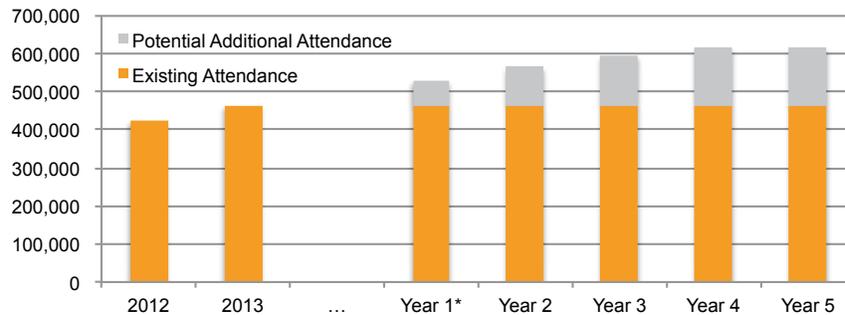
### ESTIMATED INCREASED DEMAND AT IOWA EVENTS CENTER

The following table shows the estimated potential increase in event demand and attendance at the Iowa Events Center when the planned headquarters hotel opens. The 2013 event statistics serve as baseline demand. The estimates assume that in the opening year of the hotel, the IEC is expected to recapture lost demand due to hotel-related issues. This recapture potential is expected to grow in subsequent years, because an improved hotel inventory leads to increased attractiveness and desirability in other aspects as well.



Table 3-13

**Iowa Events Center, Des Moines, Iowa  
Potential Additional IEC Demand Due to Presence of HQ Hotel**



	# of Events			# of Attendees			# of Room Nights
	Existing Level	Additions due to HQ	Total	Existing Level	Additions due to HQ	Total	Additions due to HQ
	(A)	(B)	(C)	(D)	(E)	(F)	
2009	420	-	420	578,535	-	578,535	-
2010	380	-	380	661,868	-	661,868	-
2011	293	-	293	509,950	-	509,950	-
2012	319	-	319	423,176	-	423,176	-
2013	371	-	371	463,437	-	463,437	-
...							
Year 1*	371	13**	384	463,437	65,450**	528,887	20,962***
Year 2	371	20	391	463,437	100,700	564,137	32,252
Year 3	371	26	397	463,437	130,900	594,337	41,924
Year 4	371	30	401	463,437	151,000	614,437	48,362
Year 5	371	30	401	463,437	151,000	614,437	48,362
<b>% Increase in Year 5</b>			<b>8%</b>			<b>33%</b>	

\*Reflects the year HQ Hotel opens.

\*\*Corresponds to lost events and attendance shown in Table 3-9 for for the most recent full year.

\*\*\*Corresponds to half of the lost room nights shown in Table 3-9 for for the most recent full year.

Source: Iowa Events Center

As shown on the table, by the fifth year upon the headquarters hotel opening, its presence is expected to increase IEC event demand by 8 percent and attendance by a third, approximately, and add over 48,000 of new room nights.



## ECONOMIC AND FISCAL IMPACT ANALYSIS

This section provides an economic and fiscal impact analysis of the proposed Iowa Convention and Entertainment Reinvestment District. Specifically, the analysis measures impact of the Iowa Events Center (IEC) Headquarters Hotel and the commercial space at Randolph Hotel and 420 Court. Additionally, this section examines the Headquarters Hotel projection as prepared by the selected development team presented first in the next subsection.

### PERFORMANCE COMPARISON TO TOP PERFORMER SET

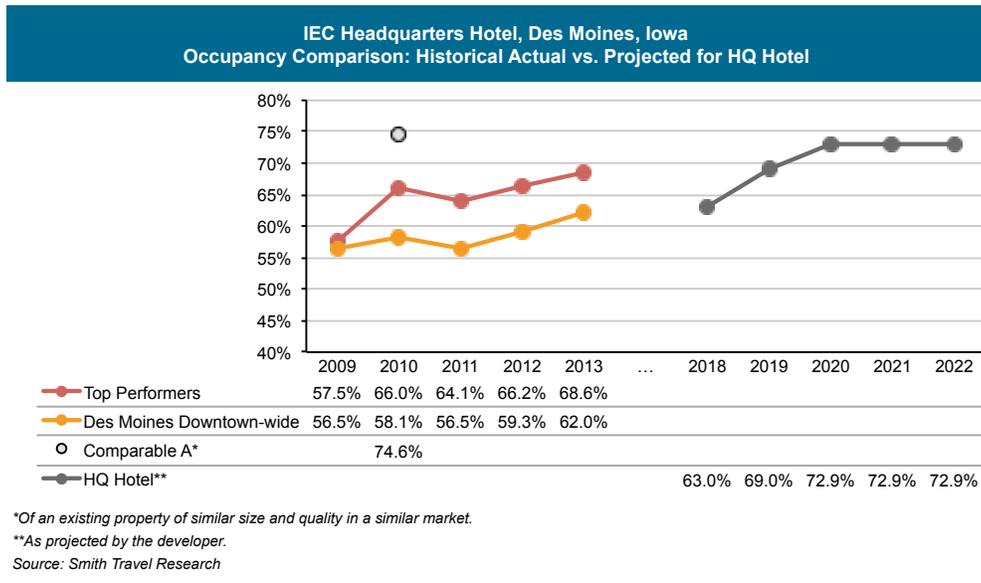
This subsection compares the projected Headquarters Hotel in Des Moines with a set of top performing hotels in each of the peer markets in terms of hotel performance: occupancy, average daily rates, and revenue per available room, as provided in Trend report by Smith Travel Research. The comparison uses the same set of peer markets: Omaha, Nebraska; Overland Park, Kansas; Grand Rapids, Michigan; Fort Worth, Texas; and Spokane, Washington. The top performing set include four out of the following six properties: 212-room Renaissance Des Moines Savery Hotel, 600-room Hilton Omaha, 412-room Sheraton Hotel Overland Park & Conference Center, 682-room Amway Plaza in Grand Rapids, 614-room Omni Fort Worth Hotel, and 611-room Davenport Hotel in Spokane. Also provided in the comparison are actual, stabilized-year lodging statistics of “Comparable A,” a comparable property of a similar size and quality to what is proposed in Des Moines, located in a market with similar characteristics as Des Moines. The objective of the comparison is to draw conclusions on how a new hotel in Des Moines should perform and the reasonableness of the projections by the development team as represented in its November 2014 pro forma.

### OCCUPANCY

The following figure shows a comparison of historical occupancy rates of top performer set, Des Moines downtown-wide, Comparable A, and the projected occupancy for the Headquarters Hotel.



Figure 4-1



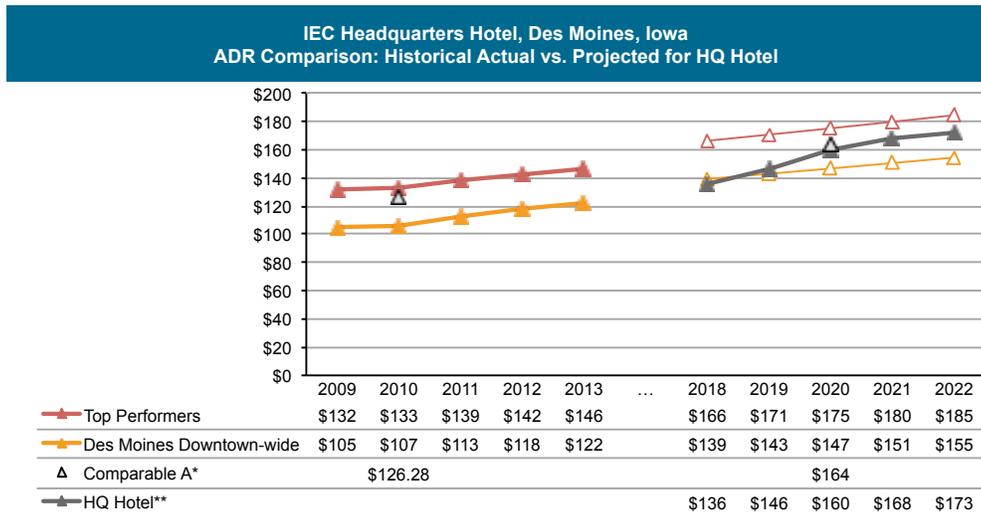
As shown on the table, average occupancy at the top performers, combined, was 68.6 percent in 2013, while in Des Moines it was 62 percent. On the other hand, in 2010 Comparable A enjoyed a 74.6 percent, showing a level of occupancy that a well-performing Headquarters Hotel in a comparable market could actually achieve upon stabilization. Based on this comparison, the projected occupancy for Des Moines Headquarters Hotel is reasonably achievable.

**AVERAGE DAILY RATES**

The following figure shows a comparison of historical average daily rates of top performer set, Des Moines downtown-wide, Comparable A, and the projected ADR for the Headquarters Hotel. On the right side of the chart, ADR figures of the top performer set, Des Moines downtown-wide, and Comparable A are adjusted to future years by assuming a 2.6 percent annual rate (which is based on compounded annual growth rate from 2009 thru 2013).



Figure 4-2



Note: ADR figures through 2013 are actual. Starting on 2018, ADR for Top Performers, Des Moines Downtown-wide, and Comparable A are estimated based on a 2.6-percent annual inflation rate off the most recent known actual.

\*Of an existing property of similar size and quality in a similar market.

\*\*As projected by the developer.

Source: Smith Travel Research

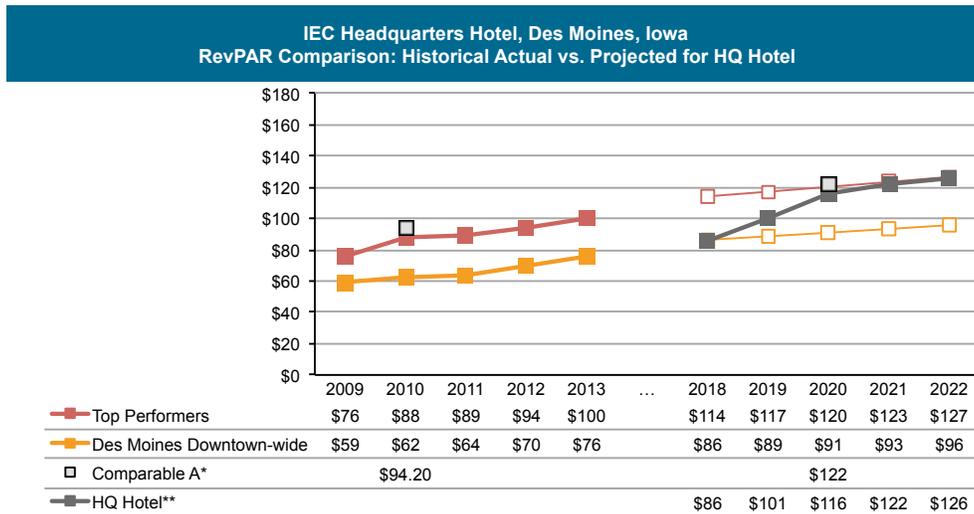
As shown on the figure, when the actual average daily rates of the comparable sets are adjusted to future years, the projected ADR for Des Moines Headquarters Hotel is reasonably achievable.

