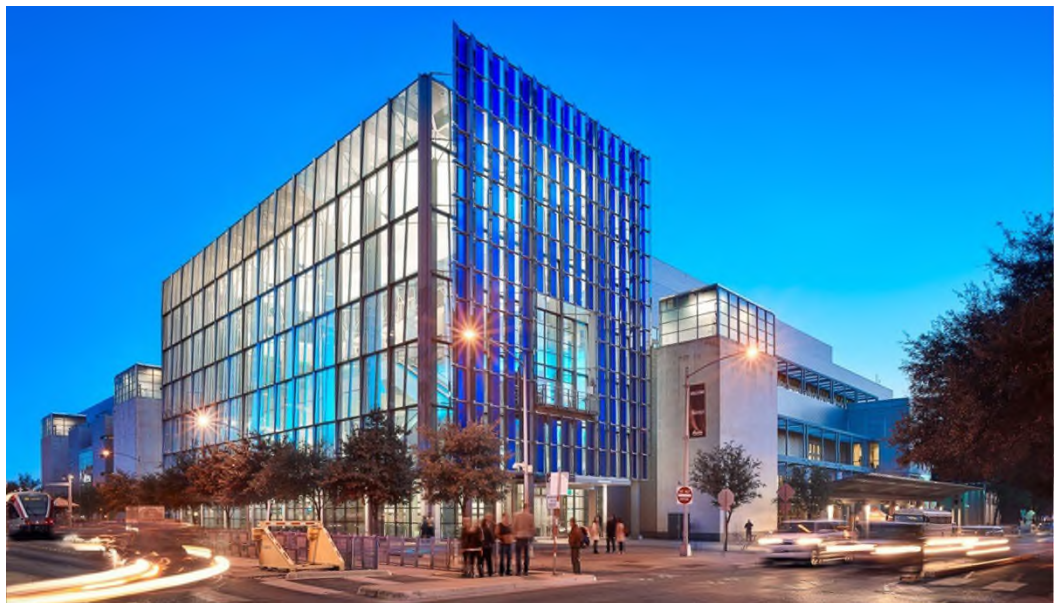




REDEVELOPMENT AND EXPANSION ANALYSIS

Austin Convention Center

AUSTIN, TEXAS



SUBMITTED TO:

Ms. Katy Zamesnik
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PREPARED BY:

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December 17, 2021

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Ms. Katy Zamesnik
Austin Convention Center
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Re: Austin Convention Center
Austin, Texas

Dear Ms. Zamesnik:

Attached you will find our Redevelopment and Expansion Analysis of the Neal Kocurek Memorial Austin Convention Center in Austin, Texas . This report updates the previous report on the Austin Convention Center Expansion, dated June 10, 2020.

We certify that we have no undisclosed interest in the property, and our employment and compensation are not contingent upon our findings. This study is subject to the comments made throughout this report and to all assumptions and limiting conditions set forth herein.

It has been a pleasure working with you. We look forward to hearing your comments.

Sincerely,
HVS Convention, Sports & Entertainment
Facilities Consulting

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

Thomas A. Hazinski, MPP
Managing Director

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

Anthony Davis, MPP
Project Manager



Convention, Sports & Entertainment
Facilities Consulting
Chicago, Illinois

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1. Introduction and Executive Summary

Nature of the Assignment

The Neal Kocurek Memorial Austin Convention Center (“ACC”) engaged HVS Convention, Sports & Entertainment Facilities Consulting (“HVS”) to conduct an analysis of an development of the convention facility in Austin, Texas . A redeveloped and expanded ACC could host more simultaneous events as well as larger events and allow it to compete more effectively for business against state and national competitors.

Ownership and Management

The ACC was opened in 1992 after the existing Palmer Auditorium was deemed too small to host major conventions. An expansion project began in 1999, which nearly doubled the size of the convention center, and the expanded facility reopened in 2002. The name of ACC was changed in 2004 to the Neal Kocurek Memorial Austin Convention Center, in honor of Neal Kocurek, a civic leader who rallied support for the construction of the convention center.

Methodology

In accordance with our Scope of Services, HVS performed the following tasks:

1. Thomas A. Hazinski, MPP and Anthony Davis, MPP from HVS travelled to Austin, Texas on November 19th and 20th, 2019, for a site visit and client meeting. During this visit, they toured the facility, performed a site inspection, met with facility management and other key industry participants, and gathered relevant data.
2. Analyzed the economic and demographic data that indicate whether, and the extent to which, the local market area supports the ACC development.
3. Surveyed current and potential users of the ACC to understand their event needs, their overall impressions of Austin and the ACC, and the likelihood of booking events in the expanded facility.
4. Reviewed and analyzed historical demand and attendance data provided by the ACC.
5. Reviewed and analyzed sales and marketing data provided by Visit Austin.
6. Prepared event demand and attendance forecasts based on the implementation of the expanded building program.
7. Prepared a financial forecast for the proposed expanded ACC.
8. Prepared an economic and fiscal impact analysis for the proposed ACC redevelopment and expansion.

**Description of Existing
Facility**

HVS collected and analyzed all information contained in this report. HVS sought out reliable sources and deemed information obtained from third parties to be accurate.

Located in downtown Austin, the ACC serves the city as the primary public venue for conventions, conferences, and trade shows. It also hosts sporting events, consumer shows, banquets, and local meetings.

The following image provides an aerial view of the ACC and surrounding infrastructure. An overview of the function spaces at the ACC and photos of the ACC interior follow.

AERIAL VIEW OF THE AUSTIN CONVENTION CENTER





**FIGURE 1-1
CURRENT FACILITY PROGRAM AND CAPACITIES**

Event Space	Total Area (SF)	Capacities			Exhibit Booths (10'x10')
		Theatre	Banquet	Classroom	
Exhibit Hall	247,052	20,333	14,117	11,016	1,289
Hall 1	44,100	4,032	2,520	1,728	225
Hall 2	32,640	3,024	1,865	1,300	179
Hall 3	49,232	4,392	2,813	2,052	280
Hall 4	79,525	5,285	4,544	3,954	410
Hall 5	41,555	3,600	2,375	1,982	195
First Floor Ballroom	23,418	2,201	1,472	1,142	
Ballroom A	15,288	1,432	994	766	
Ballroom B	3,896	373	224	176	
Ballroom C	4,234	396	254	200	
Fourth Floor Ballroom	40,510	3,812	2,646	2,318	
Ballroom D	26,540	2,408	1,824	1,516	
Ballroom E	4,470	471	274	274	
Ballroom F	4,570	481	274	293	
Ballroom G	4,930	452	274	235	
First Floor Meeting Rooms (3)	3,693				
Third Floor Meeting Rooms (18)	20,432				
Third Floor Show Offices (5)	2,465				
Fourth Floor Meeting Rooms (18)	27,602				
Total Meeting Space (44)	54,192				
TOTAL FUNCTION SPACE	365,172				

Source: ACC

The current ACC has more than 365,000 square feet of function space, including a nearly 250,000-square-foot exhibit hall that can be divided into five separate halls. There are two ballrooms on the first and fourth floors of the facility, offering approximately 23,000 and 41,000 square feet of ballroom space, respectively. There is more than 54,000 square feet of meeting space, spread across 44 rooms.

The following images show the interior of the ACC.

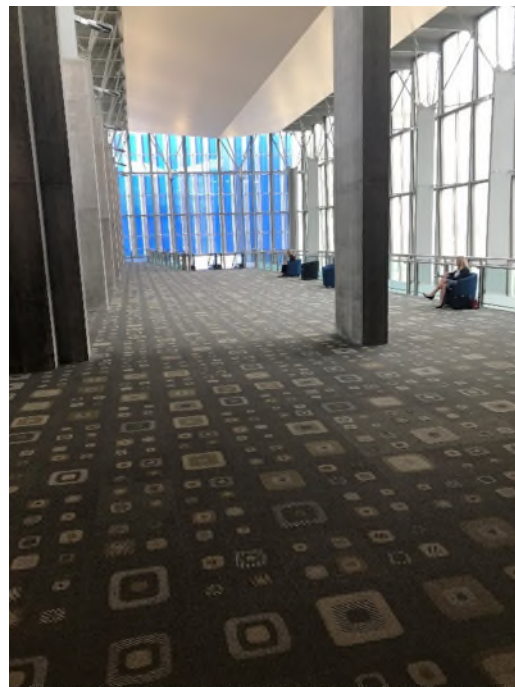


Convention, Sports & Entertainment
Facilities Consulting
Chicago, Illinois

INTERIOR OF THE AUSTIN CONVENTION CENTER







Market Area Analysis

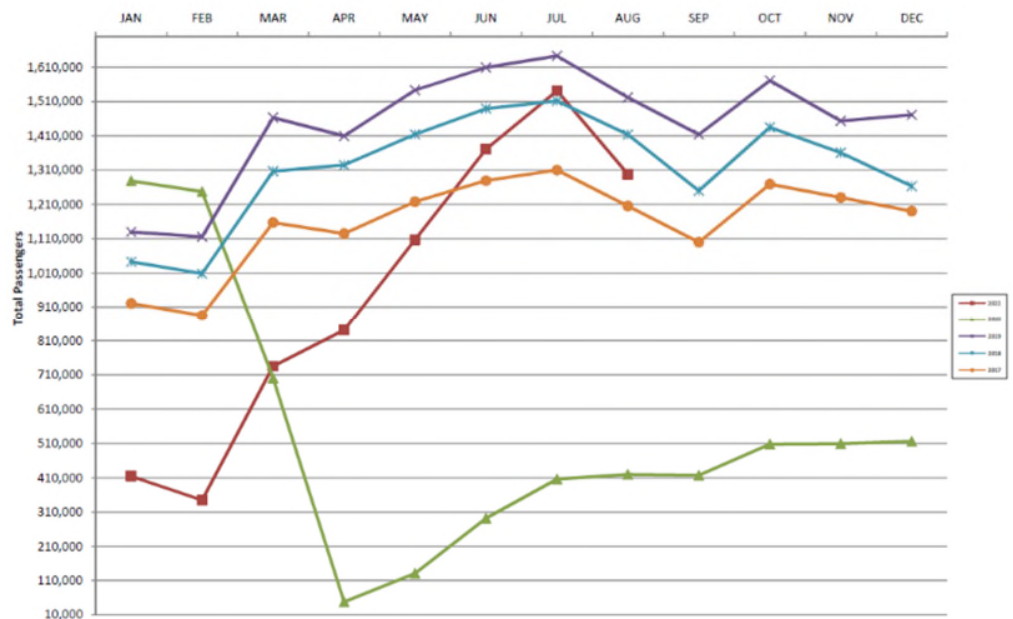
Austin is experiencing a period of growth, led by the technology sector and large tech companies like Dell, Google, Apple, Tesla and Facebook. Tesla recently announced plans to move its corporate headquarters to Austin, and Apple broke ground on a new 133-acre campus in 2019. As the state capital, Austin is home to many large state associations, as well as a large government workforce. The



growing tech sector and the University of Texas at Austin provide a major source of demand for group events. The number of visitors to Austin, and their associated spending, has grown 70% and 93%, respectively since 2009.

Before the pandemic in 2019, the number of enplanements at Austin-Bergstrom International Airport had nearly doubled since 2009. More recently, air travel has begun to return to Austin. The figure below, released by the City of Austin, shows the level of passenger traffic by month for the last five years.

FIGURE 1-2
AUSTIN-BERGSTROM PASSENGER TRAFFIC - 5 YEAR TREND



Source: City of Austin

The red line shows the number of passengers in 2021, and the spike in travel over the summer indicates the desire to travel to Austin. July travel in 2021 was higher than every other year besides 2019.

The lodging supply in Austin is plentiful, with a diverse mix of property sizes and chain scales. The area around the ACC is dominated by the JW Marriott and Fairmont, which each offer over 1,000 rooms, the Hilton, which offers over 800 rooms, and the new Marriott Downtown with over 600 rooms. The Fairmont and Hilton are directly connected to the ACC via skybridges, the Marriott Downtown is across Trinity Street from the ACC, and the JW Marriott is two blocks away.



The economy and amenities in Austin make it an ideal location for state, regional, and national conventions and meetings.

Austin Market Area

A full discussion of the Austin market area and lodging supply and demand can be found in the HVS Austin Hotel Occupancy Tax Projection Report.

ACC Event Planner Survey

In December 2019, pursuant to the Scope of Services for the previous Austin Convention Center Expansion Study, HVS surveyed a selected group of event planners to explore their facility needs and understand their interest in placing events in Austin. Survey respondents represented a cross-section of planners that organize a wide range of event types and sizes. Slightly less than half of the event planners in the survey sample plan events for associations, but the sample includes a mix of sports, social, and entertainment event planners. They represent a variety of entities and plan a range of meeting and event types and sizes. Key findings and conclusions include the following:

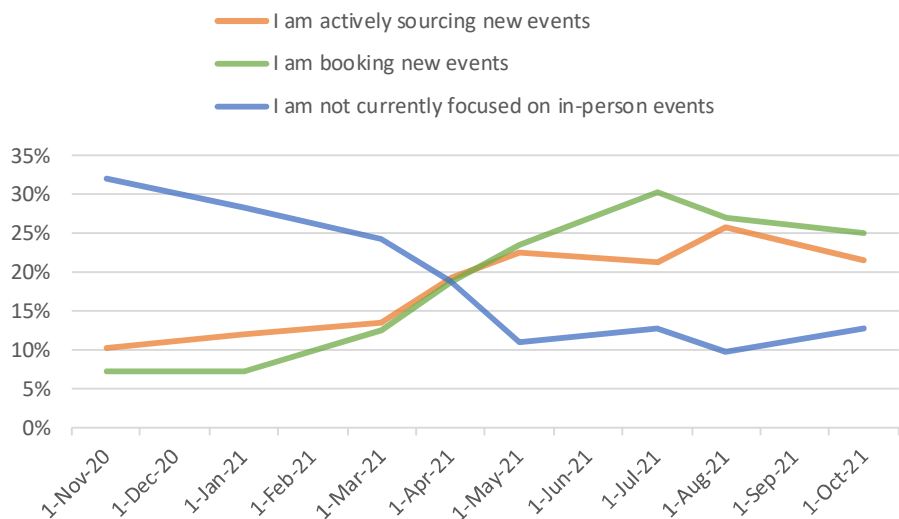
- More than one-fifth of respondents believe that expanding the convention center is the most important improvement to make in Austin, the most frequent response from event planners.
- The ACC generates room night demand during need periods. Most events take place from Tuesday through Thursday, which helps supplement leisure tourism, which generally occurs on weekends and drops off during the week.
- Redevelopment and expansion should improve the availability of meeting space and increase the ratio of meeting space to total space. Meeting space was listed as the most important type of space to expand at the ACC at 36%, followed by ballroom and exhibit space, with 29% and 26%, respectively. This relatively even split indicates that the ACC redevelopment and expansion needs to include all three types of space in complementary amounts that would enable the expanded ACC to host multiple simultaneous events.
- Event planner interest in an expanded ACC is strong, as indicated by a 79% net promoter score.
- The number of breakout meeting rooms are rated the lowest by respondents, which indicates that a redevelopment and expansion of the ACC should increase the number of breakout meeting rooms.
- Austin is well known as a convention destination. This level of awareness about Austin is extraordinarily high and speaks to the success Visit Austin and the ACC have had in promoting the city.
- The ACC benefits from Austin's strong destination appeal. One-fifth of respondents highlighted that Austin is popular and that prospective event



attendees want to be there. A similar number of respondents indicated that the number of entertainment options in Austin makes it an excellent destination for events.

To supplement the event planner survey performed before the COVID pandemic, HVS also used Northstar Meetings Group pulse survey of event planners. The survey asked event planners whether they are actively sourcing new events, whether they are booking new events, and whether they are focused on in-person events, among other questions. See the figure below.

FIGURE 1-3
EVENT PLANNER SURVEY- NORTHSTAR MEETINGS GROUP



Source: Northstar Meetings Group, PULSE Survey

The number of event planners who are not focused on in-person events have been decreasing since November of 2020, and has levelled off below 15% of event planners in October 2021. Those sourcing new events, and those actively booking new events, has grown consistently since November, but have begun to flatten in recent months between 20% and 25% respectively. This indicates that event planners are actively returning to booking new events, and a significant majority focused on in-person events.

Qualtrics also performed a survey of international event planners in June of 2021 and asked respondents to compare in-person and virtual events. The results



indicate that 69% attendees valued in-person events more than virtual and looked forward to returning to in-person events¹.