**REVENUE PER AVAILABLE ROOM**

The following figure shows a comparison of RevPAR of top performer set, Des Moines downtown-wide, Comparable A, and the projected RevPAR for Des Moines Headquarters Hotel. Similar to the ADR comparison, on the right side of the following chart, RevPAR figures of the top performer set, Des Moines downtown-wide, and Comparable A are adjusted to future years by assuming a 2.6 percent annual rate.



Figure 4-3



Note: RevPAR figures through 2013 are actual. Starting on 2018, RevPAR for Top Performers, Des Moines Downtown-wide, and Comparable A are estimated based on a 2.6-percent annual inflation rate off the most recent known actual.

\*Of an existing property of similar size and quality in a similar market.

\*\*As projected by the developer.

Source: Smith Travel Research

As shown on the figure, when the actual RevPAR of the comparable sets are adjusted to future years, the projected RevPAR for Des Moines Headquarters Hotel is reasonably achievable.

**SUMMARY**

Based on the comparison with the top performer set and Comparable A, operating projections by the development team are reasonably achievable, which the team will likely be able to execute.

**OPERATING STRUCTURE COMPARISON TO TOP PERFORMER SET**

This subsection compares the projected Headquarters Hotel in Des Moines with a set of top performing hotels in each of the peer markets in terms of hotel operating structure, reflected in ratios of key operating revenue and expenses, as provided in HOST report by Smith Travel Research. The comparison uses the same set of top performing hotels, which include four out of the following six properties: 212-room Renaissance Des Moines Savery Hotel, 600-room Hilton Omaha, 412-room Sheraton Hotel Overland Park & Conference Center, 682-room Amway Plaza in Grand Rapids, 614-room Omni Fort Worth Hotel, and 611-room Davenport Hotel in Spokane. The objective of the comparison is to draw conclusions on how a new hotel in



Des Moines should perform and the reasonableness of the projections by the development team as represented in its November 2014 pro forma.

Table 4-1 shows the comparison.

**Table 4-1**

Iowa Events Center Headquarters Hotel, Des Moines, Iowa									
Operating Structure Comparison: Actual of Top Performing Set vs. Projected for HQ Hotel									
	IEC HQ Hotel					Top Performing Set			
	2020 (Stabilized Year)					2012 (Most Recent of Data)			
1 Rooms	330					460			
2 Average Rate	\$159.65					\$141.84 <i>or \$174.44 in 2020</i>			
3 RevPAR	\$116.31					\$94.08 <i>or \$115.70 in 2020</i>			
<b>Profit and Loss</b>	<b>(\$000)</b>	<b>% to Sales</b>	<b>PAR</b>	<b>POR</b>	<b>% to Sales</b>	<b>PAR</b>		<b>POR</b>	
						<u>2012</u>	<u>2020*</u>	<u>2012</u>	<u>2020*</u>
Revenue									
4 Room Revenues	\$14,048	64.0%	\$42,569	\$160	61.2%	\$34,409	\$42,317	\$142	\$174
5 Hotel Food and Beverage	6,819	31.1%	20,664	78	32.8%	18,451	22,692	76	94
6 Telephone	8	0.0%	26	0	0.5%	263	323	1	1
7 Other Operated Departments (incl. Spa)	0	0.0%	0	0	5.0%	2,776	3,414	11	14
8 Parking & Transportation	871	4.0%	2,640	10	0.0%	0	0	0	0
9 Rentals and Other Income	187	0.9%	566	2	0.5%	283	348	1	1
10 Total Revenue	\$21,933	100.0%	\$66,464	\$250	100.0%	\$56,182	\$69,094	\$232	\$285
11 Gross Operating Profit	\$7,939	36.2%	\$24,059	\$90	38.6%	\$21,699	\$26,686	\$89	\$110
Other Deductions									
12 Property Taxes	\$1,316	6.0%	\$3,988	\$15	4.0%	\$2,275	\$2,798	\$9	\$12
13 Insurance	140	0.6%	424	2	0.7%	390	480	2	2
14 Management Fee	658	3.0%	1,994	7	2.7%	1,535	1,888	6	8
15 Reserve for Replacements	877	4.0%	2,659	10	0.0%	0	0	0	0
16 Net Operating Income	<b>\$4,948</b>	<b>22.6%</b>	<b>\$14,994</b>	<b>\$56</b>	<b>31.1%</b>	<b>\$17,499</b>	<b>\$21,521</b>	<b>\$72</b>	<b>\$89</b>

\*Adjusted to 2020-dollars by applying a 2.6-percent annual inflation rate to the 2012 figures.  
Source: November 2014 HQ Hotel Pro Forma by the developer; Smith Travel Research; Johnson Consulting

As shown on the table, compared to the actual operating structure of the top performer set, the projections for the IEC Headquarters Hotel seem reasonably achievable. Key ratios and amounts per available room projected for the Headquarters Hotel are lower than those of the top performer set.

**ECONOMIC IMPACT OF THE HEADQUARTERS HOTEL**

This subsection provides an estimate of economic benefits generated by the proposed IEC Headquarters Hotel. They include initial direct spending by Hotel guests, at and outside the Hotel, which then ripples out through the economy and generates indirect spending, induced spending, increased earnings, and employment.



## DEFINITIONS

Economic impact is defined as incremental new spending in an economy that is the direct result of certain activities, facilities, or events. For the purpose of this analysis, impact totals are discussed in terms of Des Moines economy. The levels of impacts are described as follows:

- **Direct Spending** – is an expression of the spending that occurs as a direct result of the events and activities that occur in the subject facility. For example, a hotel guest’s expenditures on hotel rooms, shopping, and meals are direct spending.
- **Indirect Spending** – consists of re-spending of the initial or direct expenditures, or, the supply of goods and services resulting from the initial direct spending in the subject facility. For example, a hotel guest’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 are within the local, regional, or state economies is counted as an indirect spending.
- **Induced Spending** – represent changes in local consumption due to the personal spending by employees whose incomes are affected by direct and indirect spending. For example, a waiter at the restaurant may have more personal income as a result of the hotel guest’s visit. The amount of the increased income the waiter spends in the local economy is called an induced spending.
- **Total Spending** – is the sum of direct spending, indirect spending, and induced spending.
- **Increased Earnings** – measures increased employee and worker compensation related to the project being analyzed. This figure represents increased payroll expenditures, including benefits paid to workers locally. It also expressed how the employees of local businesses share in the increased outputs.
- **Employment** – measures the number of jobs supported in the study area related to the spending generated as a result of the events occurring in the conference center. Employment impact is stated in a number of full-time equivalent jobs.

## ASSUMPTIONS

This economic impact estimate utilized the following assumptions:

Direct spending at Headquarters Hotel – corresponds to Total Revenue line item in the development team’s projections of the Headquarters Hotel (per November 2014).

Direct spending outside Headquarters Hotel – is derived from a few sources. According to Business Travel News, the 2014 Corporate Travel Index says per diems in Des Moines average \$276.30, which includes \$151.99 on lodging, \$44.98 on car rental, and \$79.33 on food. However, it is unlikely that every guest hotel



spends that much. Meanwhile, the developer’s projections reflect an average spending of \$203 per occupied room nights in Year 1, or \$186 today. This amount is already greater than travel per diems for Des Moines according to U.S. General Administration Services, averaged at \$148 today, including \$97 for lodging, \$46 for meals, and \$5 for incidentals.

Assuming that corporate travel will make up one-third of the Headquarters Hotel room night demand, this estimate assume that 33.3 percent of guests will spend Corporate Travel Index per diem amount, while the other 66.7 percent will spend \$25 per day, on average, outside the Headquarters Hotel.

Indirect and Induced Spending, Increased Earnings, and Employment – are estimated using a set of multiplier rates shown on Table 4-2 below.

**Table 4-2**

Iowa Events Center Headquarters Hotel, Des Moines, Iowa Economic Impact Multipliers		
Impact	Multiplier	Base
Indirect Spending	0.33	of direct spending
Induced Spending	0.46	of direct spending
Increased Earnings	0.67	of direct spending
Increased Employment (FTE)	18.48	per \$1 million of direct spending

*Source: Implan, Johnson Consulting*

The multiplier rates mean that for every \$1.00 spent by people in Des Moines, it results in an additional \$1.46 of value to the economy. Also, for every \$1 million spent result in 18.48 jobs in the market.

Table 4-3 shows the calculation of economic impact of the Headquarters Hotel from Year 1 through Year 10, showing the assumptions of average daily spending, where they were derived from, and the resulting economic impact.



Table 4-3

Iowa Events Center Headquarters Hotel, Des Moines, Iowa Estimated Direct Spending In and Outside Hotel (\$Million)										
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
1 Base: Occupied Room Nights (1)	75,884	83,111	87,752	87,752	87,752	87,752	87,752	87,752	87,752	87,752
<b>Direct Spending</b>										
<b>Inside HQ Hotel (1)</b>										
2 Room Revenues	\$10.3	\$12.1	\$14.0	\$14.7	\$15.2	\$15.6	\$16.1	\$16.6	\$17.1	\$17.6
3 Hotel Food and Beverage	4.2	5.8	6.8	7.0	7.2	7.4	7.7	7.9	8.1	8.4
4 All Others	0.9	1.0	1.1	1.1	1.1	1.1	1.1	1.2	1.2	1.2
5 Subtotal	<b>\$15.4</b>	<b>\$18.9</b>	<b>\$21.9</b>	<b>\$22.8</b>	<b>\$23.4</b>	<b>\$24.1</b>	<b>\$24.9</b>	<b>\$25.6</b>	<b>\$26.4</b>	<b>\$27.2</b>
<b>Outside Hotel by Corporate Travellers (2)</b>										
6 Food and Beverage	\$1.5	\$1.6	\$1.8	\$1.8	\$1.9	\$1.9	\$2.0	\$2.1	\$2.1	\$2.2
7 All Others	1.3	1.4	1.6	1.6	1.7	1.7	1.8	1.8	1.9	1.9
8 Subtotal	<b>\$2.7</b>	<b>\$3.1</b>	<b>\$3.4</b>	<b>\$3.5</b>	<b>\$3.6</b>	<b>\$3.7</b>	<b>\$3.8</b>	<b>\$3.9</b>	<b>\$4.0</b>	<b>\$4.1</b>
<b>Outside Hotel by All Other Travellers (3)</b>										
9 Food and Beverage	\$1.1	\$1.2	\$1.4	\$1.4	\$1.4	\$1.5	\$1.5	\$1.6	\$1.6	\$1.7
10 All Others	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4
11 Subtotal	<b>\$1.4</b>	<b>\$1.6</b>	<b>\$1.7</b>	<b>\$1.7</b>	<b>\$1.8</b>	<b>\$1.9</b>	<b>\$1.9</b>	<b>\$2.0</b>	<b>\$2.0</b>	<b>\$2.1</b>
12 Total Outside Hotel	<b>\$4.1</b>	<b>\$4.6</b>	<b>\$5.0</b>	<b>\$5.2</b>	<b>\$5.4</b>	<b>\$5.5</b>	<b>\$5.7</b>	<b>\$5.9</b>	<b>\$6.0</b>	<b>\$6.2</b>
<b>Total Direct Spending</b>										
13 Rooms	\$10.3	\$12.1	\$14.0	\$14.7	\$15.2	\$15.6	\$16.1	\$16.6	\$17.1	\$17.6
14 Food and Beverage	6.7	8.7	10.0	10.2	10.5	10.9	11.2	11.5	11.9	12.2
15 All Others	2.5	2.8	3.0	3.0	3.1	3.2	3.3	3.4	3.5	3.6
16 Total	<b>\$19.5</b>	<b>\$23.6</b>	<b>\$27.0</b>	<b>\$28.0</b>	<b>\$28.8</b>	<b>\$29.7</b>	<b>\$30.6</b>	<b>\$31.5</b>	<b>\$32.4</b>	<b>\$33.4</b>

Notes:

1) Corresponds to the projected occupied room nights and revenue amounts in Headquarters Hotel proforma by the developer (November 2014).

2) Assuming that 33.3% of demand is corporate, each guest additionally spending an equivalent of today's \$99 per day outside the HQ Hotel.

3) Assuming that each of the other 66.7% of guests additionally spends an equivalent of today's \$25 per day outside the HQ Hotel.

Source: The selected developer of IEC Headquarters Hotel, Johnson Consulting.

As shown on the table, on the opening year, the Headquarters Hotel is expected to generate approximately \$19.5 million of direct spending of hotel guests, both in and outside the hotel. In Year 5, such direct spending is estimated to amount to \$28.8 million; in Year 10, \$33.4 million.

Table 4-4 shows the ripple effects of this direct spending into indirect spending, induced spending, increased earnings, and employment, from Year 1 through Year 30.

ECONOMIC IMPACT ANALYSIS FROM C.H. JOHNSON CONSULTING INC.



Table 4-4

		Direct Spending by Guests			Indirect Spending	Induced Spending	TOTAL Spending	Increased Earnings	Employment (in FTE)
		At HQ Hotel	Outside HQ Hotel	Total					
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Year 1	2018	\$15.4	\$4.1	\$19.5	\$6.5	\$9.0	\$35.0	\$13.1	360
	2	18.9	4.6	23.6	7.8	10.8	42.3	15.8	423
	3	21.9	5.0	27.0	9.0	12.4	48.3	18.1	470
	4	22.8	5.2	28.0	9.3	12.8	50.1	18.8	473
	5	23.4	5.4	28.8	9.6	13.2	51.6	19.3	472
	6	24.1	5.5	29.7	9.9	13.6	53.1	19.9	472
	7	24.9	5.7	30.6	10.2	14.0	54.7	20.5	472
	8	25.6	5.9	31.5	10.5	14.4	56.4	21.1	472
	9	26.4	6.0	32.4	10.8	14.9	58.1	21.7	472
	10	27.2	6.2	33.4	11.1	15.3	59.8	22.4	472
	11	28.0	6.4	34.4	11.4	15.8	61.6	23.1	472
	12	28.8	6.6	35.4	11.8	16.3	63.5	23.8	472
	13	29.7	6.8	36.5	12.1	16.7	65.4	24.5	472
	14	30.6	7.0	37.6	12.5	17.2	67.3	25.2	472
	15	31.5	7.2	38.7	12.9	17.8	69.3	26.0	472
	16	32.5	7.4	39.9	13.3	18.3	71.4	26.7	472
	17	33.4	7.6	41.1	13.7	18.8	73.6	27.6	472
	18	34.4	7.9	42.3	14.1	19.4	75.8	28.4	472
	19	35.5	8.1	43.6	14.5	20.0	78.0	29.2	472
	20	36.5	8.3	44.9	14.9	20.6	80.4	30.1	472
	21	37.6	8.6	46.2	15.4	21.2	82.8	31.0	472
	22	38.7	8.9	47.6	15.8	21.8	85.3	31.9	472
	23	39.9	9.1	49.0	16.3	22.5	87.8	32.9	472
	24	41.1	9.4	50.5	16.8	23.2	90.5	33.9	472
	25	42.3	9.7	52.0	17.3	23.9	93.2	34.9	472
	26	43.6	10.0	53.6	17.8	24.6	96.0	35.9	472
	27	44.9	10.3	55.2	18.3	25.3	98.9	37.0	472
	28	46.3	10.6	56.8	18.9	26.1	101.8	38.1	472
	29	47.7	10.9	58.5	19.5	26.9	104.9	39.3	472
	30	49.1	11.2	60.3	20.1	27.7	108.0	40.5	472
<b>Total in 20 Years</b>		\$551.6	\$127.0	\$678.6	\$225.6	\$311.5	<b>\$1,215.7</b>	\$455.3	<b>472*</b>
<b>Total in 30 Years</b>		\$982.9	\$225.5	\$1,208.4	\$401.8	\$554.7	<b>\$2,164.9</b>	\$810.8	<b>472*</b>

Notes:

Column (A) corresponds to Line 5 in Table 4-3.

Column (B) corresponds to Line 12 in Table 4-3.

Column (C) corresponds to Line 16 in Table 4-3.

Column (D), (E), (G), and (H) are calculated by applying respective multiplier rates to Total Direct Spending in Column (C).

\*Employment is not additive. The jobs simply continue to the next year.

Source: Johnson Consulting

As shown on the table, the estimated economic impact of the Headquarters Hotel in its opening year include \$35 million of total spending, \$13.1 million of increased earnings, and 360 full-time equivalent jobs



supported. In Year 5, such impact is estimated to include \$51.6 million of direct spending, \$19.3 million of increased earnings, and 472 full-time equivalent jobs supported. Over 20 years, total spending is estimated to amount to \$1.22 billion; in 30 years, \$2.16 billion. These spending activities are expected to support 472 full-time equivalent jobs annually.

**FISCAL IMPACT ANALYSIS**

This subsection provide estimates of tax revenues resulting from direct spending by hotel guests, in and outside of the hotel, from the following taxes:

- Sales tax at 6 percent on food and beverage, parking, and other revenues, but NOT on rooms,
- Local Hotel/ Motel Tax at 7 percent on rooms, and
- Excise Tax at 5 percent on rooms.

Table 4-5 shows the calculation for Year 1 through Year 10.

**Table 4-5**

Iowa Events Center Headquarters Hotel, Des Moines, Iowa Estimated Tax Revenues Resulting from Total Direct Spending by Hotel Guests, In and Outside HQ Hotel (\$Million)										
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<b>Total Direct Spending (1)</b>										
1 Rooms	\$10.3	\$12.1	\$14.0	\$14.7	\$15.2	\$15.6	\$16.1	\$16.6	\$17.1	\$17.6
2 Food and Beverage	6.7	8.7	10.0	10.2	10.5	10.9	11.2	11.5	11.9	12.2
3 All Others	2.5	2.8	3.0	3.0	3.1	3.2	3.3	3.4	3.5	3.6
4 Total	\$19.5	\$23.6	\$27.0	\$28.0	\$28.8	\$29.7	\$30.6	\$31.5	\$32.4	\$33.4
<b>Tax Revenues</b>										
5 State Sales Tax (2)	\$0.552	\$0.688	\$0.776	\$0.796	\$0.819	\$0.843	\$0.869	\$0.895	\$0.922	\$0.949
6 Local Hotel/ Motel Tax (3)	0.722	0.849	0.983	1.030	1.061	1.093	1.125	1.159	1.194	1.230
7 Excise Tax on Rooms (3)	0.515	0.606	0.702	0.736	0.758	0.780	0.804	0.828	0.853	0.878
8 Total	\$1.789	\$2.143	\$2.462	\$2.562	\$2.637	\$2.716	\$2.798	\$2.882	\$2.968	\$3.057

*Notes:*

- 1) Total Direct Spending corresponds directly to Line 13 thru 16 in Table 4-3.
- 2) Sales Tax is calculated off food and beverage and all other revenues, and NOT applied to room revenues.
- 3) Local Hotel/ Motel Tax and Excise Tax are calculated off room revenues only.

Source: Johnson Consulting

As shown on the table, in Year 1, direct spending by hotel guests, in and outside the Hotel, is estimated to generate approximately \$1.8 million from sales, hotel/ motel, and excise tax, combined. In Year 5, such revenue is expected to grow to \$2.6 million.

Table 4-6 shows the estimated tax revenue from Year 1 through Year 30.



Table 4-6

**Iowa Events Center Headquarters Hotel, Des Moines, Iowa  
Estimated Tax Revenues Generated by Headquarters  
Hotel (\$Million)**

		State Sales Tax	Hotel/ Motel Tax	Excise Tax	TOTAL
		(A)	(B)	(C)	(D)
Year 1	2018	\$0.552	\$0.722	\$0.515	\$1.789
	2 2019	0.688	0.849	0.606	2.143
	3 2020	0.776	0.983	0.702	2.462
	4 2021	0.796	1.030	0.736	2.562
	5 2022	0.819	1.061	0.758	2.637
	6 2023	0.843	1.093	0.780	2.716
	7 2024	0.869	1.125	0.804	2.798
	8 2025	0.895	1.159	0.828	2.882
	9 2026	0.922	1.194	0.853	2.968
	10 2027	0.949	1.230	0.878	3.057
	11 2028	0.978	1.267	0.905	3.149
	12 2029	1.007	1.305	0.932	3.244
	13 2030	1.037	1.344	0.960	3.341
	14 2031	1.068	1.384	0.989	3.441
	15 2032	1.100	1.426	1.018	3.544
	16 2033	1.133	1.468	1.049	3.651
	17 2034	1.167	1.512	1.080	3.760
	18 2035	1.202	1.558	1.113	3.873
	19 2036	1.238	1.605	1.146	3.989
	20 2037	1.276	1.653	1.181	4.109
	21 2038	1.314	1.702	1.216	4.232
	22 2039	1.353	1.753	1.252	4.359
	23 2040	1.394	1.806	1.290	4.490
	24 2041	1.436	1.860	1.329	4.624
	25 2042	1.479	1.916	1.369	4.763
	26 2043	1.523	1.973	1.410	4.906
	27 2044	1.569	2.033	1.452	5.053
	28 2045	1.616	2.094	1.495	5.205
	29 2046	1.664	2.156	1.540	5.361
	30 2047	1.714	2.221	1.587	5.522
<b>Total in 20 Years</b>		<b>\$19.316</b>	<b>\$24.966</b>	<b>\$17.833</b>	<b>\$62.115</b>
<b>Total in 30 Years</b>		<b>\$34.377</b>	<b>\$44.481</b>	<b>\$31.772</b>	<b>\$110.631</b>

Notes:

Column (A) corresponds to Line 5 in Table 4-5.