**ACC Demand and
Financial Projections**

The ACC provided HVS with a summary of the number of events and corresponding total attendance that occurred at the facility from 2015 through 2019. HVS did not show data from 2020 and 2021 due to the impact of the COVID-19 pandemic. The following figure presents the event and attendance history at the ACC for the past five years.

**FIGURE 1-4
HISTORICAL DEMAND AND ATTENDANCE**

	2015	2016	2017	2018	2019
Event					
Conventions	37	38	42	36	38
Tradeshows	2	1	3	1	1
Consumer Shows	11	9	16	11	11
Conferences	12	11	11	12	10
Banquets	7	5	9	7	6
Meeting	31	18	25	15	26
Sports	8	4	5	3	3
Concerts & Entertainment	1	3	1	2	1
Other	3	na	2	3	2
South by Southwest	1	1	1	1	1
Total	113	90	115	91	99
Estimated Attendees					
Conventions	130,329	174,600	186,480	216,500	156,750
Tradeshows	1,700	10,000	3,200	1,500	1,200
Consumer Shows	86,063	45,100	132,600	80,700	84,700
Conferences	23,854	12,875	17,275	23,400	13,000
Banquets	12,250	3,280	5,775	5,275	8,730
Meeting	14,225	8,330	15,165	7,800	10,913
Sports	33,500	22,700	29,100	18,000	4,300
Concerts & Entertainment	900	2,850	2,500	4,600	1,000
Other	35	na	30	32	15
South by Southwest	105,000	150,000	150,000	200,000	200,300
Total	407,856	429,735	542,125	557,807	480,908

The ACC hosted between 90 and 115 events per year since 2015. Most events are conventions or meetings, but the ACC also hosts a significant number of

1. ¹ “The future of events is hybrid—here’s how to get the perfect balance of virtual and in-person events in 2021 and beyond,” Qualtrics XM, June 17, 2021. <https://www.qualtrics.com/blog/future-of-events-is-hybrid/>



conferences and consumer shows. Attendance peaked in 2018 at approximately 560,000 attendees. Although the number of annual events increased from 2018 to 2019, attendance decreased because the average event size was smaller. This change reflects the periodic nature of booking patterns rather than a trend. In any given year, the booking of one or two events with high attendance can cause large swings in annual attendance levels.

ACC Demand Projections

HVS's analysis suggests that expanding the ACC would allow it to host larger events, as well as more simultaneous events. The following figure compares the projected demand in a stabilized year in a no expansion scenario, which assumes all planned maintenance and operations remain the same, with projected demand once the redevelopment and expansion is completed. HVS projects that it will take three years after the redevelopment and expansion is completed for demand to stabilize.

**FIGURE 1-5
ACC DEMAND PROJECTIONS**

Event Type	Events		Average Attendance		Total Attendance	
	No Construction	Expansion	No Construction	Expansion	No Construction	Expansion
Conventions	38	60	4,125	4,700	156,750	282,000
Tradeshows	1	6	1,200	2,200	1,200	13,000
Consumer Shows	11	12	7,700	7,200	84,700	86,000
Conferences	10	30	1,300	2,000	13,000	60,000
Banquets	6	25	1,455	1,100	8,730	28,000
Meeting	26	55	420	500	10,920	28,000
Sports	3	6	1,433	4,700	4,299	28,000
Concerts & Entertainment	1	4	1,000	1,500	1,000	6,000
South by Southwest	1	1	200,300	250,000	200,300	250,000
Total	99	199			480,899	781,000

The redevelopment and expansion of the ACC is projected to increase the number of annual events by 100, including more than 20 more conventions, conferences, and banquets, and 30 more meetings. In terms of total attendance, the ACC is projected to draw 300,000 more attendees annually after redevelopment and expansion. In a no-construction scenario, the largest events held at the ACC will begin to outgrow the facility and will be forced to move. These lost events can be replaced with other events; however, the replacement events are going to have fewer attendees and room nights than the events that have outgrown the ACC.

ACC Construction Scenario Demand

HVS also analyzed two construction scenarios for redeveloping and expanding the ACC and how those scenarios would impact ACC demand. The first scenario would



redevelop and expand the ACC in one phase, with the facility being closed from April 2024 until February 2028. The second redevelopment and expansion scenario is a two-phase scenario where half of the ACC is closed while the other half operates. Once the new half construction is completed, scheduled for April 2024 until March 2027, the new half would begin operating as the old half is closed, scheduled from April 2027 until March 2030.

The following figure compares demand for the ACC in a one- and two-phase construction scenario.

**FIGURE 1-6
ACC EXPANSION SCENARIO COMPARISON - DEMAND**

Year	Events		Total Attendees		Occupied Room Nights	
	One-Phase	Two-Phase	One-Phase	Two-Phase	One-Phase	Two-Phase
2024	17	33	254,300	271,300	16,400	27,900
2025	8	21	27,000	31,000	1,000	5,500
2026	8	21	27,000	31,000	1,000	5,500
2027	8	21	27,000	31,000	1,000	5,500
2028	109	21	561,000	31,000	335,700	5,500
2029	145	21	666,000	31,000	413,800	5,500
2030	173	129	754,000	560,000	487,500	351,800
2031	199	153	781,000	660,000	493,300	396,800
2032	199	177	781,000	723,000	493,300	441,700
2033	199	199	781,000	781,000	493,300	493,300
Total	1,065	796	4,659,300	3,150,300	2,736,300	1,739,000

The one-phase approach enables the ACC to host 270 more events and 1.5 million more attendees from 2024-2033 due to the redevelopment and expansion being completed sooner. The two-phase approach allows the ACC to host more events during construction; however, those events will be smaller due to the limited amount of function space in half of the ACC and will be logistically harder to execute. City advisors also indicate that construction will be significantly more expensive, and lasts two more years than the one-phase construction scenario.

Historic Hotel Market Impact

Using data from STR and the ACC, HVS estimated the historic impact of the ACC on the downtown hotel market in Austin. While most out of town attendees to ACC events stay in the downtown area, the room nights generated by these events affect the room rates and occupancy of the entire city.

HVS analysis estimates that the current ACC accounted for approximately \$58 million in annual downtown hotel room revenues in Austin from 2015 to 2019. Due to a lack of available data, HVS did not provide a statistical analysis of revenue



impact the ACC has in other sub-markets in Austin. However, based on previous studies in cities like Austin, downtown areas generate approximately 75% to 80% of the total hotel revenue impact citywide. If this is the case in Austin, the ACC would have induced between \$72.5 and \$77.3 million in annual hotel room revenue from 2015-2019.

ACC Financial Projections

HVS analyzed historical operations of the ACC from 2015-2021 and applied a series of revenue and expense assumptions regarding facility utilization and operations to forecast operating financial statements for the venue. HVS applied an annual inflationary increase of 2.5% to generate the inflated financial projections, which represent income and expense in the year that they occur. Uninflated projections are used to compare dollar amounts from different years, and show the actual differences in revenue and expense, without inflation.

The figure below compares projections of ACC financial operations in 2023 dollars once demand has stabilized with ACC historic averages. This shows the increase in revenue and expense projected for the ACC once demand has stabilized, under either redevelopment and expansion scenario. Showing both in 2023 dollars enables comparison without the impact of inflation.

FIGURE 1-7
FINANCIAL OPERATIONS IN HISTORIC AND EXPANDED ACC (\$ 2023)

	Historic Average (2015-2019)		Stabilized Year 2033	
	Amount	% Total	Amount	% Total
Revenue				
Food and Beverage (Gross)	\$15,440	53%	\$34,828	56%
Facility Rental	2,865	10%	6,736	11%
Event Services	4,969	17%	10,387	17%
Parking	4,140	14%	7,751	12%
AV Services (Net)	1,022	3%	1,999	3%
Other	364	1%	410	1%
Interest Income	436	1%	491	1%
Total Revenue	\$29,236	100%	\$62,601	100%
Operating Expense				
Salary and Benefits	\$20,934	72%	\$33,606	54%
Food & Beverage Costs	8,727	30%	\$17,414	28%
Utilities	2,569	9%	\$4,382	7%
Repair & Maintenance	2,578	9%	\$4,695	8%
Administrative & General	1,230	4%	\$2,191	4%
Supplies & Equipment	2,711	9%	\$5,008	8%
Marketing	371	1%	\$626	1%
Insurance	193	1%	\$419	1%
Other	(985)	-3%	(\$1,226)	-2%
Services Other	2,692	9%	\$7,495	12%
Total Operating Expense	\$41,019	140%	\$74,610	119%
TOTAL NET INCOME (LOSS)	(\$11,783)	-40%	(\$12,009)	-19%

The redevelopment and expansion of the ACC is projected to increase total revenue by approximately \$34 million from \$29 to nearly \$62 million. Most of this increase comes from growing sales of food and beverage services associated with events. Total expenses are projected to increase by approximately \$34 million, from \$41 million to nearly \$75 million. The largest increase in expenses comes from an increase in food and beverage costs, as well as salary and benefit increases.

The following figure compares financial projections for the ACC in a one- and two-phase construction scenario.



FIGURE 1-8
ACC EXPANSION SCENARIO COMPARISON – FINANCIALS (\$ INFLATED)

Year	One-Phase			Two-Phase		
	Total Revenue	Total Expense	Operating Income	Total Revenue	Total Expense	Operating Income
2024	15,843	54,514	(38,671)	17,267	54,973	(37,706)
2025	4,044	42,739	(38,695)	4,573	43,035	(38,462)
2026	4,144	43,895	(39,751)	4,687	44,179	(39,492)
2027	4,248	46,668	(42,420)	4,804	45,283	(40,479)
2028	50,229	74,128	(23,900)	4,924	46,415	(41,491)
2029	61,775	81,558	(19,783)	5,047	48,780	(43,733)
2030	71,615	87,479	(15,864)	52,338	69,243	(16,905)
2031	76,273	90,905	(14,632)	64,233	85,424	(21,191)
2032	78,180	93,177	(14,998)	71,540	90,082	(18,541)
2033	80,134	95,507	(15,373)	80,134	95,507	(15,373)
Total	446,484	710,570	(264,087)	309,549	622,922	(313,373)

Total operating revenue and expense are both higher in the one-phase scenario across the years studied due to the one-phase scenario being completed sooner and ramping up to demand stabilization faster than the two-phase scenario. The difference in operating income over the 10 years is nearly \$50 million.

**Economic Impact of
Redevelopment and
Expansion**

Based on the demand projections presented in this report, HVS identified the new spending that would occur in the local economy due to the proposed redevelopment and expansion of the ACC. HVS estimated the amounts of income and employment that new visitors, event organizers, and exhibitors would generate in Austin, shown below in 2020 dollars.

FIGURE 1-9
ANNUAL ECONOMIC IMPACT SUMMARY (\$ 2020)

Summary of Impacts*	Current ACC	Increase from Expansion	Total
Economic Impact (millions)	\$468.8	\$285.0	\$753.8
Fiscal Impact (millions)	\$11.75	\$13.85	\$25.60
Jobs	2,715	1,622	4,337
*In a stabilized year.			

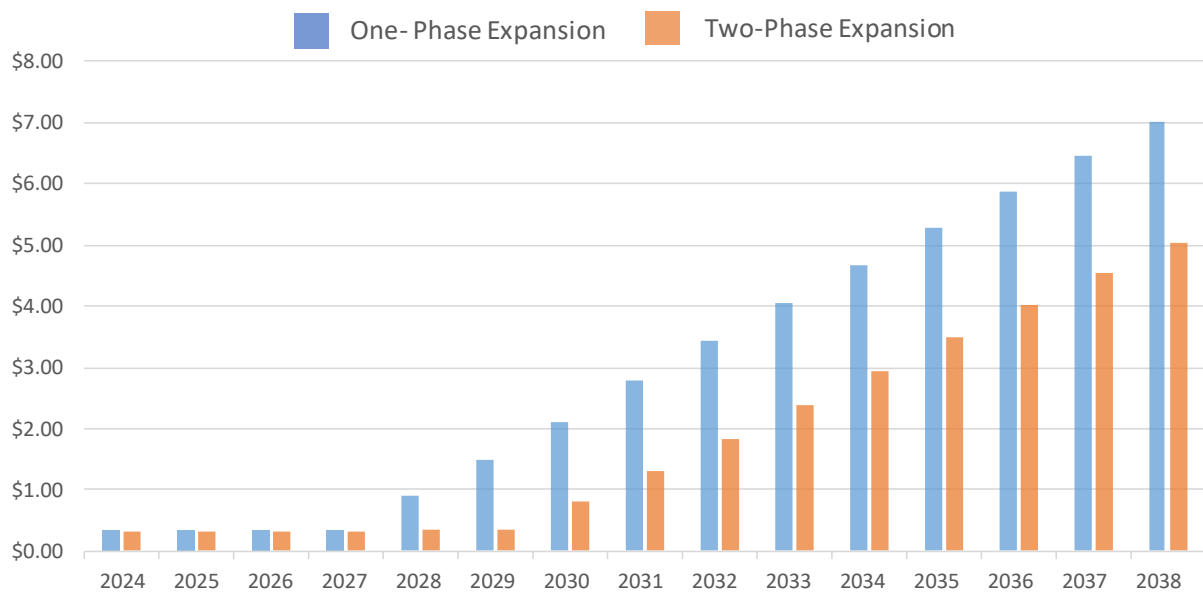
HVS analyzed the annual economic impact of the ACC under each redevelopment and expansion scenario, as well as a no-expansion scenario based on historic demand. HVS did project the replacement of some larger conventions in the no-expansion scenario with smaller conventions due to the large events outgrowing the ACC.



HVS calculated the cumulative economic impact under each scenario per dollar spent on the ACC. The cumulative economic impact is the sum of all impact generated by the ACC in that year, and each previous year. The amount spent on the ACC includes the cost of expanding the facility, as well as the funding needed to support the operating loss of the ACC, capital costs, and maintenance.

FIGURE 1-10
CUMULATIVE IMPACT PER DOLLAR SPENT

Cumulative Economic Impact Per Dollar of Investment*



*Includes estimated capital costs, operating deficit, and ongoing capital maintenance

In the one-phase scenario, the cumulative impact per dollar spent reaches \$2.79 by the time demand stabilizes in 2030, and reaches more than \$7 in 2037. The two-phase scenario is below the one-phase due to the longer construction time, but reaches \$2.39 by demand stabilization and more than \$5 in 2037.

Intangible Impacts

Like the public forums that have served cities throughout the millennia from ancient Rome to the present day, convention centers are a critical part of the civic and economic life of a city. While the spending generated by visitors to the convention center provides a measurable residual impact of the ACC, this metric does not capture its primary value and importance to the City of Austin. The ACC



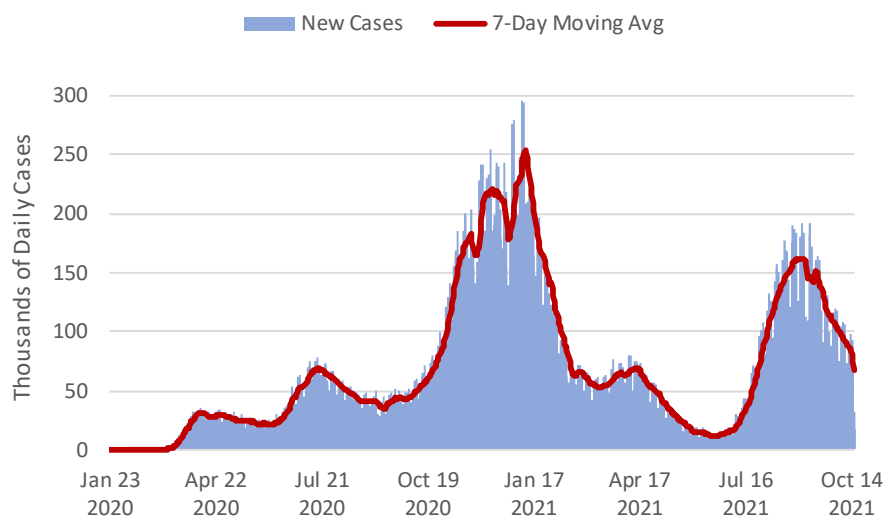
serves a forum for the exchange of information and as a center of commerce. The quantity and quality of these exchanges generate immeasurable value. When civic groups meet to discuss the pressing issues of the day, when non-profit groups gather to celebrate and raise funds, when associations educate their members, when tradeshow attendees transact business, when exhibitors advertise and sell their goods to the general public, the impacts of ACC events are felt locally, nationally, and internationally. As a part of the fastest growing city in the US, the ACC should grow to meet the increasing need for information and commercial exchange.