Column (B) corresponds to Line 6 in Table 4-5.

Column (C) corresponds to Line 7 in Table 4-5.

Source: Johnson Consulting

As shown on the table, in 20 year period, direct spending by hotel guests, in and outside the Hotel, is estimated to generate approximately \$62.1 million from sales, hotel/ motel, and excise tax, combined. In 30 years, such revenue is expected to amount to approximately \$110.6 million.



**ECONOMIC AND FISCAL IMPACT OF DISTRICT'S RETAIL AND RESTAURANTS**

This subsection provides an estimate of economic benefits generated by the retail and restaurants within Iowa Convention and Entertainment Reinvestment District, specifically the commercial areas in Randolph Hotel and 420 Court, using the same methodology utilized in the impact analysis of the Headquarters Hotel.

Table 4-7 shows the estimated annual sales at the commercial space in Randolph Hotel and 420 Court, which offer 41,800 net square feet of retail and restaurants, combined. The assumptions for sales per square foot are based on findings in Des Moines Downtown Retail Market Analysis completed by Gibbs Planning Group, Inc. in January 2013. Brought to today's dollars, average sales of retail and restaurants across business types in Des Moines are \$424 per square foot. For full service restaurants (defined by the consumption of alcohol on premise), they are \$525 per square foot; while for limited service restaurants (with no consumption of alcohol on premise), they are \$330 per square foot – the restaurants in 420 Court are assumed to generate sales at midpoint. For grocery, they are \$448 per square foot.

**Table 4-7**

Randolph Hotel and 420 Court, Des Moines, Iowa Projected Retail and Restaurants Sales (\$000)												
		2015	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<b>Projected Sales</b>	<i>Net SF</i>	<i>Sales/SF</i>										
1 <b>Randolph Hotel</b>	8,000	\$424	\$3,707	\$3,818	\$3,932	\$4,050	\$4,172	\$4,297	\$4,426	\$4,559	\$4,695	\$4,836
<b>420 Court</b>												
2 Coffee	1,000	\$427	\$467	\$481	\$495	\$510	\$525	\$541	\$557	\$574	\$591	\$609
3 Service Dining	2,800	\$427	1,306	1,346	1,386	1,428	1,470	1,515	1,560	1,607	1,655	1,705
4 Grocery	30,000	\$448	14,686	15,127	15,581	16,048	16,529	17,025	17,536	18,062	18,604	19,162
5 Subtotal	33,800		\$16,459	\$16,953	\$17,462	\$17,985	\$18,525	\$19,081	\$19,653	\$20,243	\$20,850	\$21,476
6 Total	41,800		\$20,166	\$20,771	\$21,394	\$22,036	\$22,697	\$23,378	\$24,079	\$24,801	\$25,545	\$26,312
<i>Taxable Sales at 420 Court</i>												
7 Projected Sales			\$16,459	\$16,953	\$17,462	\$17,985	\$18,525	\$19,081	\$19,653	\$20,243	\$20,850	\$21,476
8 - Sales of Non-Taxable Grocery Items*			(7,343)	(7,563)	(7,790)	(8,024)	(8,265)	(8,513)	(8,768)	(9,031)	(9,302)	(9,581)
9 = Taxable Sales			\$9,116	\$9,390	\$9,671	\$9,961	\$10,260	\$10,568	\$10,885	\$11,212	\$11,548	\$11,894

Notes:  
 \*Assumed at 50% of the projected Grocery sales (Line 4).  
 Source: Johnson Consulting

As shown on the table, commercial space at Randolph Hotel and 420 Court are estimated to generate \$20.2 million of sales in opening year; \$22.7 million in Year 5; \$26.3 million in Year 10. These sales figures reflect direct spending.

Some of these sales are non-taxable, i.e., sales of non-taxable grocery items. Iowa Department of Revenue lists 18 types of food products for consumption off the premises of the retailer that are exempt from tax. In absence of actual sales distribution between taxable and non-taxable grocery items, this analysis assumes that sales of such non-taxable items amount to 50 percent of total grocery sales. Therefore, taxable sales figures



for tax estimation from 420 Court are \$9.1 million in Year 1; \$10.3 million in Year 5; and \$11.9 million in Year 10. For Randolph Hotel retail and restaurants, it is assumed that all sales are taxable.

Applying the same set of multipliers to projected sales figures shown in Line 1 of the previous table, the following Table 4-8 shows the estimated indirect spending, induced spending, increased earnings, and employment impact of Randolph Hotel retail and restaurants. Table 4-8 also shows the estimated fiscal impact from sales tax on those same sales figures (Line 1 of Table 4-7).

ECONOMIC IMPACT ANALYSIS FROM C.H. JOHNSON CONSULTING INC.

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Table 4-8

		Economic Impact					Fiscal Impact	
		Direct Spending	Indirect Spending	Induced Spending	TOTAL Spending	Increased Earnings	Employment (in FTE)	Sales Tax
		(A)	(B)	(C)	(D)	(E)	(F)	(G)
Year 1	2018	\$3.7	\$1.2	\$1.7	\$6.6	\$2.5	68	\$0.222
	2019	3.8	1.3	1.8	6.8	2.6	68	0.229
	2020	3.9	1.3	1.8	7.0	2.6	68	0.236
	2021	4.1	1.3	1.9	7.3	2.7	68	0.243
	2022	4.2	1.4	1.9	7.5	2.8	68	0.250
	2023	4.3	1.4	2.0	7.7	2.9	68	0.258
	2024	4.4	1.5	2.0	7.9	3.0	68	0.266
	2025	4.6	1.5	2.1	8.2	3.1	68	0.274
	2026	4.7	1.6	2.2	8.4	3.2	68	0.282
	2027	4.8	1.6	2.2	8.7	3.2	68	0.290
	2028	5.0	1.7	2.3	8.9	3.3	68	0.299
	2029	5.1	1.7	2.4	9.2	3.4	68	0.308
	2030	5.3	1.8	2.4	9.5	3.5	68	0.317
	2031	5.4	1.8	2.5	9.8	3.7	68	0.327
	2032	5.6	1.9	2.6	10.0	3.8	68	0.336
	2033	5.8	1.9	2.7	10.3	3.9	68	0.346
	2034	5.9	2.0	2.7	10.7	4.0	68	0.357
	2035	6.1	2.0	2.8	11.0	4.1	68	0.368
	2036	6.3	2.1	2.9	11.3	4.2	68	0.379
	2037	6.5	2.2	3.0	11.6	4.4	68	0.390
	2038	6.7	2.2	3.1	12.0	4.5	68	0.402
	2039	6.9	2.3	3.2	12.4	4.6	68	0.414
	2040	7.1	2.4	3.3	12.7	4.8	68	0.426
	2041	7.3	2.4	3.4	13.1	4.9	68	0.439
	2042	7.5	2.5	3.5	13.5	5.1	68	0.452
	2043	7.8	2.6	3.6	13.9	5.2	68	0.466
	2044	8.0	2.7	3.7	14.3	5.4	68	0.480
	2045	8.2	2.7	3.8	14.7	5.5	68	0.494
	2046	8.5	2.8	3.9	15.2	5.7	68	0.509
	2047	8.7	2.9	4.0	15.6	5.9	68	0.524
<b>Total in 20 Years</b>		\$99.6	\$33.1	\$45.7	<b>\$178.4</b>	\$66.8	<b>68*</b>	\$5.976
<b>Total in 30 Years</b>		\$176.3	\$58.6	\$80.9	<b>\$315.9</b>	\$118.3	<b>68*</b>	\$10.580

Notes:  
 Column (A) corresponds exactly to Line 1 in Table 4-7.  
 Column (G) shows 6% percent of sales figures on Line 1 of Table 4-7.  
 \*Employment is not additive. The jobs simply continue to the next year.  
 Source: Johnson Consulting

As shown on the table, the estimated economic impact of Randolph Hotel retail and restaurants in its opening year include \$6.6 million of total spending, \$2.5 million of increased earnings, 68 full-time equivalent



jobs supported, and \$222,000 of sales tax revenues. In Year 5, such impact is estimated to include \$7.5 million of direct spending, \$2.8 million of increased earnings, 68 full-time equivalent jobs supported, and \$250,000 of sales tax revenues. Over 20 years, accumulated impact is estimated to amount to \$178.4 million of total spending and close to \$6 million of sales tax revenues; in 30 years, \$315.9 million of total spending and \$10.6 million of sales tax revenues. These spending activities are expected to support 68 full-time equivalent jobs annually.

Again applying the same set of multipliers but to projected sales figures shown in Line 5 of Table 4-7, the following Table 4-8 shows the estimated indirect spending, induced spending, increased earnings, and employment impact of 420 Court grocery store, coffee shop, and restaurants. Table 4-8 also shows the estimated fiscal impact from sales tax, based on 420 Court's taxable sales figures shown on Line 9 of Table 4-7.