COVID-19 Trends and Economic Implications

In December 2019, a novel coronavirus—SARS-CoV-2 (COVID-19) was first identified in China, which spread throughout the world. The first reported case in the United States occurred in the State of Washington in late January 2020; by mid-March, cases had been identified in all 50 states, with the number of cases increasing exponentially. The World Health Organization (WHO) officially declared COVID-19 a global pandemic on March 11, 2020, and the U.S. declared the outbreak a National Emergency on March 13, 2020.

The following figure shows the number of reported cases of COVID-19 in the United States from January through the first two weeks of October 2021.

FIGURE 1-11
NUMBER OF COVID-19 DAILY REPORTED CASES IN THE USA



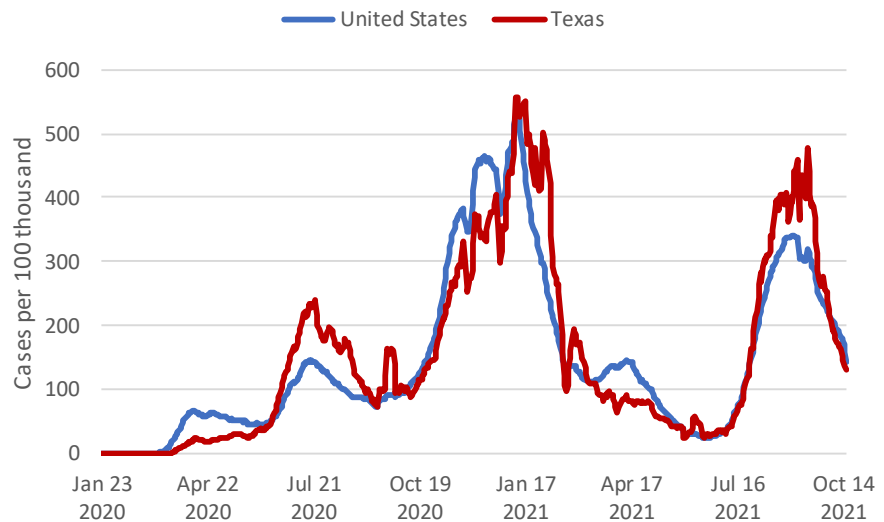
Source: Centers for Disease Control and Prevention



The seven-day moving average of cases peaked in the week of January 11, 2021 prior to the widespread availability of effective vaccines. As the number of cases multiplied in the U.S. and throughout the world, governments implemented lockdowns and social-distancing measures to slow the spread of the virus. In most cases, these measures were effective, and the infection rates slowed substantially through the summer months of 2020. With continued implementation of prevention measures and the introduction of effective vaccines in early 2021, infection rates declined by mid-year to the lowest level since March 2020. But despite increasing vaccination rates, the highly contagious Delta variant of the virus caused a second peak of infections in September 2021, which occurred primarily among unvaccinated populations.

As vaccination rates have varied among the states so have infections rates. The following figure compares the rate of infections per 100,000 persons in the US and Texas.

FIGURE 1-12
COVID-19 CASES PER 100,000 IN TEXAS AND USA



Source: Centers for Disease Control and Prevention

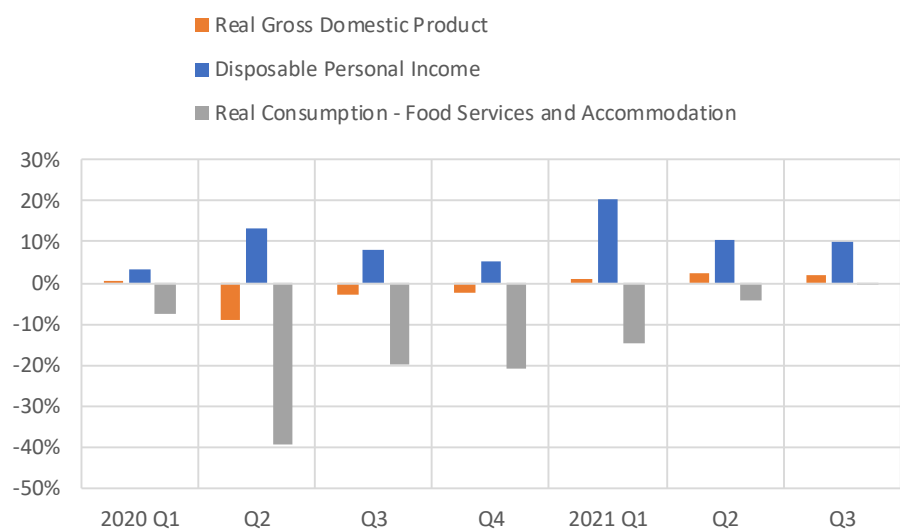
The prevalence of COVID-19 cases in Texas lagged the average in the US in the early months of the pandemic. But infections rates climbed higher than the national average in July of 2021, January of 2021, and again in September of 2021.

In the U.S., economic activity declined sharply because of restrictions on business and travel beginning in the second quarter of 2020. The figure below shows the percent change from pre-COVID levels (2019) in Real Gross Domestic Product



(“GDP”), Disposable Personal Income, and Consumption of Food Services and Accommodations for the first quarter of 2020 through the third quarter of 2021.

FIGURE 1-13
PERCENT CHANGE FROM 2019 PRE-COVID LEVELS



Source: Bureau of Economic Analysis

Real GDP contracted dramatically in the second quarter of 2020 but has grown every quarter since. In real dollars, GDP exceeded 2019 levels in the first quarter of 2021. Throughout this period of economic disruption, Disposable Personal Income grew as consumers pulled back on consumption and increased their savings. Certain sectors of the economy grew while others suffered severely from the decline of consumer spending, none more than Consumption of Food Services and Accommodations, which in the second quarter of 2020 fell by nearly 40% from the same quarter in 2019. While the economy as a whole has recovered by the first quarter of 2021 Consumption of Food Services and Accommodations exceeded pre-COVID levels in the second quarter of 2021.

Significant government support contributed to the economy’s rebound. In March 2020, the Federal Reserve pledged to maintain liquidity in debt markets by purchasing as many government and corporate-backed bonds, as necessary. A \$900-million aid package was passed in December 2020. In March 2020, the U.S. Congress passed the \$2.0-trillion CARES economic-aid package, which provided support to state unemployment systems, credit for small and large businesses, and direct cash payments to low- and middle-income Americans among other items. The \$1.9-trillion American Rescue Plan was signed into law in March 2021. The



Biden administration has proposed further economic stimulus in the American Jobs Plan, which would fund \$1.2 trillion in infrastructure investment, which was passed in the Senate but is pending approval in the House. A second separate but associated bill would add additional federal spending on health care, education, and climate. Unlike the prior stimulus bills, currently proposed expenditures are to be funded with tax revenue increases rather than with deficit spending.

In September 2021, Federal Reserve Chair Jerome Powell indicated the U.S. central bank could begin reducing asset purchases in November 2021 and complete the process by mid-2022.

In its October 2021 Beige Book publication², the Federal Reserve noted the following economic trends:

- Economic growth moderated in early July through August of 2021, which was largely attributable to a pullback in dining out, travel, and tourism related to concerns over the Delta variant.
- Growth in certain sectors of the economy has been hampered by supply chain disruptions and labor shortages rather than softening demand including car production, due to a shortage of computer chips.
- Demand for workers continued to strengthen, but labor shortages constrained employment gains and, in some cases, impeded business activity.
- Growth in wages accelerated particularly among low-wage workers.
- Inflation was at a steady or elevated pace driven by the increasing cost of inputs that face shortages. Businesses are passing along cost increases through higher prices and will continue to do so in the months ahead.

Conclusion and Future Outlook on COVID-19

This report was produced amid significant market disruption related to COVID-19. The impact of the pandemic is addressed throughout and considers market perspectives and information available on or about the effective date of the report. The direct impact of the pandemic on the travel industry has affected demand at varying levels through the first half of 2021. With COVID-19 vaccinations now available in the U.S. for all adults and children 5 years old and older, infection rates continue to decline in high vaccination states. As a result, consumer confidence in safe travel has risen in the U.S., and the outlook for recovery of the travel industry has improved.

² See: <https://www.federalreserve.gov/monetarypolicy/beigebook202109-summary.htm>



Impact of the COVID-19 Pandemic on ACC Performance

Similar to most convention centers across the United States, the ACC ceased normal operations in 2020. As of March 2021, Austin Public Health authorized the ACC to operate at 25% capacity, with the expectation of capacity increasing as vaccination rates rose. As of July 2021, the ACC no longer obligates social distancing and has transitioned measures such as health screenings and temperature screenings to be optional services, while cleaning and sanitization protocols remain in place. As of October 2021, the ACC requires event planners to provide information on how they plan to implement COVID mitigation efforts, including requiring a negative test within 72 hours of the event, enabling social distancing, and requiring masks when social distancing is not possible at outdoor events. Indoor events that are larger than 1,000 attendees, and outdoor events larger than 2,500, must be approved by the Austin Department of Public Health.

HVS assumes the COVID-19 pandemic to be under control by the time the ACC expansion occurs and does not anticipate any long-term changes in ACC demand due to the impact of COVID-19.

Expansion of and Improvements to Competitive Venues

Austin is not the only city discussing redevelopment and expansion of their convention center in the wake of COVID-19. Cities that compete with Austin for events are planning expansions and updates of their own, such as Denver, Nashville, Dallas, and Los Angeles. See below for more detailed descriptions of the redevelopment and expansion plans.

- Denver is in the design and construction phase at the Colorado Convention Center. Expansion plans include adding an 80,000 square foot, column-free ballroom and outdoor terrace, as well as lobby renovations, technological improvements, and additional networking spaces. The new ballroom will be the largest in Colorado and will offer views of the mountains and city skyline. The project is estimated to be completed by the end of 2023.
- Nashville, despite completing a major expansion in 2017, is already planning on expanding further. The Convention Center Authority issued a request for proposals for the master plan in Summer 2020.
- The Dallas City Council approved a plan to finance the overhaul and potential replacement of the Dallas Kay Bailey Hutchison Convention Center. The exact scope and specifics of plan are unclear at this time, the facility could be renovated, expanded, or demolished and rebuilt. The project would be funded by the hotel occupancy tax and must begin in the next five years.
- The City of Los Angeles is partnering with AEG to expand the Los Angeles Convention Center and adjoining JW Marriott. The convention center



expansion is proposed to add 193,000 square feet of exhibit space, a 100,000 square-foot multipurpose hall, and 60,000 square feet of meeting space. The JW Marriott expansion would add 861 rooms, as well as outdoor space and meeting rooms. The Marriott and Ritz Carlton complex combined offers 1,800 rooms total. A surface parking lot is also expected to be turned into a parking garage to accommodate the increased parking needs.

Conclusion

The ACC, and Austin as a whole, are in high demand among event planners and attendees and a redevelopment and expansion of the ACC is necessary to keep pace with demand. Austin is already a popular leisure destination and the city is growing as a technological center and corporate hub. Feedback from event planners indicates that Austin and the ACC offers one of the most popular destinations in the US.

The expanded ACC will accommodate more and larger events by creating a larger and more flexible spaces and increasing the amount of meeting space. The proposed redevelopment and expansion will make the ACC more compatible with evolving event space needs.



2. Survey Findings

Overview

HVS designed and conducted a survey of event planners in December of 2019 to provide a basis for assessing potential demand at a redeveloped and expanded Austin Convention Center (“ACC”). This survey gathered information from professional event planners about their event needs and event destination preferences. The survey explored the impact of an expanded building program and potential improvements to the venue on event planner interest in Austin.

HVS collected contact information for 1,435 event planners from Visit Austin and the ACC. Via email, HVS introduced the purpose of the survey and provided a link to the web-based survey. We received 174 complete or partial responses to the survey, and there were 234 bounce backs, for an estimated response rate of 14%.

The following summary of responses highlights key results. Not all figures shown add to 100% due to rounding.

The timing of the survey predates widespread information about the COVID-19 pandemic, thus the survey results reflect opinions prior to the COVID-19 pandemic. HVS anticipates a full return of events and business travel and does not anticipate any changes to meeting planner preferences due to the pandemic. Trends in event planning during the pandemic have changed with the increase in virtual events, however surveys performed during the course of the pandemic shows that the majority of event planners are entirely focused on in-person events, and that event attendees prefer in-person meetings.

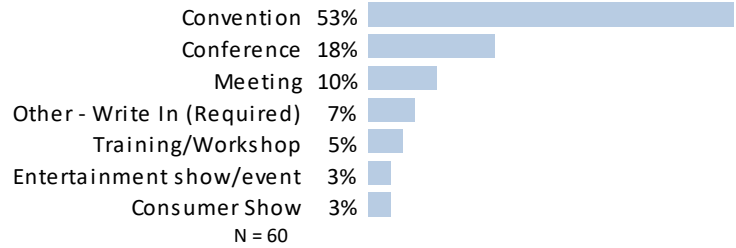
Past Events at the ACC

Forty-six percent of the respondents had planned an event at the ACC during the past five years.

HVS asked event planners to describe the events they had held at the ACC. The figure below summarizes their answers.



**FIGURE 2-1
EVENT DESCRIPTION**

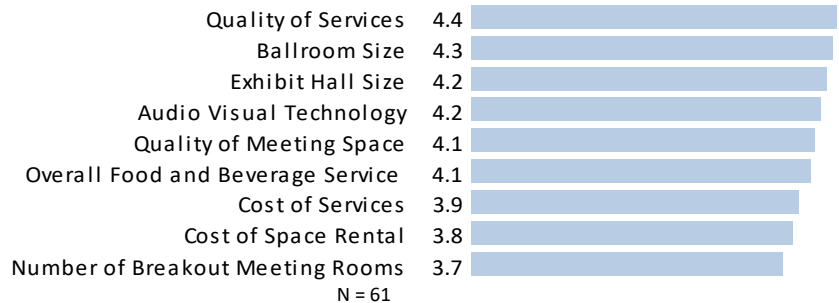


Respondents hosted conventions most frequently at the ACC, followed by conferences and meetings. Other types of events include a prom and a film festival.

**Respondent
Satisfaction**

HVS asked event planners who had hosted an event at the ACC to rate their satisfaction with the venue’s event space, service, and other amenities. In the following figure, a score of five indicates fully satisfied, and a score of one indicates extremely dissatisfied with their experience at the ACC.

**FIGURE 2-2
EVENT PLANNER SATISFACTION WITH ACC**



Event planners rate the ACC highest on the quality of services, which includes event and technological support, as well as the size of the ballroom and exhibit hall. The cost of services and cost of space rental, as well as the number of breakout meeting rooms, are rated the lowest at the ACC by respondents.

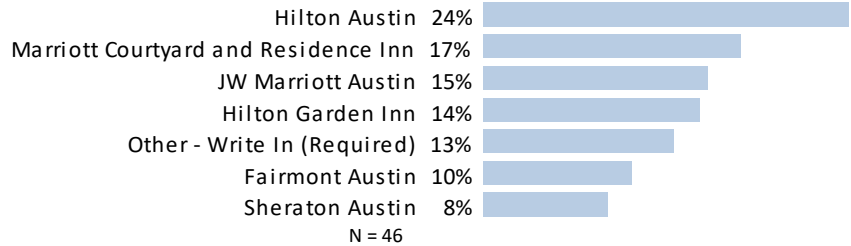
Hotel Use

Forty-six percent of planners hosted an event that used hotel rooms during the event. Events that use hotel rooms have a larger economic impact because attendees come from out of town, as opposed to events that attract attendees from the local market.

HVS asked event planners who had hosted an event at the ACC which hotel they had used while hosting an event. Some events require multiple hotels.



**FIGURE 2-3
HOTEL ROOM USE DURING EVENT**



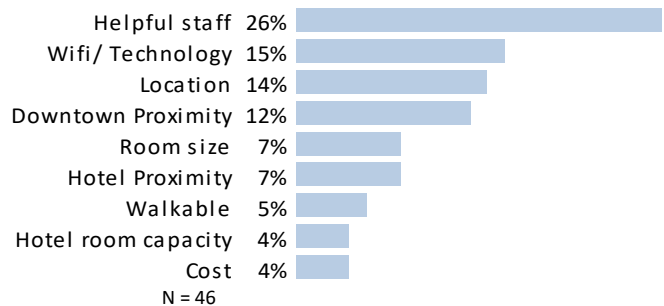
The Hilton Austin was the most frequent choice of event planners, followed by the Marriott Courtyard and Residence Inn. All hotels listed were used relatively often by event planners, with the Sheraton Austin as the least popular hotel despite being used by 8% of respondents. Other hotels listed included the Four Seasons, the Stephen F. Austin, the Hyatt Place, and the Westin.