Table 4-9

		Economic Impact					Fiscal Impact	
		Direct Spending	Indirect Spending	Induced Spending	TOTAL Spending	Increased Earnings	Employment (in FTE)	Sales Tax
		(A)	(B)	(C)	(D)	(E)	(F)	(G)
Year 1	2018	\$16.5	\$5.5	\$7.6	\$29.5	\$11.0	304	\$0.547
	2019	17.0	5.6	7.8	30.4	11.4	304	0.563
	2020	17.5	5.8	8.0	31.3	11.7	304	0.580
	2021	18.0	6.0	8.3	32.2	12.1	304	0.598
	2022	18.5	6.2	8.5	33.2	12.4	304	0.616
	2023	19.1	6.3	8.8	34.2	12.8	304	0.634
	2024	19.7	6.5	9.0	35.2	13.2	304	0.653
	2025	20.2	6.7	9.3	36.3	13.6	304	0.673
	2026	20.9	6.9	9.6	37.4	14.0	304	0.693
	2027	21.5	7.1	9.9	38.5	14.4	304	0.714
	2028	22.1	7.4	10.2	39.6	14.8	304	0.735
	2029	22.8	7.6	10.5	40.8	15.3	304	0.757
	2030	23.5	7.8	10.8	42.0	15.7	304	0.780
	2031	24.2	8.0	11.1	43.3	16.2	304	0.803
	2032	24.9	8.3	11.4	44.6	16.7	304	0.827
	2033	25.6	8.5	11.8	45.9	17.2	304	0.852
	2034	26.4	8.8	12.1	47.3	17.7	304	0.878
	2035	27.2	9.0	12.5	48.7	18.3	304	0.904
	2036	28.0	9.3	12.9	50.2	18.8	304	0.931
	2037	28.9	9.6	13.2	51.7	19.4	304	0.959
	2038	29.7	9.9	13.6	53.3	19.9	304	0.988
	2039	30.6	10.2	14.1	54.9	20.5	304	1.018
	2040	31.5	10.5	14.5	56.5	21.2	304	1.048
	2041	32.5	10.8	14.9	58.2	21.8	304	1.079
	2042	33.5	11.1	15.4	59.9	22.4	304	1.112
	2043	34.5	11.5	15.8	61.7	23.1	304	1.145
	2044	35.5	11.8	16.3	63.6	23.8	304	1.180
	2045	36.6	12.2	16.8	65.5	24.5	304	1.215
	2046	37.7	12.5	17.3	67.5	25.3	304	1.251
	2047	38.8	12.9	17.8	69.5	26.0	304	1.289
<b>Total in 20 Years</b>		<b>\$442.3</b>	<b>\$147.1</b>	<b>\$203.0</b>	<b>\$792.3</b>	<b>\$296.7</b>	<b>304*</b>	<b>\$14.697</b>
<b>Total in 30 Years</b>		<b>\$783.0</b>	<b>\$260.4</b>	<b>\$359.4</b>	<b>\$1,402.8</b>	<b>\$525.4</b>	<b>304*</b>	<b>\$26.022</b>

Notes:

Column (A) corresponds exactly to Line 5 in Table 4-7.

Column (G) shows 6% percent of taxable sales figures on Line 9 of Table 4-7.

\*Employment is not additive. The jobs simply continue to the next year.

Source: Johnson Consulting



As shown on the table, the estimated economic impact of 420 Court grocery store and restaurants in its opening year include \$29.5 million of total spending, \$11 million of increased earnings, 304 full-time equivalent jobs supported, and \$547,000 of sales tax revenues. In Year 5, such impact is estimated to include \$33.2 million of direct spending, \$12.4 million of increased earnings, 304 full-time equivalent jobs supported, and \$616,000 of sales tax revenues. Over 20 years, accumulated impact is estimated to amount to \$792.3 million of total spending and \$14.7 million of sales tax revenues; in 30 years, \$1.4 billion of total spending and \$26 million of sales tax revenues. These spending activities are expected to support 304 full-time equivalent jobs annually.

**COMBINED IMPACT: HEADQUARTERS HOTEL, RANDOLPH HOTEL, 420 COURT**

Table 4-10 shows the estimated economic impact of IEC Headquarters Hotel as well as retail and restaurants at Randolph Hotel and 420 Court, combined. To avoid double counting, sales at the Randolph Hotel and 420 Court are assumed to include spending by Headquarters Hotel guests outside of the HQ Hotel.



Table 4-10

**Iowa Convention and Entertainment Reinvestment District, Des Moines, Iowa  
Estimated Economic Benefits Generated by IEC Headquarters Hotel  
and Retail and Restaurants at Randolph Hotel and 420 Court (\$Million)**

		Direct Spending				Indirect Spending (E)	Induced Spending (F)	TOTAL Spending (G)	Increased Earnings (H)	Employment (in FTE) (I)
		At HQ Hotel (A)	At Randolph Hotel (B)	At 420 Court (C)	Total (D)					
Year 1	2018	\$15.4	\$3.7	\$16.5	\$35.6	\$11.8	\$16.3	\$63.7	\$23.9	657
	2	18.9	3.8	17.0	39.7	13.2	18.2	71.1	26.6	712
	3	21.9	3.9	17.5	43.3	14.4	19.9	77.6	29.1	754
	4	22.8	4.1	18.0	44.8	14.9	20.6	80.3	30.1	757
	5	2022	23.4	4.2	18.5	46.1	15.3	21.2	31.0	757
	6	2023	24.1	4.3	19.1	47.5	15.8	21.8	31.9	756
	7	2024	24.9	4.4	19.7	49.0	16.3	22.5	32.8	756
	8	2025	25.6	4.6	20.2	50.4	16.8	23.1	33.8	756
	9	2026	26.4	4.7	20.9	51.9	17.3	23.8	34.8	756
	10	2027	27.2	4.8	21.5	53.5	17.8	24.6	35.9	756
	11	2028	28.0	5.0	22.1	55.1	18.3	25.3	37.0	756
	12	2029	28.8	5.1	22.8	56.7	18.9	26.0	38.1	756
	13	2030	29.7	5.3	23.5	58.4	19.4	26.8	39.2	756
	14	2031	30.6	5.4	24.2	60.2	20.0	27.6	40.4	756
	15	2032	31.5	5.6	24.9	62.0	20.6	28.5	41.6	756
	16	2033	32.5	5.8	25.6	63.9	21.2	29.3	42.9	756
	17	2034	33.4	5.9	26.4	65.8	21.9	30.2	44.1	756
	18	2035	34.4	6.1	27.2	67.8	22.5	31.1	45.5	756
	19	2036	35.5	6.3	28.0	69.8	23.2	32.0	46.8	756
	20	2037	36.5	6.5	28.9	71.9	23.9	33.0	48.2	756
	21	2038	37.6	6.7	29.7	74.0	24.6	34.0	49.7	756
	22	2039	38.7	6.9	30.6	76.3	25.4	35.0	51.2	756
	23	2040	39.9	7.1	31.5	78.6	26.1	36.1	52.7	756
	24	2041	41.1	7.3	32.5	80.9	26.9	37.1	54.3	756
	25	2042	42.3	7.5	33.5	83.3	27.7	38.3	55.9	756
	26	2043	43.6	7.8	34.5	85.8	28.5	39.4	57.6	756
	27	2044	44.9	8.0	35.5	88.4	29.4	40.6	59.3	756
	28	2045	46.3	8.2	36.6	91.1	30.3	41.8	61.1	756
	29	2046	47.7	8.5	37.7	93.8	31.2	43.1	62.9	756
	30	2047	49.1	8.7	38.8	96.6	32.1	44.3	64.8	756
<b>Total in 20 Years</b>		\$551.6	\$99.6	\$442.3	\$1,093.5	\$363.6	\$501.9	<b>\$1,959.0</b>	\$733.7	<b>756*</b>
<b>Total in 30 Years</b>		\$982.9	\$176.3	\$783.0	\$1,942.3	\$645.8	\$891.5	<b>\$3,479.6</b>	\$1,303.2	<b>756*</b>

Notes:

Column (A) corresponds exactly to Line 5 in Table 4-3.

Column (B) corresponds exactly to Line 1 in Table 4-7.

Column (C) corresponds exactly to Line 5 in Table 4-7.

Column (E), (F), (H), and (I) are calculated by applying respective multiplier rates to Total Direct Spending in Column (D).

\*Employment is not additive. The jobs simply continue to the next year.

Source: Johnson Consulting



As shown on the table, the estimated economic impact of the IEC Headquarters Hotel as well as retail and restaurants at Randolph Hotel and 420 Court, combined in the opening year include \$63.7 million of total spending, \$23.9 million of increased earnings, and 657 full-time equivalent jobs supported. In Year 5, such impact is estimated to include \$82.7 million of direct spending, \$31 million of increased earnings, and 757 full-time equivalent jobs supported. Over 20 years, total spending is estimated to amount to \$1.96 billion; in 30 years, \$3.48 billion. These spending activities are expected to support 756 full-time equivalent jobs annually.

Table 4-11 shows the estimated fiscal impact of IEC Headquarters Hotel as well as retail and restaurants at Randolph Hotel and 420 Court, combined.



Table 4-11

**Iowa Convention and Entertainment Reinvestment District, Des Moines, Iowa  
Estimated Fiscal Benefits of IEC Headquarters Hotel and Retail and Restaurants at Randolph Hotel and 420 Court (\$Million)**

		State Sales Tax	Hotel/ Motel Tax	Excise Tax	TOTAL	
		(A)	(B)	(C)	(D)	
Year 1	2018	\$1.075	\$0.722	\$0.515	\$2.311	
	2	2019	1.202	0.849	0.606	2.657
	3	2020	1.289	0.983	0.702	2.975
	4	2021	1.325	1.030	0.736	3.091
	5	2022	1.363	1.061	0.758	3.182
	6	2023	1.404	1.093	0.780	3.277
	7	2024	1.446	1.125	0.804	3.376
	8	2025	1.490	1.159	0.828	3.477
	9	2026	1.534	1.194	0.853	3.581
	10	2027	1.580	1.230	0.878	3.689
	11	2028	1.628	1.267	0.905	3.799
	12	2029	1.677	1.305	0.932	3.913
	13	2030	1.727	1.344	0.960	4.031
	14	2031	1.779	1.384	0.989	4.152
	15	2032	1.832	1.426	1.018	4.276
	16	2033	1.887	1.468	1.049	4.404
	17	2034	1.944	1.512	1.080	4.537
	18	2035	2.002	1.558	1.113	4.673
	19	2036	2.062	1.605	1.146	4.813
	20	2037	2.124	1.653	1.181	4.957
	21	2038	2.188	1.702	1.216	5.106
	22	2039	2.253	1.753	1.252	5.259
	23	2040	2.321	1.806	1.290	5.417
	24	2041	2.390	1.860	1.329	5.579
	25	2042	2.462	1.916	1.369	5.747
	26	2043	2.536	1.973	1.410	5.919
	27	2044	2.612	2.033	1.452	6.097
	28	2045	2.691	2.094	1.495	6.280
	29	2046	2.771	2.156	1.540	6.468
	30	2047	2.854	2.221	1.587	6.662
<b>Total in 20 Years</b>		<b>\$32.370</b>	<b>\$24.966</b>	<b>\$17.833</b>	<b>\$75.169</b>	
<b>Total in 30 Years</b>		<b>\$57.449</b>	<b>\$44.481</b>	<b>\$31.772</b>	<b>\$133.702</b>	

Notes:

Column (A) reflects 6% of direct spending at HQ Hotel on food and beverage and others (Line 3 and Line 4 in Table 4-3), of Randolph Hotel's sales figure (Line 1 of Table 4-7), and of 420 Court's taxable sales figures (Line 9 of Table 4-7).

Column (B) reflects 7% of direct spending at HQ Hotel on rooms (Line 2 in Table 4-3).

Column (C) reflects 5% of direct spending at HQ Hotel on rooms (Line 2 in Table 4-3)

Source: Johnson Consulting



As shown on the table, in 20 year period, sales at the Headquarters Hotel as well as retail and restaurants at Randolph Hotel and 420 Court, combined are estimated to generate approximately \$75.2 million from sales, hotel/ motel, and excise tax, combined. In 30 years, such revenue is expected to amount to approximately \$133.7 million.

#### TAX REVENUES GENERATED AT THE HEADQUARTERS HOTEL

This subsection provides an estimate of the sales tax revenues generated at the Headquarters Hotel alone, taking into account direct spending by hotel guests that occurs within the Hotel only, which is equal to the Total Revenue line in the Hotel projections by the developer. Direct spending outside the Hotel is NOT included. The estimates provide total sales tax as well as the size that is allowed by Iowa Reinvestment Act for District Reinvestment Program.

Out of the 6-percent Sales tax, 7-percent Hotel/ Motel tax, and 5-percent Excise tax, the Iowa Reinvestment Act allows only some of it to be used for District Reinvestment Program:

- 4 percent Sales tax on food and beverage, parking, and other revenues, but NOT on rooms, and
- 5 percent Excise Tax on rooms.

Table 4-12 shows the calculation.



Table 4-12

Iowa Events Center Headquarters Hotel, Des Moines, Iowa Estimated Sales Tax Revenues Generated within the Headquarters Hotel Site only (\$Million)								
		Sales Tax (6%)*		Local Hotel/ Motel Tax on Rooms	Excise Tax on Rooms**	TOTAL	Available to Reinvestment Program as Allowed by IRA**	Retained by Jurisdictions
		4.0%**	2.0%	7.0%	5.0%			
		(A)	(B)	(C)	(D)			
Year 1	2018	\$0.204	\$0.102	\$0.722	\$0.515	\$1.542	\$0.719	\$0.823
	2019	0.273	0.136	0.849	0.606	1.864	0.879	0.985
	2020	0.315	0.158	0.983	0.702	2.159	1.018	1.141
	2021	0.323	0.161	1.030	0.736	2.250	1.059	1.191
	2022	0.332	0.166	1.061	0.758	2.316	1.089	1.227
	2023	0.342	0.171	1.093	0.780	2.385	1.122	1.263
	2024	0.352	0.176	1.125	0.804	2.457	1.156	1.301
	2025	0.362	0.181	1.159	0.828	2.531	1.190	1.340
	2026	0.373	0.187	1.194	0.853	2.607	1.226	1.381
	2027	0.384	0.192	1.230	0.878	2.685	1.263	1.422
	2028	0.396	0.198	1.267	0.905	2.765	1.301	1.465
	2029	0.408	0.204	1.305	0.932	2.848	1.340	1.509
	2030	0.420	0.210	1.344	0.960	2.934	1.380	1.554
	2031	0.433	0.216	1.384	0.989	3.022	1.421	1.600
	2032	0.446	0.223	1.426	1.018	3.112	1.464	1.648
	2033	0.459	0.229	1.468	1.049	3.206	1.508	1.698
	2034	0.473	0.236	1.512	1.080	3.302	1.553	1.749
	2035	0.487	0.243	1.558	1.113	3.401	1.600	1.801
	2036	0.502	0.251	1.605	1.146	3.503	1.648	1.855
	2037	0.517	0.258	1.653	1.181	3.608	1.697	1.911
	2038	0.532	0.266	1.702	1.216	3.716	1.748	1.968
	2039	0.548	0.274	1.753	1.252	3.828	1.800	2.027
	2040	0.564	0.282	1.806	1.290	3.943	1.854	2.088
	2041	0.581	0.291	1.860	1.329	4.061	1.910	2.151
	2042	0.599	0.299	1.916	1.369	4.183	1.967	2.215
	2043	0.617	0.308	1.973	1.410	4.308	2.026	2.282
	2044	0.635	0.318	2.033	1.452	4.437	2.087	2.350
	2045	0.654	0.327	2.094	1.495	4.571	2.150	2.421
	2046	0.674	0.337	2.156	1.540	4.708	2.214	2.493
	2047	0.694	0.347	2.221	1.587	4.849	2.281	2.568
<b>Total in 20 Years</b>		<b>\$7.798</b>	<b>\$3.899</b>	<b>\$24.966</b>	<b>\$17.833</b>	<b>\$54.496</b>	<b>\$25.631</b>	<b>\$28.865</b>
<b>Total in 30 Years</b>		<b>\$13.898</b>	<b>\$6.949</b>	<b>\$44.481</b>	<b>\$31.772</b>	<b>\$97.100</b>	<b>\$45.670</b>	<b>\$51.430</b>

\*Applied to food and beverage, parking, and other revenues, but NOT applied to rooms.  
Total tax rate is 6 percent, of which 4 percent is allowed by IRA to be available for District Reinvestment Program.  
\*\*These tax revenues are available for District Reinvestment Program, as allowed by IRA.  
Source: Johnson Consulting

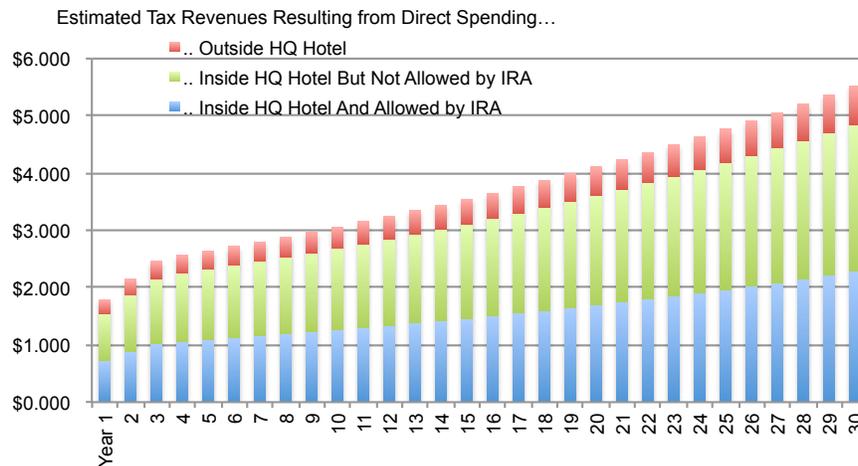


As shown on the table, the Headquarters Hotel is expected to generate approximately \$54.5 million in 20 years from sales tax, hotel/ motel tax, and excise tax, combined; or approximately \$97.1 million in 30 years. The portion of taxes allowed by IRA to be used for District Reinvestment Program is estimated to amount to \$25.6 million in 20 years, or \$45.7 million in 30 years – less than half of total collections.

Figure 4-1 shows the comparison of total sales tax revenues resulting from direct spending by hotel guests and the portion that is allowed by IRA to support Reinvestment District Program.

Figure 4-1

**Iowa Events Center Headquarters Hotel, Des Moines, Iowa  
Comparison of Sales Tax Revenues and the Portion Allowed by IRA for Reinvestment District Program (\$Million)**



	Year 1	Year 5	20-Year Total	30-Year Total	%
Allowed by IRA	\$0.719	\$1.089	\$25.631	\$45.670	41%
Inside HQ Hotel but Not Allowed	\$0.823	\$1.227	\$28.865	\$51.430	46%
Outside HQ Hotel	\$0.247	\$0.321	\$7.619	\$13.531	12%
<b>Total Tax Revenues</b>	<b>\$1.789</b>	<b>\$2.637</b>	<b>\$62.115</b>	<b>\$110.631</b>	<b>100%</b>

Source: Johnson Consulting

The chart shows that the amounts allowed by IRA to be available to support Reinvestment District Program is only 41 percent of the total sales tax collections. The State and local jurisdictions still retain 60 percent of total sales tax collections.



### TAX REVENUES GENERATED AT RANDOLPH HOTEL

Table 4-13 shows the estimated sales tax revenues from within the Randolph Hotel site only, from its retail and restaurants. The table also shows the portion that is allowed by the Iowa Reinvestment Act allows to be used for District Reinvestment Program.



Table 4-13

Randolph Hotel, Des Moines, Iowa Estimated Sales Tax Revenues Generated within the Randolph Hotel Site only (\$Million)								
		Sales Tax (6%)*		Local Hotel/ Motel Tax on Rooms	Excise Tax on Rooms**	TOTAL	Available to Reinvestment Program as Allowed by IRA**	Retained by Jurisdictions
		4.0%**	2.0%	7.0%	5.0%			
		(A)	(B)	(C)	(D)	(E)	(F) = (A) + (D)	(G) = (E) - (F)
Year 1	2018	\$0.148	\$0.074	na	na	\$0.222	\$0.148	\$0.074
	2	2019	0.153	0.076	na	na	0.229	0.076
	3	2020	0.157	0.079	na	na	0.236	0.079
	4	2021	0.162	0.081	na	na	0.243	0.081
	5	2022	0.167	0.083	na	na	0.250	0.083
	6	2023	0.172	0.086	na	na	0.258	0.086
	7	2024	0.177	0.089	na	na	0.266	0.089
	8	2025	0.182	0.091	na	na	0.274	0.091
	9	2026	0.188	0.094	na	na	0.282	0.094
	10	2027	0.193	0.097	na	na	0.290	0.097
	11	2028	0.199	0.100	na	na	0.299	0.100
	12	2029	0.205	0.103	na	na	0.308	0.103
	13	2030	0.211	0.106	na	na	0.317	0.106
	14	2031	0.218	0.109	na	na	0.327	0.109
	15	2032	0.224	0.112	na	na	0.336	0.112
	16	2033	0.231	0.115	na	na	0.346	0.115
	17	2034	0.238	0.119	na	na	0.357	0.119
	18	2035	0.245	0.123	na	na	0.368	0.123
	19	2036	0.252	0.126	na	na	0.379	0.126
	20	2037	0.260	0.130	na	na	0.390	0.130
	21	2038	0.268	0.134	na	na	0.402	0.134
	22	2039	0.276	0.138	na	na	0.414	0.138
	23	2040	0.284	0.142	na	na	0.426	0.142
	24	2041	0.293	0.146	na	na	0.439	0.146
	25	2042	0.301	0.151	na	na	0.452	0.151
	26	2043	0.310	0.155	na	na	0.466	0.155
	27	2044	0.320	0.160	na	na	0.480	0.160
	28	2045	0.329	0.165	na	na	0.494	0.165
	29	2046	0.339	0.170	na	na	0.509	0.170
	30	2047	0.349	0.175	na	na	0.524	0.175
<b>Total in 20 Years</b>		<b>\$3.984</b>	<b>\$1.992</b>	na	na	<b>\$5.976</b>	<b>\$3.984</b>	<b>\$1.992</b>
<b>Total in 30 Years</b>		<b>\$7.054</b>	<b>\$3.527</b>	na	na	<b>\$10.580</b>	<b>\$7.054</b>	<b>\$3.527</b>

\*Applied to Randolph Hotel's sales figures (Line 1 of Table 4-7).