Some planners indicated that they required more than twenty hotels for their event and used hotels citywide to house attendees. The large number of different hotels used by event planners suggests that there is a diverse base of events that use the ACC, from price-sensitive state associations and conferences to more lavish medical and tech conferences and conventions.

Venue Strengths and Weaknesses

HVS asked event planners who had hosted an event at the ACC to describe, in their own words, what they thought the strengths and weaknesses of the ACC were, and to suggest the most important improvements the ACC. HVS then classified the answers into the categories shown below.

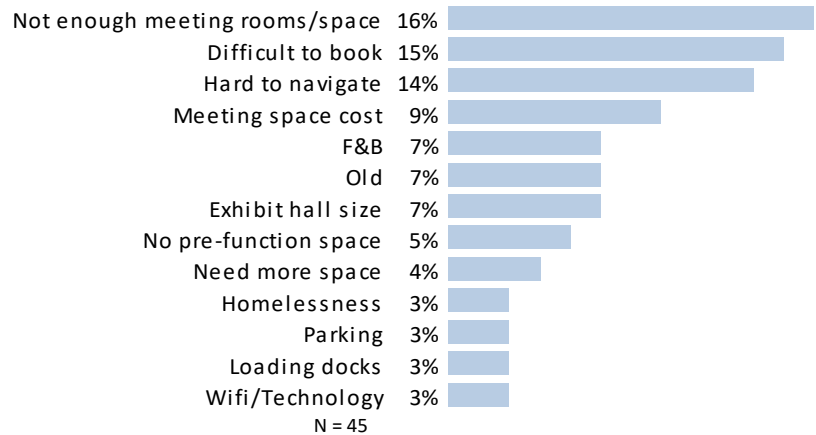
**FIGURE 2-4
ACC VENUE STRENGTHS**



Event planners highlighted the helpfulness and professionalism of the ACC staff when planning events, the availability and quality of the Wi-Fi and other technology offered by the ACC, as well as the location of the ACC and its proximity to downtown Austin.

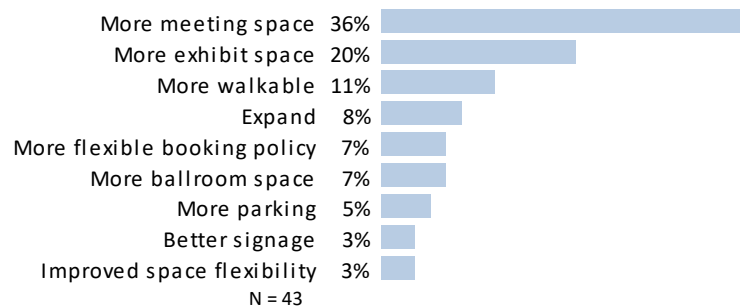


FIGURE 2-5
ACC VENUE WEAKNESSES



Event planners considered the lack of meeting rooms and space as a major weakness of the ACC. The difficulty of booking the ACC, due to the lack of space and available dates, and the difficulty of getting around the ACC and finding the correct meeting room were also listed as common weaknesses by respondents. The ACC has recently improved the signage and wayfinding in the facility, which may address this issue.

FIGURE 2-6
MOST IMPORTANT IMPROVEMENT TO THE ACC

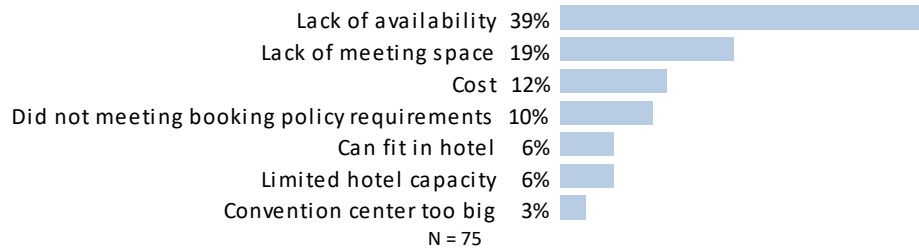


More than one-third of respondents believe that the ACC needs more meeting space, and one-fifth of respondents believe that the ACC needs more exhibit space. Other responses from event planners include making it easier to walk around the ACC and making the whole facility larger.

For event planners that have not hosted an event at the ACC in the last five years, HVS asked them to describe, in their own words, why they had not hosted an event. HVS then classified the answers into the categories shown in the figure below.



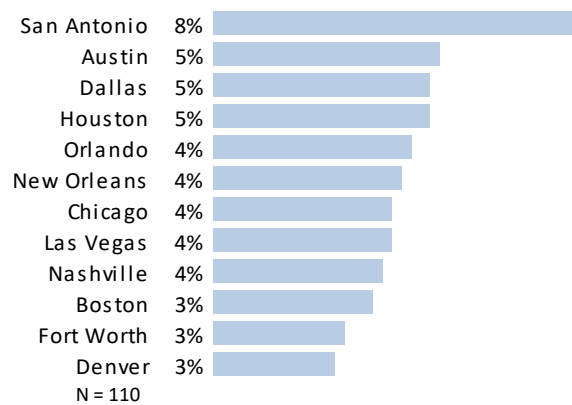
FIGURE 2-7
REASONS FOR NOT HOSTING EVENT AT ACC



When explaining why they have not held an event at the ACC, event planners cited the lack of availability and a lack of meeting space, as well as a strict booking policy as three of the most common reasons. These three reasons are connected as the limited amount of space in the ACC makes it harder to book, which forces the ACC to have strict booking requirements as they do not want to fill the building with an event that does not offer as many room nights or as much revenue as they can get from another event. Expanding the ACC will enable it to host more simultaneous events, which may enable it to loosen the booking policy requirements that exist today.

HVS asked those event planners that have not hosted an event at the ACC to list up to five other cities where they have hosted an event. HVS sorted the responses, and the figure below shows the most popular cities listed.

FIGURE 2-8
OTHER CITIES WHERE HOSTED AN EVENT

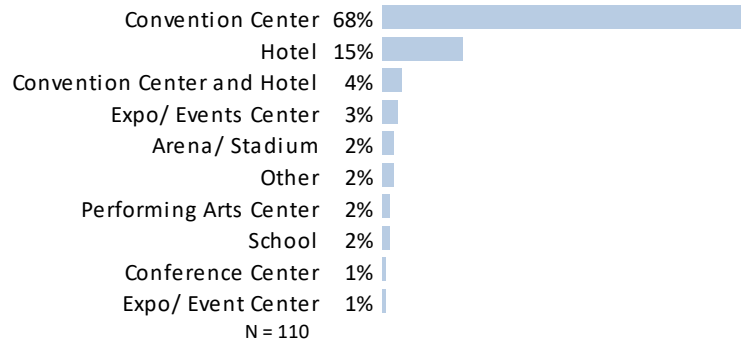


The four Texas cities (San Antonio, Austin, Dallas, and Houston) are the most frequent locations for event planners to host an event. Outside of Texas, large convention cities like Orlando, New Orleans, Chicago, and Las Vegas were the most common cities listed. This suggests that Austin competes for state-based association events as well as larger national events.



HVS asked event planners who have not hosted an event at the ACC to describe the type of venue where they have hosted an event before. The figure below shows the most common types of venue listed by event planners.

FIGURE 2-9
TYPE OF VENUE WHERE HOSTED AN EVENT

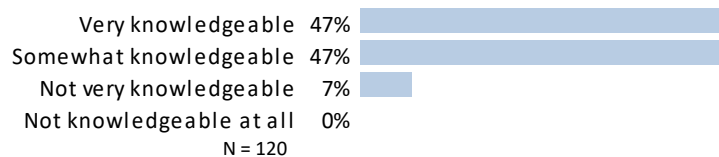


Nearly 70% of event planners use a convention center to host their event, the most common type of venue listed. Hotels are used by 15% of event planners, and a convention center and hotels are used jointly by nearly 5% of event planners. Other types of venues listed include museums, country clubs, the zoo, and fairgrounds.

**Destination Strengths
and Weaknesses**

Cities compete for events primarily on the size of their facility, but also on the quality of the destination. Attendees like being in a popular or interesting destination with a variety of entertainment options. To evaluate how event planners feel about Austin as a destination, HVS asked event planners to rate their level of knowledge regarding Austin as an event destination.

FIGURE 2-10
LEVEL OF KNOWLEDGE REGARDING AUSTIN

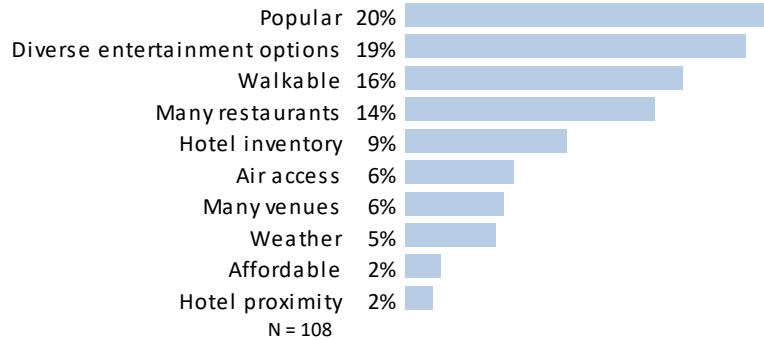


None of the respondents considered themselves not knowledgeable at all about Austin, and only 7% considered themselves not very knowledgeable. The rest of the respondents were split between being very or somewhat knowledgeable.

HVS then asked event planners to identify Austin’s main strengths and weaknesses as an event destination in unaided responses. HVS classified the responses by category in the figures shown below.

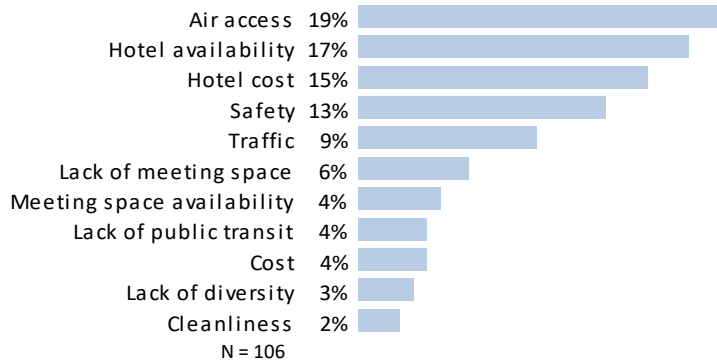


FIGURE 2-11
AUSTIN STRENGTHS AS AN EVENT DESTINATION



One-fifth of respondents highlighted that Austin is popular and that prospective event attendees want to be there. A similar number of respondents indicated that the number of entertainment options in Austin makes it an excellent destination for events. The ease of walking around Austin, as well as the high number of restaurants, were also mentioned by approximately 15% of respondents.

FIGURE 2-12
AUSTIN WEAKNESSES AS AN EVENT DESTINATION

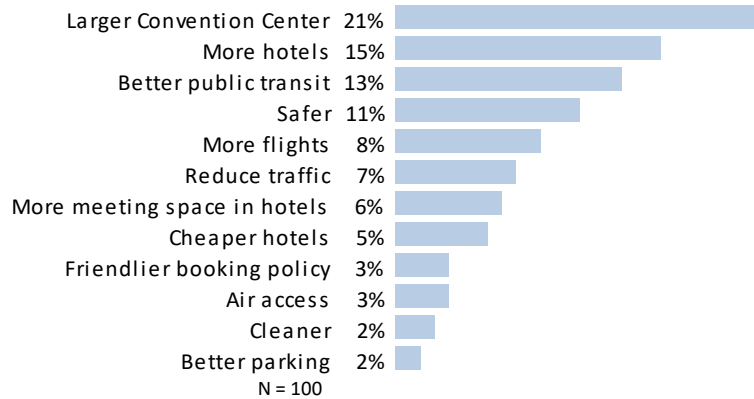


The most commonly listed weakness by event planners was the lack of air access. Austin-Bergstrom International Airport is undergoing an expansion, which will nearly double the number of total gates by 2037. A lack of available hotel rooms and the cost of hotel rooms were also highlighted as weaknesses, likely due to the continued strength of the lodging market. Feeling unsafe was also mentioned by event planners, and specifically, the large population of homeless people near the ACC made event attendees uncomfortable.

In an unaided response, event planners identified the most important improvements to enhance Austin as an event destination. HVS then classified the responses by category in the figure shown below.



FIGURE 2-13
MOST IMPORTANT IMPROVEMENTS TO AUSTIN



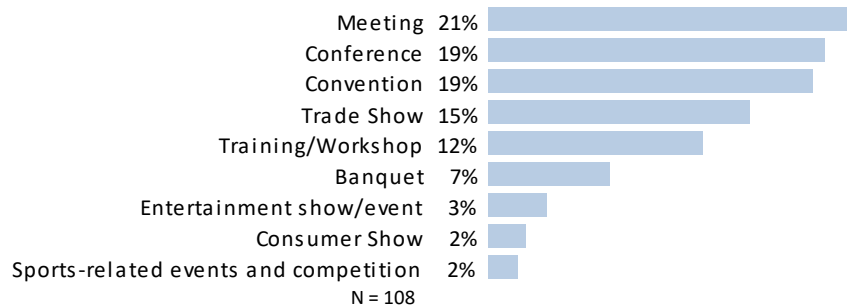
More than one-fifth of respondents believe that expanding the convention center is the most important improvement to make in Austin, the most frequent response from event planners. This supports the notion that the ACC needs to expand to keep up with demand. Adding more hotels to Austin, improving the public transit, and making it safer near the convention center were also mentioned by more than 10% of respondents.

Event Characteristics and Preferences

To determine preferences for events, HVS asked event planners to identify and describe their most typical event. This information included the name of the event, the type of event, venue needs, approximate attendance, scheduling, and lodging requirements.

The following figure breaks down the events by type.

FIGURE 2-14
EVENTS BY TYPE



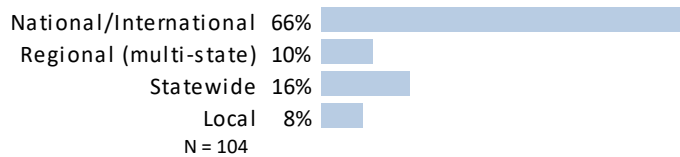
More than 15% of respondents plan meetings, conferences, conventions, and trade shows. Trainings or workshops and banquets were also mentioned by more than



5% of respondents. Various other event types each make up a small percentage of events.

HVS asked survey participants to identify the scope (geographic origin of attendees) of their most typical event.

**FIGURE 2-15
GEOGRAPHIC ORIGIN OF ATTENDEES**



More than 75% of events attract attendees from outside the State of Texas, and 66% of events attract attendees nationwide. Only 16% of events have attendees come from within Texas, and 8% of events have attendees from the Austin area.

HVS asked event planners to identify the type of space that their event is typically held. See the figure below.

**FIGURE 2-16
EVENT SPACE USED**

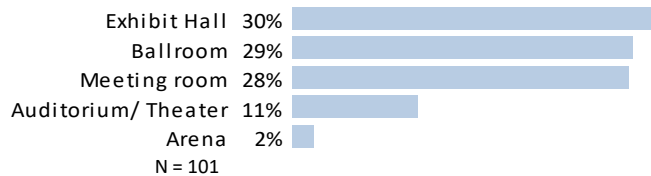
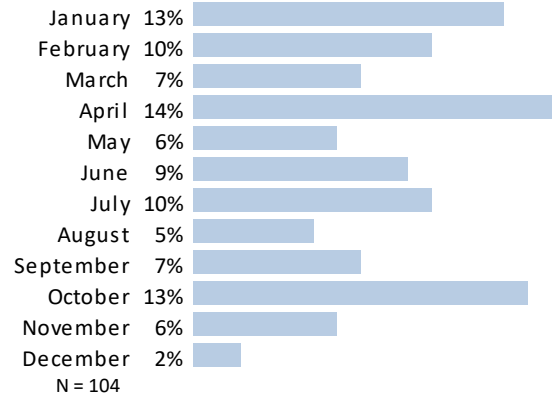


Exhibit halls, ballrooms, and meeting rooms are each used by approximately 30% of respondents, emphasizing the need for all three spaces to be expanded at the ACC. Approximately 10% of respondents use an auditorium or theater, and 2% of respondents use an arena to host their event.

HVS asked event planners to identify the month and the days of the week in which the typical event takes place.

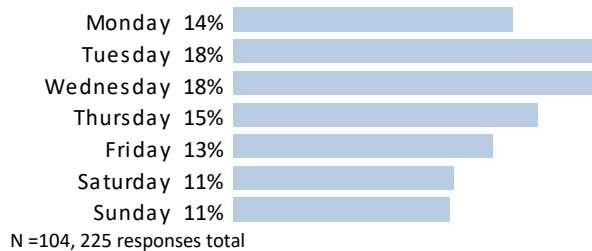


FIGURE 2-17
EVENTS BY MONTH



Events occur year-round with January, April, and October as the most frequently cited months. December was the least common response, followed by August, May, and November.

FIGURE 2-18
EVENTS BY DAY OF WEEK

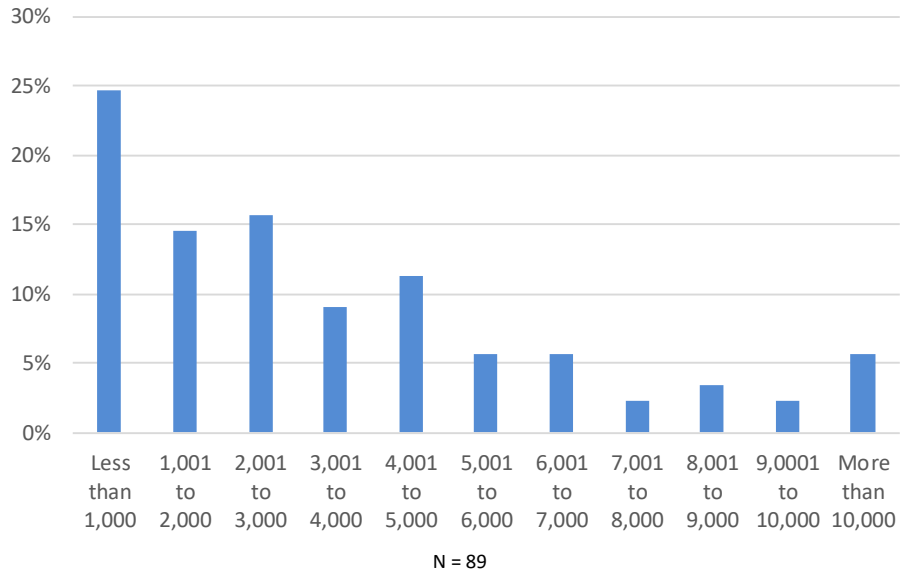


Events take place throughout the week, with most occurring Tuesday through Thursday. The weekend days have the fewest events. This illustrates the valuable role the ACC plays in the Austin tourism market, as event attendees are most likely to be in Austin during the week when the leisure tourism market is relatively weak.

Event planners estimated the level of attendance at their events. The figure below shows the distribution of responses for a range of attendance levels.

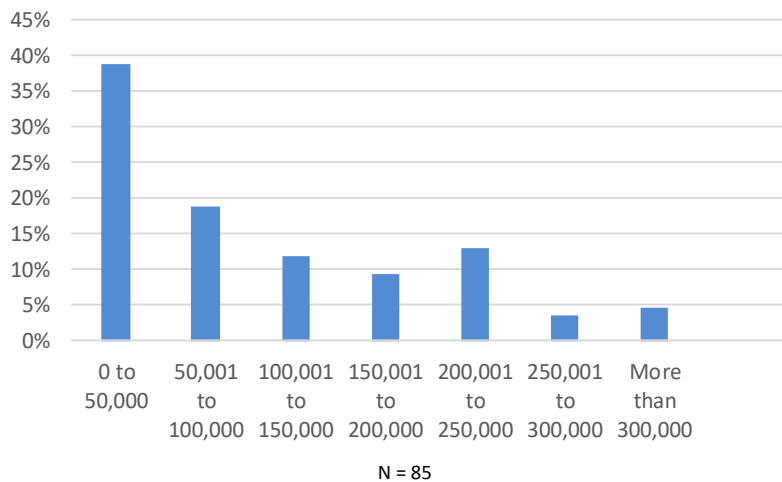


**FIGURE 2-19
NUMBER OF DELEGATES**



Over 50% of events had 3,000 or fewer attendees, and 25% of events had more than 5,000 attendees. Five events had more than 10,000 attendees.

**FIGURE 2-20
FLAT FLOOR SPACE NEEDED**

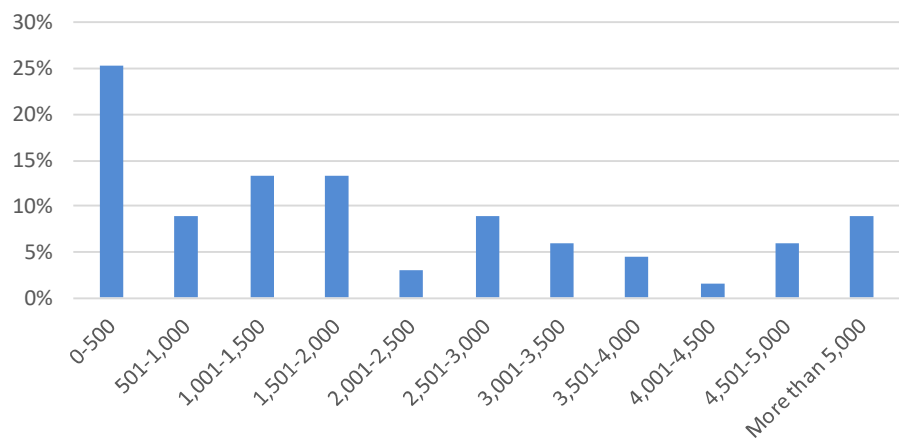


The current ACC offers nearly 250,000 square feet of flat floor space, and 91% of events described by respondents would be able to fit in the current facility. This suggests that increasing exhibit hall size at the ACC would have a limited impact on



expanding the potential market. Rather, additional exhibit space would alleviate date and space conflicts and enable the ACC to host simultaneous events during peak seasons. The ACC would also be able to compete for large events it was previously too small for.

**FIGURE 2-21
THEATER SEATING NEEDED**

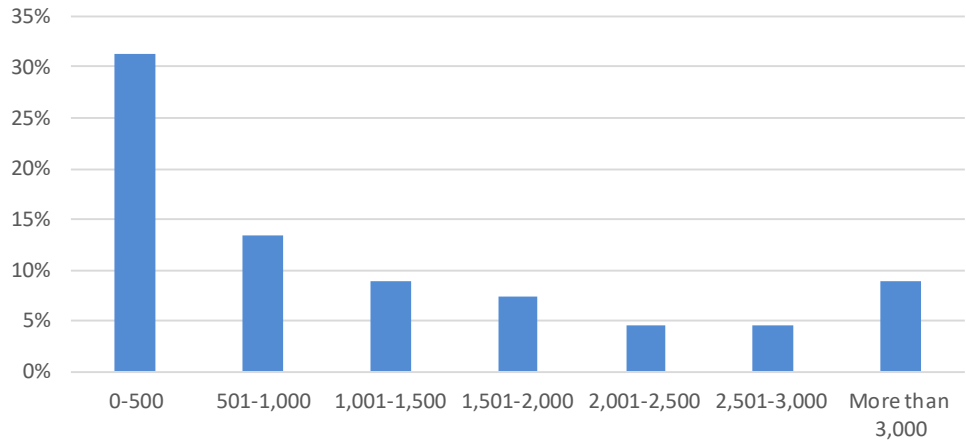


N = 67

More than 25% of events require less than 5,000 seats, and nearly 40% of events require more than 2,000 theater-style seats.



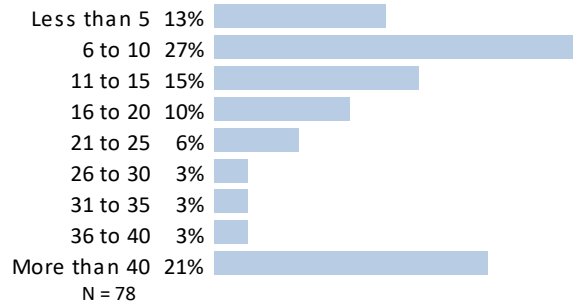
**FIGURE 2-22
BANQUET SEATING NEEDED**



N = 53

Nearly one-third of events require room for 500 banquet seats or less while 25% of events required more than 1,500 seats. At their largest, the current ACC ballrooms can host approximately 1,600 and 3,000 attendees in a banquet style.

**FIGURE 2-23
BREAKOUT ROOMS NEEDED**

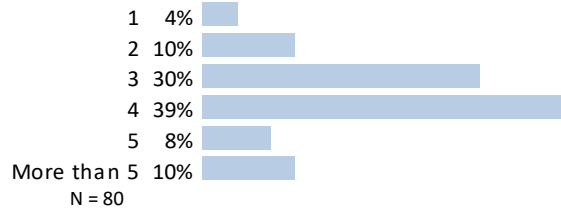


N = 78

Forty percent of events described use less than ten breakout rooms, which are likely smaller meetings and conferences. However, one-fifth of the events described required more than 40 breakout rooms in total. The current ACC can offer up to 54 breakout rooms; however, this includes show offices, divisions of larger meeting rooms, and boardrooms that may not be suitable for breakout sessions.



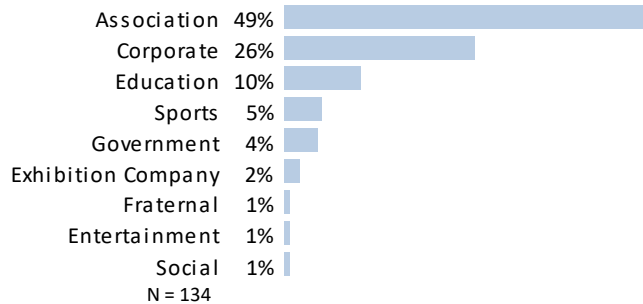
FIGURE 2-24
EVENT LENGTH



The most common event length reported was four days, shortly followed by three days. Two-day events and more than five-day events are planned by 10% of respondents.

Event planners reported that they represent the following types of organizations.

FIGURE 2-25
ORGANIZATION TYPE

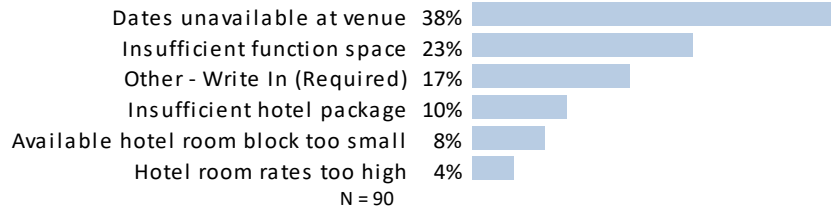


Nearly half of event planners represent associations, which generally hold annual meetings that rotate to different venues. Corporate and education groups make up 26% and 10% of organizations, respectively. No other type of organization was represented by more than 5% of respondents.

Fifty-six percent of event planners tried but were unable to book an event at the ACC. Event planners indicated the following reasons they were unable to host an event at the ACC.



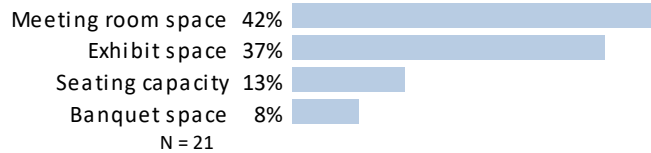
FIGURE 2-26
REASON UNABLE TO BOOK ACC



The most common reason event planners were unable to book an event at the ACC is that the date was already booked by another event, or the venue was otherwise unavailable. Other reasons mentioned include insufficient function space and hotel package. Write-in answers included that the group chose another location and that the facility was too expensive.

For those event planners who indicated that there was an insufficient amount of function space at the ACC, HVS asked them which specific type of space was lacking.

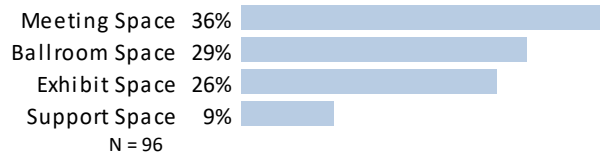
FIGURE 2-27
LACKING FUNCTION SPACE AT ACC



Meeting and exhibit space was listed by more than 35% of respondents, with 42% indicating that a lack of meeting space made the ACC unable to host their event. Seating capacity and banquet space were mentioned less frequently, by 13% and 8% of respondents, respectively.

HVS explained to survey respondents that the ACC was considering redevelopment and expansion and asked respondents to identify the most important types of space to expand at the ACC. See the figure below.

FIGURE 2-28
MOST IMPORTANT SPACE TO EXPAND IN ACC



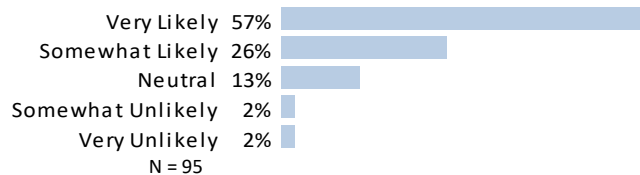
**Redeveloped and
Expanded ACC
Feedback**



Meeting space was listed by event planners most frequently, by more than one-third of respondents followed by ballroom space and exhibit space, which were each selected by more than a quarter of respondents. Support spaces were listed by only 9% of respondents.

HVS asked respondents how likely they would be to consider holding an event at the ACC if the expanded ACC had the necessary capacity. The following figure presents the results.

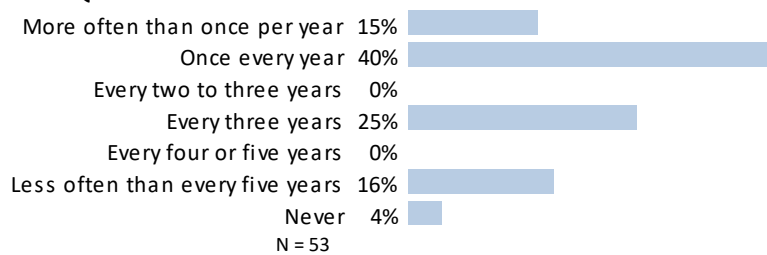
FIGURE 2-29
LIKELIHOOD OF BOOKING EVENTS AT EXPANDED ACC



Event planners who are more likely to book an event at the expanded ACC outnumber the event planners who are unlikely to book an event at the expanded ACC (83% vs. 4%). This equates to an extremely high net promoter score of 79%. Slightly over 10% of event planners are neutral in booking at the expanded ACC.

HVS asked how often event planners would consider holding events at the expanded ACC. See the figure below.

FIGURE 2-30
FREQUENCY OF EVENTS WITH ACC EXPANSION



More than half of respondents would rotate an event to the expanded ACC at least once a year, and 80% would hold an event at the expanded ACC at least once every three years. Only 4% of respondents would never hold an event at the expanded ACC.

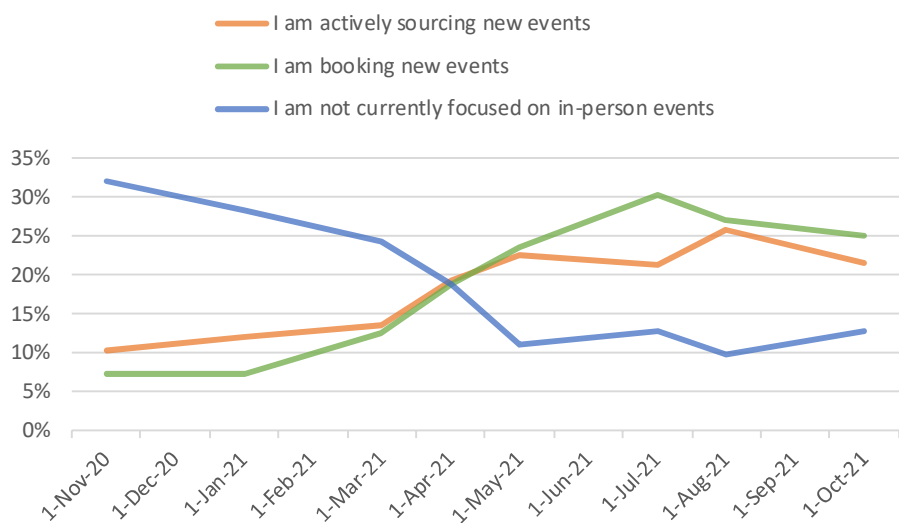
COVID-19 Surveys

HVS surveyed event planners in 2019, prior to the COVID-19 pandemic. To supplement the survey results provided above, HVS tracked survey data provided by Northstar Meetings Group and Qualtrics Surveys that indicate how event planner



preferences and level of activity has changed through the pandemic, as well as attendee preferences. The figure below shows the percentage of event planners who responded to the Northstar Meetings Group PULSE survey.