Total tax rate is 6 percent, of which 4 percent is allowed by IRA to be available for District Reinvestment Program.

\*\*These tax revenues are available for District Reinvestment Program, as allowed by IRA.

Source: Johnson Consulting

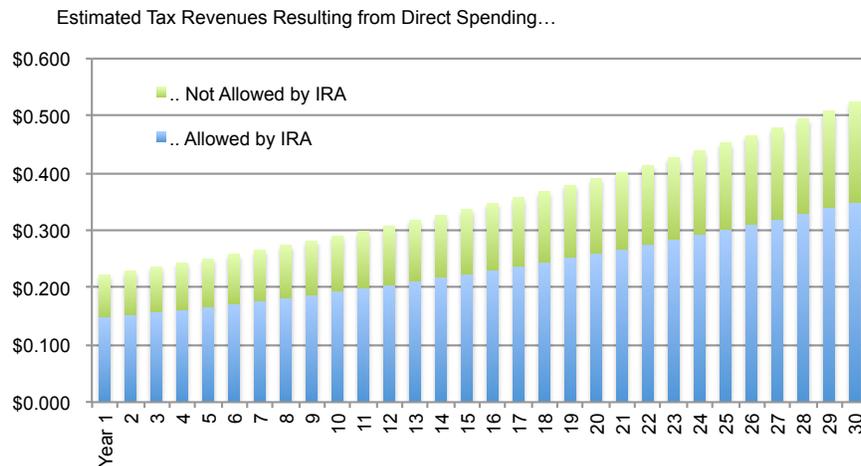


As shown on the table, Randolph Hotel retail and restaurants are expected to generate approximately close to \$6 million in 20 years from sales tax; or approximately \$10.6 million in 30 years. The portion of taxes allowed by IRA to be used for District Reinvestment Program is estimated to amount to \$4 million in 20 years, or \$7.1 million in 30 years.

Figure 4-4 shows the comparison of total sales tax revenues resulting from sales within Randolph Hotel, and the portion that is allowed by IRA to support Reinvestment District Program.

Figure 4-2

**Randolph Hotel, Des Moines, Iowa  
Comparison of Sales Tax Revenues and the Portion Allowed by IRA for Reinvestment District Program (\$Million)**



	Year 1	Year 5	20-Year Total	30-Year Total	%
Allowed by IRA	\$0.148	\$0.167	\$3.984	\$7.054	67%
Not Allowed by IRA	\$0.074	\$0.083	\$1.992	\$3.527	33%
<b>Total Tax Revenues</b>	<b>\$0.222</b>	<b>\$0.250</b>	<b>\$5.976</b>	<b>\$10.580</b>	<b>100%</b>

Source: Johnson Consulting

The chart shows that the amounts allowed by IRA to be available to support Reinvestment District Program represents two-thirds of the total sales tax collections. The State and local jurisdictions still retain one-third of total sales tax collections.



### TAX REVENUES GENERATED AT 420 COURT

Table 4-13 shows the estimated sales tax revenues from within the 420 Court site only, from its grocery store, coffee shop, and restaurant. The table also shows the portion that is allowed by the Iowa Reinvestment Act allows to be used for District Reinvestment Program.



Table 4-14

420 Court, Des Moines, Iowa Estimated Sales Tax Revenues Generated within the 420 Court Site only (\$Million)								
		Sales Tax (6%)*		Local Hotel/ Motel Tax on Rooms	Excise Tax on Rooms**	TOTAL	Available to Reinvestment Program as Allowed by IRA**	Retained by Jurisdictions
		4.0%**	2.0%	7.0%	5.0%			
		(A)	(B)	(C)	(D)	(E)	(F) = (A) + (D)	(G) = (E) - (F)
Year 1	2018	\$0.365	\$0.182	na	na	\$0.547	\$0.365	\$0.182
	2 2019	0.376	0.188	na	na	0.563	0.376	0.188
	3 2020	0.387	0.193	na	na	0.580	0.387	0.193
	4 2021	0.398	0.199	na	na	0.598	0.398	0.199
	5 2022	0.410	0.205	na	na	0.616	0.410	0.205
	6 2023	0.423	0.211	na	na	0.634	0.423	0.211
	7 2024	0.435	0.218	na	na	0.653	0.435	0.218
	8 2025	0.448	0.224	na	na	0.673	0.448	0.224
	9 2026	0.462	0.231	na	na	0.693	0.462	0.231
	10 2027	0.476	0.238	na	na	0.714	0.476	0.238
	11 2028	0.490	0.245	na	na	0.735	0.490	0.245
	12 2029	0.505	0.252	na	na	0.757	0.505	0.252
	13 2030	0.520	0.260	na	na	0.780	0.520	0.260
	14 2031	0.535	0.268	na	na	0.803	0.535	0.268
	15 2032	0.552	0.276	na	na	0.827	0.552	0.276
	16 2033	0.568	0.284	na	na	0.852	0.568	0.284
	17 2034	0.585	0.293	na	na	0.878	0.585	0.293
	18 2035	0.603	0.301	na	na	0.904	0.603	0.301
	19 2036	0.621	0.310	na	na	0.931	0.621	0.310
	20 2037	0.639	0.320	na	na	0.959	0.639	0.320
	21 2038	0.659	0.329	na	na	0.988	0.659	0.329
	22 2039	0.678	0.339	na	na	1.018	0.678	0.339
	23 2040	0.699	0.349	na	na	1.048	0.699	0.349
	24 2041	0.720	0.360	na	na	1.079	0.720	0.360
	25 2042	0.741	0.371	na	na	1.112	0.741	0.371
	26 2043	0.763	0.382	na	na	1.145	0.763	0.382
	27 2044	0.786	0.393	na	na	1.180	0.786	0.393
	28 2045	0.810	0.405	na	na	1.215	0.810	0.405
	29 2046	0.834	0.417	na	na	1.251	0.834	0.417
	30 2047	0.859	0.430	na	na	1.289	0.859	0.430
<b>Total in 20 Years</b>		<b>\$9.798</b>	<b>\$4.899</b>	na	na	<b>\$14.697</b>	<b>\$9.798</b>	<b>\$4.899</b>
<b>Total in 30 Years</b>		<b>\$17.348</b>	<b>\$8.674</b>	na	na	<b>\$26.022</b>	<b>\$17.348</b>	<b>\$8.674</b>

\*Applied to 420 Court's taxable retail and restaurant sales figures (Line 9 of Table 4-7).  
 Total tax rate is 6 percent, of which 4 percent is allowed by IRA to be available for District Reinvestment Program.  
 \*\*These tax revenues are available for District Reinvestment Program, as allowed by IRA.  
 Source: Johnson Consulting

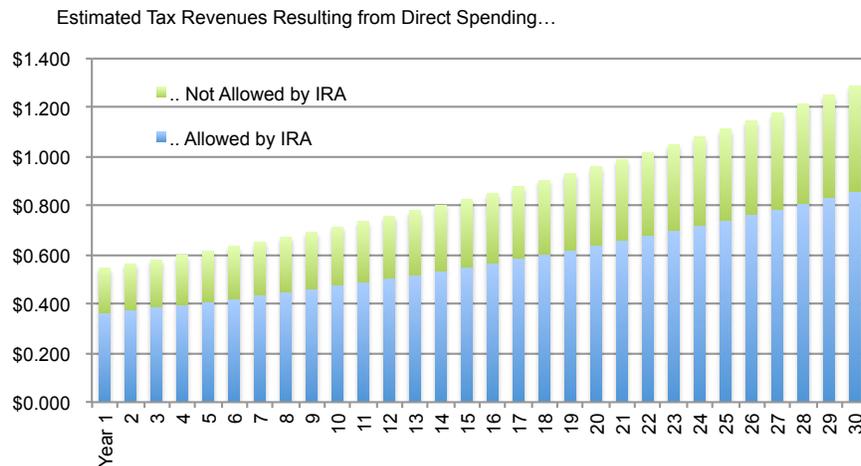


As shown on the table, 420 Court grocery store, coffee shop, and restaurant are expected to generate approximately close to \$14.7 million in 20 years from sales tax; or approximately \$26 million in 30 years. The portion of taxes allowed by IRA to be used for District Reinvestment Program is estimated to amount to \$9.8 million in 20 years, or \$17.3 million in 30 years.

Figure 4-4 shows the comparison of total sales tax revenues resulting from sales within 420 Court, and the portion that is allowed by IRA to support Reinvestment District Program.

Figure 4-3

**420 Court, Des Moines, Iowa  
Comparison of Sales Tax Revenues and the Portion Allowed by IRA for Reinvestment District Program (\$Million)**



	Year 1	Year 5	20-Year Total	30-Year Total	%
Allowed by IRA	\$0.365	\$0.410	\$9.798	\$17.348	67%
Not Allowed by IRA	\$0.182	\$0.205	\$4.899	\$8.674	33%
<b>Total Tax Revenues</b>	<b>\$0.547</b>	<b>\$0.616</b>	<b>\$14.697</b>	<b>\$26.022</b>	<b>100%</b>

Source: Johnson Consulting

The chart shows that the amounts allowed by IRA to be available to support Reinvestment District Program represents two-thirds of the total sales tax collections. The State and local jurisdictions still retain one-third of total sales tax collections.



### COMBINED TAX REVENUES: HEADQUARTERS HOTEL, RANDOLPH HOTEL, 420 COURT

Table 4-15 shows the estimated sales tax revenues from within the IEC Headquarters Hotel, Randolph Hotel, and 420 Court sites only. The table also shows the portion that is allowed by the Iowa Reinvestment Act allows to be used for District Reinvestment Program.