FIGURE 2-31
EVENT PLANNER SURVEY- NORTHSTAR MEETINGS GROUP



Source: Northstar Meetings Group, PULSE Survey

The number of event planners who are not focused on in-person events have been decreasing since November of 2020 and has levelled off below 15% of event planners in October 2021. Those sourcing new events, and those actively booking new events, has grown consistently since November, but have begun to flatten in recent months between 20% and 25% respectively. This indicates that event planners are actively returning to booking new events, and a significant majority focused on in-person events.

Qualtrics also performed a survey of international event planners in June of 2021 and asked respondents to compare in-person and virtual events. The results indicate that 69% attendees valued in-person events more than virtual and looked forward to returning to in-person events¹.

1. ¹ “The future of events is hybrid—here’s how to get the perfect balance of virtual and in-person events in 2021 and beyond,” Qualtrics XM, June 17, 2021. <https://www.qualtrics.com/blog/future-of-events-is-hybrid/>



Survey Conclusions and Implications for the ACC

HVS surveyed a selected group of event planners to explore their facility needs and to understand their interest in placing events in Austin. Survey respondents represent a cross-section of planners that organize a wide range of event types and sizes. Slightly less than half of the event planners in the survey sample plan events for associations, but the sample includes a mix of sports, social, and entertainment event planners. They represent a variety of entities and plan a range of meeting and event types and sizes. Key findings and conclusions include the following:

- Event planners strongly endorse redevelopment and expansion. More than one-fifth of respondents believe that expanding the convention center is the most important improvement to make in Austin, the most frequent response from event planners.
- The ACC has national appeal. Most event attendees come from across the country to attend events in Austin.
- The ACC generates room night demand during need periods. Most events take place from Tuesday through Thursday, which helps supplement leisure tourism, which generally occurs on weekends and drops off during the week.
- Redevelopment and expansion should improve the availability of meeting space and increase the ratio of meeting space to total space. Meeting space was listed as the most important type of space to expand at the ACC at 36%, followed by ballroom and exhibit space, with 29% and 26%, respectively. This relatively even split indicates that the ACC redevelopment and expansion needs to include all three types of space in complementary amounts that would enable the expanded ACC to host multiple simultaneous events.
- Event planner interest in an expanded ACC is strong, as indicated by a 79% net promoter score.
- Event planners rate the ACC highest on the quality of services, the size of the ballroom, and the size of the exhibit hall. However, the respondents to this question are event planners who have hosted an event at the ACC before, so they are understandably pleased with the size of its function spaces. Event planners who cannot fit their event in the ACC were not asked this question.
- The number of breakout meeting rooms are rated the lowest by respondents, which indicates that a redevelopment and expansion of the ACC should increase the number of breakout meeting rooms.
- Event planners highlighted the helpfulness and professionalism of the ACC staff when planning events, the availability and quality of the Wi-Fi and other technology offered by the ACC, as well as the location of the ACC and its proximity to downtown Austin. The helpfulness of the staff and quality of the technology indicates the ACC delivers a high level of customer satisfaction.



- When asked what change is important to make at the ACC, one-fifth of respondents said adding more exhibit space. Other responses from event planners suggested improvements to wayfinding and walkability in the ACC.
- The primary impact of redevelopment and expansion is to improve the availability of dates and space at the ACC. Under current booking policies, the ACC turns away certain types of business. A redevelopment and expansion would allow the ACC to relax the standards for what an event must offer to be held in the ACC.
- Austin is well known as a convention destination. This level of awareness about Austin is extraordinarily high and speaks to the success Visit Austin and the ACC have had in promoting the city.
- The ACC benefits from Austin's strong destination appeal. One-fifth of respondents highlighted that Austin is popular and that prospective event attendees want to be there. A similar number of respondents indicated that the number of entertainment options in Austin makes it an excellent destination for events.
- The most commonly listed weakness by event planners was the lack of air access and a lack of available hotel rooms. These weaknesses are already being addressed: Bergstrom Austin- International Airport is undergoing an expansion that will nearly double the number of gates and is planning to expand international service with flights to Asia. The Austin hotel market most recently expanded with the addition of a 600-room Marriott adjacent to the ACC that opened in March of 2021.
- Event planners have returned to planning and sourcing in-person events and those hosting virtual events have dropped to below 15% of total respondents. Attendees also prefer in-person events and valued them more than virtual events.

The survey results indicate that the redevelopment and expansion of the ACC would create an increase in demand at the convention center. Redevelopment and expansion of all of the ACC's function spaces would 1) make the venue more attractive to event planners, 2) allow the facility to accommodate larger events, 3) relieve many scheduling conflicts, and 4) enable the ACC to host more simultaneous mid-size events that require exhibit, ballroom, and meeting spaces.



3. Demand Analysis

HVS based event demand projections at the Austin Convention Center (“ACC”) on the following research and analysis:

- Historical ACC demand data,
- Lost business data, tracked by Visit Austin,
- Key market and economic indicators outlined in Section 2 of the HVS Hotel Occupancy Tax Projection Report,
- Comparable venue program and demand data,
- An online event planner survey, presented in Section 2 of this report,
- The general program recommendations presented below, and
- Discussions with representatives from the current ACC management and Visit Austin.

Conventional Wisdom and Gensler prepared a revised building program for the redevelopment and expansion of the ACC. HVS used this proposed program, and the projected timeline, to inform our event demand projections. The figure below compares the current building program for the ACC to the building program following the proposed redevelopment and expansion (“Expanded Program”).

**FIGURE 3-1
EXISTING AND PROPOSED BUILDING PROGRAM**

Event Space	Floor Areas (000's SF)	
	Current ACC	Expanded ACC
Exhibit	247	472
Ballroom	67	85
Meeting	55	152
Total	369	709

Source: Gensler, Conventional Wisdom

The Expanded Program would nearly double the total amount of function space at the ACC. While ballroom space may seem to be limited in the redevelopment and expansion, a 100,000 square foot multipurpose hall, included under Exhibit Space, can be used as a large ballroom when needed.



HVS projected demand at the expanded ACC under two development scenarios. Both scenarios result in the same Expanded Program by completion, however the duration of construction and the impact of construction on ACC functionality differs as follows:

- A single-phase development where the entire ACC is closed for events during construction. Construction is projected to begin in April 2024 and complete by February 2028. The ACC would open in 2028 for a partial year of operation. ACC demand would ramp up and stabilize in 2031.
- A two-phase development would enable the ACC to host events in the southern half of the existing facility while the northern half is expanded. After construction completes on the southern half, it would be used to host events while the northern half of the existing facility is expanded. Construction is projected to begin in April 2024, with the first phase being completed in March 2027. The second phase of construction begins in April 2027, after South by Southwest, and ends in March 2030. The ACC would fully open in 2030 for a partial year of operation. ACC demand would ramp up and stabilize in 2033.

For the purposes of analysis, HVS assumes that all building program recommendations throughout this report are completed by February 1, 2028, under the single-phase scenario and by March 1, 2030 under the two-phase scenario. The timelines were created for the purposes of this report, based on input Gensler and Conventional Wisdom, and do not represent a proposed construction schedule. The figure below describes the timing of the phasing under each scenario as well as the amounts of function space available annually under each scenario.



**FIGURE 3-2
DEMAND PHASING AND FUNCTION SPACE AVAILABILITY**



Source: Gensler, Conventional Wisdom

Demand projections also assume the continued presence of a highly qualified, professional sales and management team for the ACC.

Historical Demand

The ACC provided HVS with a summary of the number of events and corresponding total attendance that occurred at the facility from calendar years 2015 through 2019. HVS did not show data for 2020 and 2021 due to the impact of the COVID-19 pandemic. HVS reclassified event types into standard event categories to allow comparisons with other venues and for the projection of financial operations.

HVS classified all events into one of the following categories.

Conventions—associations, government, social, military, educational, religious, fraternal, and ethnic organizations register attendees for multi-day events. Facility set up includes breakout, banquet and exhibit space set-up and may include plenary sessions. Typically, the primary purpose of a convention is information exchange.

Tradeshows—provide a means for wholesalers and retailers to transact business with industry buyers. Like conventions, tradeshows offer a forum for exchanging industry ideas and attendees must register for the event. To clearly differentiate conventions from tradeshows, HVS assumes that only corporations and enterprises



can sponsor and produce tradeshows. While they also require exhibit space set-up, they only sometimes require banquet, plenary, and/or breakout space set-up.

Consumer Shows—public, ticketed events featuring the exhibitions of merchandise for sale or display. Exhibition companies produce consumer shows, as they provide a means of product distribution and advertising. They only require exhibit space set-up.

Conferences—require a mix of banquet and breakout space set-up as well as occasional assembly space, but do not require any exhibit set-up. Conferences can be conducted by any organization type, but always require attendees to be registered.

Banquets—only require a banquet set-up for food and beverage meal service. These events also can be produced by any organizational type and are either held privately or require guests to register.

Meetings— only require breakout space set-up. Like conferences, they can be produced from any of the organization types, but unlike conferences, they are private events to which one must be invited.

Sports—typically require the set-up of a competition area in a large function space. Attendees to sporting events, which are usually organized by sports enterprises, may be public or registered. Some sporting events have both a registered and public aspect to the event over the span of a few days.

Concerts & Entertainment—usually a concert or some form of live entertainment, owned and organized by an event promoter for the public. Entertainment events only require production set-up.

South by Southwest—is one of the largest music, film, and arts festivals in the US, with over 425,000 total attendees in 2018 and approximately 420,000 attendees in 2019. The ACC is one of many venues used citywide to host film screenings, lectures, and interviews, among other events. It runs for approximately ten days in mid-March; however, other SXSW-affiliated events occur in Austin throughout the entire month.

The following figure presents the event and attendance history at the ACC from 2015 through 2019, HVS did not include 2020 and 2021 due to the impact of the COVID-19 pandemic.

**FIGURE 3-3
SUMMARY OF DEMAND HISTORY**

	2015	2016	2017	2018	2019
Event					
Conventions	37	38	42	36	38
Tradeshows	2	1	3	1	1
Consumer Shows	11	9	16	11	11
Conferences	12	11	11	12	10
Banquets	7	5	9	7	6
Meeting	31	18	25	15	26
Sports	8	4	5	3	3
Concerts & Entertainment	1	3	1	2	1
Other	3	na	2	3	2
South by Southwest	1	1	1	1	1
Total	113	90	115	91	99
Estimated Attendees					
Conventions	130,329	174,600	186,480	216,500	156,750
Tradeshows	1,700	10,000	3,200	1,500	1,200
Consumer Shows	86,063	45,100	132,600	80,700	84,700
Conferences	23,854	12,875	17,275	23,400	13,000
Banquets	12,250	3,280	5,775	5,275	8,730
Meeting	14,225	8,330	15,165	7,800	10,913
Sports	33,500	22,700	29,100	18,000	4,300
Concerts & Entertainment	900	2,850	2,500	4,600	1,000
Other	35	na	30	32	15
South by Southwest	105,000	150,000	150,000	200,000	200,300
Total	407,856	429,735	542,125	557,807	480,908

Source: ACC

Historic demand at the ACC varied from 90 events in 2016 to 115 in 2017, while the attendance ranged from nearly 408,000 attendees in 2015 to more than 557,000 in 2018. The drop in attendance from 2018 to 2019, while the number of events at the ACC increased, was likely caused by several large conventions rotating throughout the United States and those high-attendee events being replaced with smaller events. The level of fluctuation in the number of events and attendees is typical due to changes in the booking cycle.

The most common types of events are conventions and meetings, followed by consumer show and conferences. Most ACC attendees come for conventions and consumer shows.

Lost Business Analysis

Visit Austin provided HVS with a summary of lost convention center business for events that were lost from 2015 to 2019. Events are counted as lost if they



tentatively reserved dates but ultimately decided not to book the ACC. Visit Austin provided lost event data for approximately 1,300 events. The data included the total room nights, projected attendance, and the reason the event was lost. HVS categorized all lost business into eleven categories by reason lost. The following figure presents the number of events lost in each category for each year.

FIGURE 3-4
2015-2019 EVENTS LOST BY CATEGORY

Reason Lost	2015	2016	2017	2018	2019	Total	Percentage
Lack of Availability*	116	142	103	121	103	585	45%
Hotel Package	64	55	65	43	42	269	21%
Lack of Function Space/Rooms*	28	19	20	34	20	121	9%
Other	18	20	20	26	16	100	8%
Location	10	8	9	11	5	43	3%
Event Cancelled or Postponed	3	10	4	10	9	36	3%
Destination	9	7	9	7	4	36	3%
Chose Alternate Year	15	4	5	5	1	30	2%
ACC Decision*	2	5	12	2	6	27	2%
Lack of Local Support	3	5	8	1	6	23	2%
ACC Cost	10	4	1	0	3	18	1%
Air Accessibility	3	0	0	6	1	10	1%
Lack of Sports Facilities	0	0	0	1	0	1	0%
Total	278	279	256	260	215	1288	

*Reasons for losing an event that an expansion would address

Source: Visit Austin

The most common reason for the ACC to lose an event lack of convention center availability due to date conflicts. Availability constraints made up 45% of the total events lost over the five-year period. An insufficient hotel package—which involves the price of rooms or lack of room availability—was the second most common reason for the ACC to lose an event. The third most common reason was a lack of function space or rooms. The “Other” category includes events lost for lack of third-party support and events that gave no reason for not using the ACC.

Reasons for lost business that could be addressed by expanding the ACC are the lack of availability due to date conflicts, a lack of function space or rooms, and an ACC decision to turn away an event. The lack of availability and the lack of function space would be addressed by the redevelopment and expansion as the expansion would enable the ACC to host more simultaneous events. The ACC would also be able to adapt its booking policies to include events that it currently turns away due to a limited availability



The hotel package around the ACC has also been supplemented by the opening of the Marriott Downtown, which offers more than 600 rooms across Trinity Street from the ACC. But, it is unclear whether this will satisfy event planner needs.

In a separate tally, Visit Austin also tracked the number of attendees and room nights associated with the events that were lost. The table below shows the total for events lost from 2015-2019, and the annual average events, attendees, and room nights that were lost for reasons that will be addressed in the redevelopment and expansion from 2015 to 2019.

**FIGURE 3-5
POTENTIAL RECAPTURABLE EVENTS, ATTENDEES, ROOM NIGHTS**

	Total (2015-2019)		Annual Average		Percentage Recapturable
	Recapturable	Non-Recapturable	Recapturable	Non-Recapturable	
Events	733	566	147	113	56%
Attendees	2,460,615	1,618,605	492,123	323,721	60%
Room Nights	4,651,591	3,212,652	930,318	642,530	59%

More than half of the annual lost events at the ACC are considered recapturable, as they were lost for reasons that will be addressed under the proposed redevelopment and expansion. A slightly higher proportion of attendees and room nights are also considered recapturable. The expanded ACC would not be able to recapture all the listed events because other secondary considerations may affect event planner and association decisions; however, this does indicate the amount of demand that exists for the ACC and the potential increase in demand in a redevelopment and expansion scenario.

**Event Demand
Forecast**

For each redevelopment and expansion scenario, HVS projected demand from 2024, when construction would begin, until 2033, including every year of operation during construction until construction is completed. Under each scenario, the base year (2024) represents three months of normal ACC operations followed by either nine months of no usable event space or nine months of half of the normal ACC event space available.

Based on conversations with ACC staff, some events may be moved to the Palmer Event Center (“PEC”) during construction in the one-phase scenario. Incremental event demand would ramp up following the completion of the redevelopment and expansion and stabilize in 2031 or 2033, depending on the scenario.



Convention, Sports & Entertainment
Facilities Consulting
Chicago, Illinois

The figures below break out event projections by type of event in a redeveloped and expanded ACC. Total attendance figures represent individual event attendees. HVS based demand projections for the expansion period on conversations with ACC staff.

**FIGURE 3-6
SUMMARY OF DEMAND PROJECTIONS- ONE PHASE**

	Historic	Construction Begins Apr.					Construction Completed			Stabilized		
	2019	2024	2025	2026	2027	Feb. 2028	2029	2030	2031	2032	2033	
Events												
Conventions	38	3	0	0	0	36	48	60	60	60	60	
Tradeshows	1	1	1	1	1	4	5	5	6	6	6	
Consumer Shows	11	5	3	3	3	8	10	12	12	12	12	
Conferences	10	1	0	0	0	19	25	27	30	30	30	
Banquets	6	1	2	2	2	11	15	20	25	25	25	
Meeting	26	5	2	2	2	26	35	40	55	55	55	
Sports	3	0	0	0	0	3	4	5	6	6	6	
Concerts & Entertainment	1	0	0	0	0	1	2	3	4	4	4	
South by Southwest	1	1	0	0	0	1	1	1	1	1	1	
Total	99	17	8	8	8	109	145	173	199	199	199	
Attendees												
Conventions	156,750	11,000	0	0	0	167,000	226,000	282,000	282,000	282,000	282,000	
Tradeshows	1,200	1,000	2,000	2,000	2,000	8,000	11,000	11,000	13,000	13,000	13,000	
Consumer Shows	84,700	39,000	22,000	22,000	22,000	58,000	72,000	86,000	86,000	86,000	86,000	
Conferences	13,000	0	0	0	0	37,000	50,000	54,000	60,000	60,000	60,000	
Banquets	8,730	0	2,000	2,000	2,000	12,000	17,000	22,000	28,000	28,000	28,000	
Meeting	10,913	3,000	1,000	1,000	1,000	13,000	18,000	20,000	28,000	28,000	28,000	
Sports	4,300	0	0	0	0	14,000	19,000	24,000	28,000	28,000	28,000	
Concerts & Entertainment	1,000	0	0	0	0	2,000	3,000	5,000	6,000	6,000	6,000	
South by Southwest	200,300	200,300	0	0	0	250,000	250,000	250,000	250,000	250,000	250,000	
Total	480,908	254,300	27,000	27,000	27,000	561,000	666,000	754,000	781,000	781,000	781,000	

Source: HVS

FIGURE 3-7
SUMMARY OF DEMAND PROJECTIONS- TWO PHASE

	Historic	Construction Begins Apr.	Phase 1 Completed Feb. Phase 2 Begins Apr.					Construction Complete March	Stabilized		
	2019	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Events											
Conventions	38	5	0	0	0	0	0	38	45	52	60
Tradeshows	1	1	1	1	1	1	1	3	4	5	6
Consumer Shows	11	5	3	3	3	3	3	8	10	12	12
Conferences	10	2	3	3	3	3	3	23	25	27	30
Banquets	6	1	3	3	3	3	3	13	17	22	25
Meeting	26	15	10	10	10	10	10	38	45	50	55
Sports	3	3	1	1	1	1	1	3	4	5	6
Concerts & Entertainment	1	0	0	0	0	0	0	2	2	3	4
South by Southwest	1	1	0	0	0	0	0	1	1	1	1
Total	99	33	21	21	21	21	21	129	153	177	199
Attendees											
Conventions	156,750	20,000	0	0	0	0	0	165,000	212,000	244,000	282,000
Tradeshows	1,200	1,000	1,000	1,000	1,000	1,000	1,000	5,000	9,000	11,000	13,000
Consumer Shows	84,700	38,000	15,000	15,000	15,000	15,000	15,000	59,000	72,000	86,000	86,000
Conferences	13,000	2,000	2,000	2,000	2,000	2,000	2,000	37,000	53,000	54,000	60,000
Banquets	8,730	1,000	3,000	3,000	3,000	3,000	3,000	14,000	19,000	24,000	28,000
Meeting	10,913	8,000	6,000	6,000	6,000	6,000	6,000	20,000	23,000	25,000	28,000
Sports	4,300	1,000	4,000	4,000	4,000	4,000	4,000	8,000	19,000	24,000	28,000
Concerts & Entertainment	1,000	0	0	0	0	0	0	2,000	3,000	5,000	6,000
South by Southwest	200,300	200,300	0	0	0	0	0	250,000	250,000	250,000	250,000
Total	480,908	271,300	31,000	31,000	31,000	31,000	31,000	560,000	660,000	723,000	781,000

Source: HVS



Under a one-phase redevelopment and expansion, the expanded ACC would open in March 2028 and would host nearly 150 events and 650,000 attendees in its first full year of operation, 2029.

The two-phase redevelopment and expansion would enable the ACC to host events throughout the construction period. The northern half of the facility would be closed from April 2024 to February 2027. The southern half redevelopment and expansion is projected to begin in April 2027 and be completed by March 2030. Under a two-phase redevelopment and expansion, the expanded ACC would fully open in March 20230 and would host over 150 events and 675,000 attendees in its first full year of operation, 2031.

The redevelopment and expansion, under either construction scenario, would allow the ACC to attract 100 more events by enabling it to host larger events than it supports today as well as more simultaneous events that are similar in size to those that the ACC currently hosts. All event types are projected to increase except South by Southwest, where the attendance is projected to increase by nearly 50,000 due to the increase in function space. Total attendance at the ACC is projected to increase from a historic average of 483,000 to slightly more than 775,000 by 2031 or 2033 when demand stabilizes.

These projections assume that the COVID-19 pandemic has been contained by the time of redevelopment and expansion and the number of events and attendees will recover to historical levels.

The figure below shows a summary of the demand projections for each scenario and compares the number of events, and total attendance in each year.



**FIGURE 3-8
SUMMARY OF DEMAND PROJECTIONS**

Year	Events		Total Attendees	
	One-Phase	Two-Phase	One-Phase	Two-Phase
2024	17	33	254,300	271,300
2025	8	21	27,000	31,000
2026	8	21	27,000	31,000
2027	8	21	27,000	31,000
2028	109	21	561,000	31,000
2029	145	21	666,000	31,000
2030	173	129	754,000	560,000
2031	199	153	781,000	660,000
2032	199	177	781,000	723,000
2033	199	199	781,000	781,000
Total	1,065	796	4,659,300	3,150,300

The one-phase approach enables the ACC to host 270 more events and 1.5 million more attendees from 2024-2033 due to the redevelopment and expansion being completed sooner. The two-phase approach allows the ACC to host more events during construction; however, those events will be smaller due to the limited amount of function space in half of the ACC and will be logistically harder to execute. City advisors also indicate that construction will be significantly more expensive, and lasts two more years than the one-phase construction scenario.

**Historic Hotel
Market Impact**

While most out of town attendees to ACC events stay in the downtown area, the room nights generated by these events affect the room rates and occupancy of the entire city. A hotel market phenomenon called “compression” occurs when high occupancies in one or more hotels increase occupancy and room rates in other hotels. Visit Austin provided HVS with historic daily Smith Travel Research (“STR”) data for the downtown market in Austin from 2015 through 2019.

HVS used daily STR data and daily room block commitments from conventions to study the compression from ACC events. This analysis reveals large and statistically significant rate and occupancy compression due to ACC events.

The following figure shows room night supply, room night demand, revenue, and average daily room rates (“ADR”) in downtown Austin from 2015 through 2019.



**FIGURE 3-9
DOWNTOWN AUSTIN HOTEL MARKET PERFORMANCE 2015-2019 (CY)**

Year	Room Night Supply	Room Night Demand	Occupancy Rate	Revenue (Millions)	ADR
2015	1,519,881	1,200,360	79%	\$275.87	\$223
2016	1,752,428	1,379,619	79%	325.09	\$228
2017	1,753,201	1,357,933	77%	329.05	\$233
2018	2,056,697	1,523,715	74%	373.87	\$238
2019	2,037,264	1,626,866	80%	420.83	\$251

Sources: STR and Visit Austin

Hotel revenue has increased 52%, room night supply has increased 34%, and room night demand has increased 36% since 2015. Prior to the impact of the COVID-19 pandemic, the Austin hotel market downtown was strong and grew substantially since 2015.

Downtown Austin is not the only hotel market are within the City that benefits from compression caused by ACC events. STR data was unavailable for other Austin sub-markets. Similar compression analysis in other cities show that the magnitude of compression decreases as distance from the ACC increases All hotel markets within Austin a likely to benefit from compression due to ACC events.

**Historic Hotel
Occupancy and Rate
Compression**

To analyze the historic impact of ACC events on the downtown Austin hotel market, HVS combined two datasets¹ containing daily hotel performance and ACC performance for the calendar years 2015 through 2019. HVS calculated the average daily room rates and occupancy rates on days when the ACC generated at least 500 room nights (“ACC Event Days”) and compared that to days on which the ACC did not.² Room blocks fewer than 500 room nights were not included in the analysis.

¹ Visit Austin provided HVS with STR data on room night supply, room night demand, and ADR for a set of downtown Austin hotels. We combined this data with daily event data provided by the ACC.

² We used a z-test to determine whether the difference in means is statistically significant. Our null hypothesis is that occupancy and room rates are the same on ACC Event Days as on non-event days. If we reject the null hypothesis, we can accept our alternative hypothesis that the means are not equal. For normally distributed populations, a z-test calculates the probability that the means of two populations are equal. To reject the null hypotheses with 99% confidence (p<.01), the z-score must be greater than 2.58 or less than -2.58.



The figure below compares the downtown hotel occupancy and ADR on ACC Event Days and ACC Non-Event Days.

FIGURE 3-10
HISTORIC IMPACT OF ACC EVENT DAYS ON DOWNTOWN AUSTIN HOTELS

	Event Days	Non-Event Days	Difference	Significant P<0.1
Number of Days	862	964		
Occupancy	84.1%	72.1%	12.1%	✓
ADR	\$254	\$217	\$37	✓

Occupancy and rate compression is statistically significant (p<.01) in the downtown hotel sub-market in Austin. On ACC event days, the downtown market experiences, on average, increases of 12.1% in occupancy and a \$37 in ADR.

HVS used the estimated percent change in occupancy to project the net new number of room nights and the associated rooms revenue that the ACC brings to the market. In addition, hotel guests staying in Austin during events days for reasons not related to the ACC pay an average premium of \$37 over what they would have paid on non-event days. HVS considers the revenue generated by this premium as an induced revenue impact of the ACC.



FIGURE 3-11
ANNUAL INCREMENTAL HOTEL REVENUE IMPACT
(IN THOUSANDS OF 2019 DOLLARS)

Parameter		Value
Occupancy Impact		
Total Available Room Nights		5,868
Difference in Occupancy	x	12%
Change in Occupied Rooms		708
Non-Event Day ADR	x	\$217
Annual ACC Event Days	x	172
Annual Incremental Rooms Revenue*		<u>\$26,437</u>
ADR Impact		
Occupancy		84%
Total Available Room Nights	x	5,868
Occupied Room Nights		4,938
Difference in ADR	x	\$37
Annual ACC Event Days	x	172
Annual Incremental Rooms Revenue*		<u>\$31,728</u>
Total Impact		
Occupancy*		\$26,437
ADR*	+	\$31,728
Total		<u>\$58,165</u>

* (Thousands \$)

In 2019 dollars, the room nights generated by the ACC events cause annual hotel room revenues in downtown Austin to increase by approximately \$26.4 million. Baseline ADR compression increases room revenues in the downtown Austin market by \$31.7 million per year. In 2019 dollars, the ACC accounts for an estimated \$58 million in annual downtown hotel room revenues in Austin.

Annual hotel room revenue also increases due to occupancy and rate compression in other hotel sub-markets in Austin; however, the size of the increase will be less than in downtown. Due to a lack of available data, HVS did not provide a statistical analysis of revenue impact the ACC has in other sub-markets in Austin. However, based on previous studies in other cities³, downtown areas generate approximately 75% to 80% of the total hotel revenue impact citywide. If this is the case in Austin,

³ As an example, see “Convention Center Expansion Analysis, San Diego Convention Center by HVS Convention, Sports & Entertainment Facilities Consulting, April 11, 2017. Available upon request.



Convention, Sports & Entertainment
Facilities Consulting
Chicago, Illinois

the ACC would have induced between \$72.5 and \$77.3 million in annual hotel room revenue from 2015-2019.

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



4. Financial Analysis

HVS used a proprietary financial operating model to estimate revenues and expenses at the ACC, both at stabilization and comparing the two development scenarios during the construction period. This model quantifies the key variables and operating ratios that determine revenue potential and expense levels. Unless otherwise indicated, HVS applied an annual inflation rate of 2.5% to revenues and expenses.

The industry does not use a standardized set of accounting practices for reporting financial performance and operators employ a variety of accounting methods. However, a few major revenue and expense categories are common to most venues. HVS relied on the ACC's organization of revenue and expenses but condensed certain line items and restated its financial operations.

Historical Financial Operations

HVS obtained data on historical ACC operations for the calendar years 2015 through 2020 and restated that information into various revenue and expense line items. HVS uses this same categorization of revenue and expense for the financial projections to follow. The following figure presents a restatement of historical financial operations.



**FIGURE 4-1
HISTORICAL OPERATIONS (\$ THOUSANDS)**

	2015	2016	2017	2018	2019
Revenue					
Food and Beverage (Gross)	\$11,353	\$13,751	\$18,529	\$12,995	\$20,573
Facility Rental	\$2,696	\$2,784	\$2,726	\$3,303	\$2,818
Event Services	\$4,127	\$5,018	\$5,394	\$5,106	\$5,202
Parking	\$3,731	\$3,946	\$4,258	\$4,042	\$4,721
AV Services (Net)	\$711	\$939	\$1,278	\$1,032	\$1,148
Other	\$471	\$313	\$341	\$349	\$345
Interest Income	\$83	\$189	\$324	\$643	\$940
Total Revenue	\$23,172	\$26,939	\$32,851	\$27,469	\$35,748
Operating Expense					
Salary and Benefits	\$17,689	\$19,332	\$20,713	\$22,741	\$24,195
Food & Beverage Costs	7,016	7,948	9,649	7,766	11,258
Utilities	68	88	79	92	115
Repair & Maintenance	4,771	4,604	3,707	9,803	9,860
Administrative & General	728	724	840	801	732
Supplies & Equipment	4,078	3,889	3,605	3,635	3,637
Marketing	1	3	3	17	6
Insurance	403	395	340	409	436
Other	487	-258	-394	-657	-222
Total Operating Expense	\$35,240	\$36,725	\$38,541	\$44,605	\$50,018
TOTAL NET INCOME (LOSS)	(\$12,067)	(\$9,785)	(\$5,690)	(\$17,136)	(\$14,269)

Source: Austin Convention Center as restated by HVS

From 2015 through 2019, the ACC generated between \$23.1 and \$35.7 million in revenue. In 2020, due to the event cancellations caused by the COVID-19 pandemic, revenue fell to \$12.7 million. Food and beverage services generate the largest source of revenue, followed facility rental, event services, and parking. The ACC has incurred between \$35.2 and \$50.0 million in expenses over the same period, with most expenses being dedicated to salaries and benefits, as well as the cost of food and beverage services. Reimbursement for the operation of the Palmer Event Center is categorized as an offsetting expense line item (“Other”), as well as other intradepartmental transfers and miscellaneous expenses, including payment to Visit Austin.

Projection of Financial Operations

HVS projected revenue and expenses for a base year (2024) for the redevelopment and expansion of the ACC. For the purposes of this analysis, we assume that the entire redevelopment and expansion of the ACC, under either scenario, would open by at least 2030. As discussed in our demand analysis, a three-year ramp-up period would be necessary to stabilize the operation in 2031 under the One-Phase scenario



and 2033 under the Two-Phase scenario. Projections assume an inflation rate of 2.5% unless otherwise stated.

Staffing at the ACC would increase at various points in the redevelopment and expansion, reaching full staff levels when the entire facility opens. HVS relied on discussion with ACC staff to estimate staffing needs in an expanded ACC and the timing of addition of new positions as the venue expands.

Revenue

Revenue is the income derived from business operations and other business activities. ACC line items include: Food and Beverage (Gross), Facility Rental, Event Services, Parking, AV Services (Net), and Other. HVS estimates operating revenues as fixed amounts (subject to inflation) or as amounts per unit of demand. In this analysis, we used Attendees, GSF (square feet of use times the number of days of utilization) and, Day Trips as units of demand. To formulate the revenue parameters (amounts per unit of demand), HVS relied on primarily on historical ACC demand and operating statements as well as industry information, and knowledge of the performance of comparable venues. We adjusted the assumptions for inflation and other anticipated trends in price levels.

The figure below summarizes the Revenue parameters for each unit of demand and by type of event.