Table 4-15

**Iowa Convention and Entertainment Reinvestment District, Des Moines, Iowa  
Estimated Sales Tax Revenues Generated within the Headquarters Hotel,  
Randolph Hotel, and 420 Court Site only (\$Million)**

		Sales Tax (6%)*		Local Hotel/ Motel Tax on Rooms	Excise Tax on Rooms**	TOTAL  (E)	Available to Reinvestment Program as Allowed by IRA**  (F) = (A) + (D)	Retained by Jurisdictions  (G) = (E) - (F)
		4.0%**	2.0%	7.0%	5.0%			
		(A)	(B)	(C)	(D)			
Year 1	2018	\$0.716	\$0.358	\$0.722	\$0.515	\$2.311	\$1.232	\$1.080
	2	0.801	0.401	0.849	0.606	2.657	1.407	1.249
	3	0.860	0.430	0.983	0.702	2.975	1.562	1.413
	4	0.883	0.442	1.030	0.736	3.091	1.619	1.472
	5	0.909	0.454	1.061	0.758	3.182	1.667	1.515
	6	0.936	0.468	1.093	0.780	3.277	1.717	1.561
	7	0.964	0.482	1.125	0.804	3.376	1.768	1.608
	8	0.993	0.497	1.159	0.828	3.477	1.821	1.656
	9	1.023	0.511	1.194	0.853	3.581	1.876	1.705
	10	1.054	0.527	1.230	0.878	3.689	1.932	1.757
	11	1.085	0.543	1.267	0.905	3.799	1.990	1.809
	12	1.118	0.559	1.305	0.932	3.913	2.050	1.864
	13	1.151	0.576	1.344	0.960	4.031	2.111	1.919
	14	1.186	0.593	1.384	0.989	4.152	2.175	1.977
	15	1.221	0.611	1.426	1.018	4.276	2.240	2.036
	16	1.258	0.629	1.468	1.049	4.404	2.307	2.097
	17	1.296	0.648	1.512	1.080	4.537	2.376	2.160
	18	1.335	0.667	1.558	1.113	4.673	2.447	2.225
	19	1.375	0.687	1.605	1.146	4.813	2.521	2.292
	20	1.416	0.708	1.653	1.181	4.957	2.596	2.361
	21	1.458	0.729	1.702	1.216	5.106	2.674	2.432
	22	1.502	0.751	1.753	1.252	5.259	2.755	2.504
	23	1.547	0.774	1.806	1.290	5.417	2.837	2.580
	24	1.594	0.797	1.860	1.329	5.579	2.922	2.657
	25	1.641	0.821	1.916	1.369	5.747	3.010	2.737
	26	1.691	0.845	1.973	1.410	5.919	3.100	2.819
	27	1.741	0.871	2.033	1.452	6.097	3.193	2.903
	28	1.794	0.897	2.094	1.495	6.280	3.289	2.990
	29	1.847	0.924	2.156	1.540	6.468	3.388	3.080
	30	1.903	0.951	2.221	1.587	6.662	3.489	3.173
<b>Total in 20 Years</b>		<b>\$21.580</b>	<b>\$10.790</b>	<b>\$24.966</b>	<b>\$17.833</b>	<b>\$75.169</b>	<b>\$39.413</b>	<b>\$35.756</b>
<b>Total in 30 Years</b>		<b>\$38.299</b>	<b>\$19.150</b>	<b>\$44.481</b>	<b>\$31.772</b>	<b>\$133.702</b>	<b>\$70.072</b>	<b>\$63.631</b>

\*Applied to food and beverage, parking, and other revenues, but NOT rooms on HQ Hotel, and taxable sales at Randolph Hotel and 420 Court. Total tax rate is 6 percent, of which 4 percent is allowed by IRA to be available for District Reinvestment Program.

\*\*These tax revenues are available for District Reinvestment Program, as allowed by IRA.

Source: Johnson Consulting

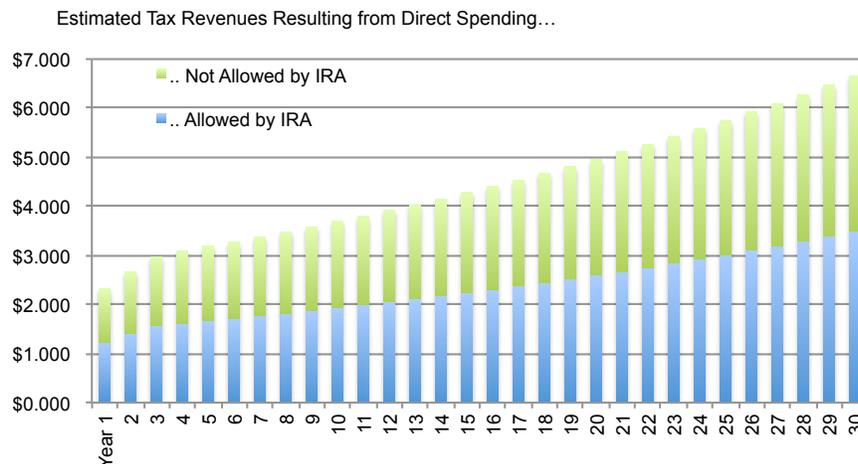


As shown on the table, the Headquarters Hotel, Randolph Hotel, and 420 Court are expected to generate approximately \$75.2 million in 20 years from sales tax, hotel/ motel tax, and excise tax, combined; or approximately \$133.7 million in 30 years. The portion of taxes allowed by IRA to be used for District Reinvestment Program is estimated to amount to \$39.4 million in 20 years, or \$70.1 million in 30 years.

Figure 4-4 shows the comparison of total sales tax revenues resulting from sales within IEC Headquarters Hotel, Randolph Hotel, and 420 Court, and the portion that is allowed by IRA to support Reinvestment District Program.

Figure 4-4

**Iowa Convention and Entertainment Reinvestment District, Des Moines, Iowa  
Comparison of Sales Tax Revenues and the Portion Allowed by IRA for Reinvestment  
District Program (\$Million)**



	Year 1	Year 5	20-Year Total	30-Year Total	%
Allowed by IRA	\$1.232	\$1.667	\$39.413	\$70.072	52%
Not Allowed by IRA	\$1.080	\$1.515	\$35.756	\$63.631	48%
<b>Total Tax Revenues</b>	<b>\$2.311</b>	<b>\$3.182</b>	<b>\$75.169</b>	<b>\$133.702</b>	<b>100%</b>

Source: Johnson Consulting

The chart shows that the amounts allowed by IRA to be available to support Reinvestment District Program is 52 percent of the total sales tax collections. The State and local jurisdictions retain 48 percent of total sales tax collections.



**OVERALL ECONOMIC AND FISCAL BENEFITS**

The preceding analyses demonstrate that the benefit of the Headquarters Hotel combined with retail and restaurants at Randolph Hotel and 420 Court are significant. While the Iowa Convention and Entertainment Reinvestment District is asking for \$39,413,000 of State assistance, the District is estimated to generate annual economic and fiscal impact as shown in Table 4-16.

**Table 4-16**

Iowa Convention and Entertainment Reinvestment District, Des Moines, Iowa Summary of Economic and Fiscal Impact of Headquarters Hotel and Retail and Restaurants at Randolph Hotel and 420 Court (\$Million)					
	Annual Impact			Total Impact	
	Year 1	Year 5	Year 10	20-Year	30-Year
<b>Economic Impact</b>					
Total Spending	<b>\$64</b>	<b>\$83</b>	<b>\$96</b>	<b>\$1,959</b>	<b>\$3,480</b>
Increased Earnings	24	31	36	734	1,303
Increased Employment (FTE)	657	757	756	756*	756*
<b>Fiscal Impact</b>					
Sales Tax	\$1.1	\$1.4	\$1.6	\$32	\$57
Hotel/ Motel Tax	0.7	1.1	1.2	25	44
Excise Tax	0.5	0.8	0.9	18	32
<b>Total</b>	<b>\$2.3</b>	<b>\$3.2</b>	<b>\$3.7</b>	<b>\$75</b>	<b>\$134</b>

\*Employment figures are not additive. The jobs simply continue to the following year.  
Source: Johnson Consulting

The estimated annual economic and fiscal impact if growing each year, and the accumulated amounts are huge. Clearly, the projected economic and fiscal benefits of having a Headquarters Hotel in Des Moines far outweigh the requested assistance.

**HEADQUARTERS HOTEL IMPACT IS NET NEW**

The estimated impact of the Headquarters Hotel is 100 percent net new. Because, even though the Headquarters Hotel is expected to have over 100 percent penetration rate, meaning it absorbs more demand than its fair share from the other hotels in Des Moines, the presence of the Headquarters Hotel is expected to grow the demand so that what it takes is still less than what it induces into Des Moines market.

This concept is illustrated in Table 4-17 on the following page. In Year 5, for example, the Headquarters Hotel is taking 8,800 room nights from the other hotels. However, its presence is helping generate 39,300 new convention room nights to be shared by area hotels. Furthermore, its own chain-affiliated marketing effort is generating In-House meeting demand with 1,500 room nights overflowed to area hotels.



Table 4-17

Iowa Events Center Headquarters Hotel, Des Moines, Iowa Estimated HQ Hotel Net New Impact to Area Hotels					
	2018	2019	2020	2021	2022
<b>I. "Cannibalization"</b>					
1 HQ Hotel Occupied Room Nights	75,884	83,111	87,752	87,752	87,752
2 HQ Hotel Penetration Rate	110.0%	110.0%	110.0%	110.0%	110.0%
3 Room Nights Taken from Area Hotels	(7,600)	(8,300)	(8,800)	(8,800)	(8,800)
<b>II. Increased Convention Room Night Demand</b>					
4 New Room Night Demand from IEC (1)	20,962	32,252	41,924	48,362	48,362
5 HQ Hotel Penetration Rate	110.0%	115.0%	120.0%	125.0%	130.0%
6 Accommodated by HQ Hotel	3,362	5,352	7,224	8,762	9,062
7 Shared by Area Hotels	17,600	26,900	34,700	39,600	39,300
<b>III. Overflow from HQ Hotel Meeting Demand</b>					
8 In-House Meeting Room Nights (2)	25,295	27,704	29,251	29,251	29,251
9 Overflow to Area Hotels (3)	1,300	1,400	1,500	1,500	1,500
<b>IV. Net Effect to Area Hotels</b>					
10 Room Nights Taken from Area Hotels	(7,600)	(8,300)	(8,800)	(8,800)	(8,800)
11 New IEC Room Nights Shared by Area Hotels	17,600	26,900	34,700	39,600	39,300
12 HQ Meeting Demand Overflow	1,300	1,400	1,500	1,500	1,500
13 Net Effect	11,300	20,000	27,400	32,300	32,000

Notes:  
 1) Corresponds to the estimates in Table 3-12 of Section 3.  
 2) Assuming 33.33 percent of demand comes from In-House meetings.  
 3) Assuming an additional 5 percent demand that overflows to area hotels.  
 Source: November 2014 HQ Hotel Pro Forma by the developer; Johnson Consulting

As shown on the table, room nights taken by the Headquarters Hotel from other hotels are more than replaced by new convention room nights demand and overflow from the new Hotel in-house meeting demand compression and their marketing efforts. Therefore, in Year 5, for example, the end result is still a positive net effect of 32,000 room nights to area hotels. Therefore, the Headquarters Hotel is not taking business from other hotels – in fact, it benefits other hotels. In other words, the Headquarters Hotel impact is 100 percent net new.