**FIGURE 4-2
REVENUE PARAMETERS (\$2020)**

Revenue Line Item and Demand Source	Revenue Estimation Unit	Amount per Unit	
		Pre-Opening	Post Opening
Food and Beverage (Gross)			
Conventions	Attendees	\$65.00	\$65.00
Tradeshows	Attendees	12.00	12.00
Consumer Shows	Attendees	10.00	10.00
Conferences	Attendees	105.00	105.00
Banquets	Attendees	85.00	85.00
Meeting	Attendees	30.00	30.00
Sports	Attendees	10.00	10.00
Concerts & Entertainment	Attendees	7.00	7.00
South by Southwest	Attendees	7.00	7.00
Facility Rental			
Conventions	GSFD	\$0.50	\$0.62
Tradeshows	GSFD	0.55	0.67
Consumer Shows	GSFD	0.60	0.72
Conferences	GSFD	0.50	0.62
Banquets	GSFD	0.70	0.82
Meeting	GSFD	0.75	0.87
Sports	GSFD	0.60	0.72
Concerts & Entertainment	GSFD	0.60	0.72
Other	GSFD	0.00	0.12
South by Southwest	GSFD	0.40	0.52
Event Services			
Conventions	GSFD	\$1.50	\$1.50
Tradeshows	GSFD	1.25	1.25
Consumer Shows	GSFD	1.00	1.00
Conferences	GSFD	1.25	1.25
Banquets	GSFD	1.00	1.00
Meeting	GSFD	0.75	0.75
Sports	GSFD	1.00	1.00
Concerts & Entertainment	GSFD	1.50	1.50
South by Southwest	GSFD	0.70	0.70



**FIGURE 4-3
REVENUE PARAMETERS (\$2020) CONT.**

Revenue Line Item and Demand Source	Revenue Estimation Unit	Amount per Unit	
		Pre-Opening	Post Opening
Parking			
Conventions	Day Trips	\$3.00	\$3.00
Tradeshows	Day Trips	3.00	3.00
Consumer Shows	Day Trips	5.00	5.00
Conferences	Day Trips	5.00	5.00
Banquets	Day Trips	5.00	5.00
Meeting	Day Trips	3.00	3.00
Sports	Day Trips	4.00	4.00
Concerts & Entertainment	Day Trips	3.00	2.50
South by Southwest	Day Trips	5.00	5.00
AV Services (Net)			
Conventions	Attendees	\$2.50	\$2.50
Tradeshows	Attendees	2.00	2.00
Consumer Shows	Attendees	2.00	2.00
Conferences	Attendees	1.60	1.60
Banquets	Attendees	2.50	2.50
Meeting	Attendees	1.00	1.00
Sports	Attendees	1.50	1.50
Concerts & Entertainment	Attendees	2.00	2.00
South by Southwest	Attendees	2.50	2.50
Other	Fixed	363,766	363,766
Interest Income	Fixed	435,836	435,836

The revenue parameter estimates shown above are based on analysis of historical operations. HVS calibrated revenue parameters in the VenueModel® so that they generate revenue estimates for a base year that reflect average or recent operating revenues. As examples, conferences, conventions, and banquets generate the most Food and Beverage revenue per attendee and concerts generate the least. In aggregate, these parameters produce revenue estimates that reflect historical food and beverage revenues as stated in 2020 dollars.

A brief description of each line item follows.

Food and Beverage—Most events that use a venue’s function space will arrange for food service for their attendees during their events. This food service includes catering which can range from coffee breaks associated with a meeting to a full dinner associated with a convention or banquet. Consumer shows, sporting events, and other events may generate concessions revenue. Most conventions and conferences generate demand for multiple meals during these multi-day events.



Meetings and banquets generally include a single meal or refreshment services. Events like conventions and tradeshow typically spend the most per attendee. Consumer shows have lower per capita spending.

Facility Rental—Facility rental revenue includes the revenue venues receive from clients that reserve one or more function areas in the facility. Despite having published rates, convention centers typically charge rental fees based on negotiated daily rental fees. Not all events incur a facility rental fee. Management may reduce or waive the exhibit rental charges to book an event that generates significant food and beverage revenue, HOT revenue, or has a positive economic impact. Increases in facility rental per GSF are based on discussions with ACC staff.

Event Services—Event Services include the fees charged to users for services that could include business services, technical assistance, set-up and take down of function spaces, cleaning services, security services, electricity and other utilities, commissions from decorators and other services provided by third-party contractors at events. Many events also require communications and internet services. Banquets and other upscale events can often require elaborate decorating services. Almost all events require cleaning services; cleaning of common areas may be complimentary for most events while cleaning services offered to individual exhibitors can represent a significant source of revenue. Service charges vary by type of event. Some of these services may be included in the rental charges for using the facility, but others will be add-on service charges.

Parking—Parking revenue include charges collected by a the venue. Conventions, trade shows, and consumer shows generate a significant amount of parking revenue.

AV Services (Net)—Audio visual includes the revenue generated from services related to sound and video system used for presentations and productions during events.

Other—Other revenue includes miscellaneous and non-recurring revenue sources. It also includes lease revenue from storefronts on blocks with convention center parking garages.

Interest Income—Interest Revenue is generated by earning on investments.

Operating Expenses

HVS estimates operating expenses as a blend of fixed and variable costs. Expenses have 1) a fixed component that changes with inflation, and 2) a variable component that depends on the level facility utilization. Fixed expenses may also increase or decrease due to changes in operating conditions or management decisions. For example, the addition of staff could increase fixed salary expenses. All fixed



expenses are adjusted for inflation. HVS estimates variable expenses using a ratio-to-sales analysis, or based on amounts per unit of utilization, such as the number of events, attendees, or some other factor.

**FIGURE 4-4
EXPENSE PARAMETERS (\$2020)**

Expense Line Item	Estimation Method	Unit	Amount Per Unit		Fixed %
			Base Year	Stabilized Year	
Operating Expense					
Salary and Benefits	Fixed Amount		\$26,839,821	\$29,852,811	100%
Food & Beverage Costs	Ratio to Sales	Food and Beverage (Gross)	56.52%	50.00%	0%
Utilities	Ratio to Sales	Total Revenue	8.92%	7.00%	75%
Repair & Maintenance	Ratio to Sales	Total Revenue	8.95%	7.50%	75%
Administrative & General	Ratio to Sales	Total Revenue	4.27%	3.50%	75%
Supplies & Equipment	Ratio to Sales	Total Revenue	9.41%	8.00%	50%
Marketing	Ratio to Sales	Total Revenue	1.29%	1.00%	75%
Insurance	Ratio to Sales	Total Revenue	0.67%	0.67%	100%
Services Other	Fixed Amount		\$6,657,577	\$6,657,577	100%

The expense parameter estimates shown above are based on an analysis of historical operations. HVS calibrated revenue parameters in the VenueModel® so that they generate expense estimates for a base year that reflect average or recent operating revenues. Ratios decrease from the base year to the stabilized due to anticipated economies of scale and efficiencies associated with a new building.

Operating expenses are incurred to maintain the normal business operations of the venue. Many of these expenses vary with the level facility utilization.

A brief description on each expense line item follows.

Salary and Benefits—Salaries and associated benefits include compensation for permanent full and part-time employees dedicated to administration, marketing, building operations, and other functions.

Food & Beverage Costs—Costs of food and beverage include the costs of food and beverages sold as well as the labor associated with food preparation and service.

Utilities—The consumption of various utilities takes several forms, including water and space heating, air conditioning, lighting, cooking fuel, and other miscellaneous power requirements. The most common utilities costs include electricity, natural gas, fuel oil, water, and steam.



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

Administrative & General—Administrative and general expense includes the salaries and wages of all administrative personnel not directly associated with a department. Office as well as day-to-day facility expenses. Such expenses typically include travel, telephone, printing, permits, and other miscellaneous services.

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

Marketing—Marketing and sales expense consists of costs associated with advertising, sales, and promotion; these activities focus on attracting and retaining customers. Marketing creates an image, develops customer awareness, and stimulates patronage of a property's various facilities. Sales involves lead generation, responses to customer requests for proposals, and negotiation of contracts for use of the venue

Insurance—Insurance costs include property insurance, casualty loss, and other liability insurance required for facility operations.

Other—Other expenses could include one-time expenses and other lesser amounts of miscellaneous operations costs. They also include a reimbursement to the ACC for the operations of the Palmer Event Center. HVS included a base level of local parking garage demand in the one-phase scenario because, while the ACC is closed for redevelopment and expansion, the ACC garage will still operate and serve downtown Austin.

Services Other—Includes a payment to Visit Austin for lead generation and sales support.

Operating Pro Forma

The figure below compares uninflated projections of ACC financial operations once demand has stabilized with ACC historic averages. This shows the increase in revenue and expense projected for the ACC once demand has stabilized, under either scenario.



**FIGURE 4-5
FINANCIAL OPERATIONS IN HISTORIC AND EXPANDED ACC (\$ 2023)**

	Historic Average (2015-2019)		Stabilized Year 2033	
	Amount	% Total	Amount	% Total
Revenue				
Food and Beverage (Gross)	\$15,440	53%	\$34,828	56%
Facility Rental	2,865	10%	6,736	11%
Event Services	4,969	17%	10,387	17%
Parking	4,140	14%	7,751	12%
AV Services (Net)	1,022	3%	1,999	3%
Other	364	1%	410	1%
Interest Income	436	1%	491	1%
Total Revenue	\$29,236	100%	\$62,601	100%
Operating Expense				
Salary and Benefits	\$20,934	72%	\$33,606	54%
Food & Beverage Costs	8,727	30%	\$17,414	28%
Utilities	2,569	9%	\$4,382	7%
Repair & Maintenance	2,578	9%	\$4,695	8%
Administrative & General	1,230	4%	\$2,191	4%
Supplies & Equipment	2,711	9%	\$5,008	8%
Marketing	371	1%	\$626	1%
Insurance	193	1%	\$419	1%
Other	(985)	-3%	(\$1,226)	-2%
Services Other	2,692	9%	\$7,495	12%
Total Operating Expense	\$41,019	140%	\$74,610	119%
TOTAL NET INCOME (LOSS)	(\$11,783)	-40%	(\$12,009)	-19%

The redevelopment and expansion of the ACC is projected to increase total revenue by approximately \$34 million from \$29 million to nearly \$63 million by 2033. Most of this increase comes from the sale of food and beverage services associated with events. Total expenses are projected to increase by approximately \$34 million, from \$41 million to nearly \$75 million. The largest increase in expenses comes from an increase in food and beverage costs, as well as salary and benefit increases.

The figures below compare projections of ACC financial operations under two development scenarios. The first figure shows the one-phase approach, where the ACC is closed entirely for events but hosts some at the Palmer Event Center. The second shows the two-phase approach where the ACC only shut down half of the building at a time.

**FIGURE 4-6
ONE PHASE SCENARIO
TEN-YEAR FINANCIAL OPERATING PROJECTIONS (INFLATED \$000'S)**

	Closes Apr.		Construction Completed				Stabilized			
	2024	2025	2026	2027	Feb. 2028	2029	2030	2031	2032	2033
Revenue										
Food and Beverage (Gross)	\$3,011	\$525	\$538	\$552	\$23,856	\$32,295	\$39,458	\$42,434	\$43,495	\$44,582
Facility Rental	2,857	106	109	111	6,520	7,202	7,769	8,207	8,412	8,622
Event Services	5,237	168	173	177	9,649	10,911	11,962	12,655	12,972	13,296
Parking	3,110	2,665	2,731	2,799	7,527	8,323	9,040	9,444	9,680	9,922
AV Services (Net)	705	64	65	67	1,658	1,999	2,317	2,436	2,497	2,559
Other	420	0	0	0	463	475	487	499	511	524
Interest Income	503	515	528	542	555	569	583	598	613	628
Total Revenue	\$15,843	\$4,044	\$4,144	\$4,248	\$50,229	\$61,775	\$71,615	\$76,273	\$78,180	\$80,134
Operating Expense										
Salary and Benefits	\$30,970	\$31,743	\$32,537	\$34,498	\$37,262	\$38,973	\$39,947	\$40,946	\$41,969	\$43,019
Food & Beverage Costs	1,702	263	269	276	11,928	16,148	19,729	21,217	21,748	22,291
Utilities	4,381	872	894	916	4,597	4,892	5,160	5,339	5,473	5,609
Repair & Maintenance	3,899	934	957	981	4,926	5,242	5,528	5,720	5,863	6,010
Administrative & General	2,030	436	447	916	2,299	2,446	2,580	2,670	2,736	2,805
Supplies & Equipment	4,101	1,355	1,389	1,423	4,842	5,375	5,841	6,102	6,254	6,411
Marketing	714	441	539	622	708	726	744	763	782	801
Insurance	291	110	113	116	474	486	498	510	523	536
Other	-1,256	-1,288	-1,320	-1,353	-1,387	-1,422	-1,457	-1,494	-1,531	-1,569
Services Other	7,682	7,874	8,071	8,273	8,479	8,691	8,909	9,131	9,360	9,594
Total Operating Expense	\$54,514	\$42,739	\$43,895	\$46,668	\$74,128	\$81,558	\$87,479	\$90,905	\$93,177	\$95,507
TOTAL NET INCOME (LOSS)	(\$38,671)	(\$38,695)	(\$39,751)	(\$42,420)	(\$23,900)	(\$19,783)	(\$15,864)	(\$14,632)	(\$14,998)	(\$15,373)

Source: HVS

**FIGURE 4-7
TWO-PHASE SCENARIO
TEN-YEAR FINANCIAL OPERATING PROJECTIONS (INFLATED \$000'S)**

	Construction Begins Apr.		Phase 1 Completed Feb. Phase 2 Begins Apr.				Construction Complete March		Stabilized	
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Revenue										
Food and Beverage (Gross)	\$4,199	\$1,002	\$1,027	\$1,052	\$1,079	\$1,106	\$25,283	\$33,520	\$38,433	\$44,582
Facility Rental	2,991	133	137	140	144	147	6,742	7,514	8,064	8,622
Event Services	5,629	193	198	203	208	213	9,923	11,316	12,283	13,296
Parking	3,168	2,665	2,731	2,799	2,869	2,941	7,871	8,720	9,322	9,922
AV Services (Net)	743	65	66	68	70	71	1,734	2,067	2,315	2,559
Other	35	0	0	0	0	0	203	499	511	524
Interest Income	503	515	528	542	555	569	583	598	613	628
Total Revenue	\$17,267	\$4,573	\$4,687	\$4,804	\$4,924	\$5,047	\$52,338	\$64,233	\$71,540	\$80,134
Operating Expense										
Salary and Benefits	\$30,970	\$31,745	\$32,539	\$33,352	\$34,186	\$36,245	\$39,148	\$40,946	\$41,969	\$43,019
Food & Beverage Costs	2,373	501	513	526	539	553	12,641	16,760	19,216	22,291
Utilities	4,236	872	894	917	939	963	3,231	5,128	5,356	5,609
Repair & Maintenance	3,863	935	958	982	1,007	1,032	2,153	5,495	5,739	6,010
Administrative & General	2,028	436	447	458	470	481	1,005	2,564	2,678	2,805
Supplies & Equipment	4,063	1,357	1,391	1,426	1,461	1,498	2,535	5,620	5,989	6,411
Marketing	667	493	573	587	602	617	744	763	782	801
Insurance	347	110	113	116	118	121	334	510	523	536
Other	-1,256	-1,288	-1,320	-1,353	-1,387	-1,422	-1,457	-1,494	-1,531	-1,569
Services Other	7,682	7,874	8,071	8,273	8,479	8,691	8,909	9,131	9,360	9,594
Total Operating Expense	\$54,973	\$43,035	\$44,179	\$45,283	\$46,415	\$48,780	\$69,243	\$85,424	\$90,082	\$95,507
TOTAL NET INCOME (LOSS)	(\$37,706)	(\$38,462)	(\$39,492)	(\$40,479)	(\$41,491)	(\$43,733)	(\$16,905)	(\$21,191)	(\$18,541)	(\$15,373)

Source: HVS



HVS prepared the following figure to compare the two redevelopment and expansion scenarios, which sums the total operating revenue and expense from 2024-2033. See the figure below.

**FIGURE 4-8
FINANCIAL OPERATIONS BY CONSTRUCTION SCENARIO (\$ INFLATED)**

Year	One-Phase			Two-Phase		
	Total Revenue	Total Expense	Operating Income	Total Revenue	Total Expense	Operating Income
2024	15,843	54,514	(38,671)	17,267	54,973	(37,706)
2025	4,044	42,739	(38,695)	4,573	43,035	(38,462)
2026	4,144	43,895	(39,751)	4,687	44,179	(39,492)
2027	4,248	46,668	(42,420)	4,804	45,283	(40,479)
2028	50,229	74,128	(23,900)	4,924	46,415	(41,491)
2029	61,775	81,558	(19,783)	5,047	48,780	(43,733)
2030	71,615	87,479	(15,864)	52,338	69,243	(16,905)
2031	76,273	90,905	(14,632)	64,233	85,424	(21,191)
2032	78,180	93,177	(14,998)	71,540	90,082	(18,541)
2033	80,134	95,507	(15,373)	80,134	95,507	(15,373)
Total	446,484	710,570	(264,087)	309,549	622,922	(313,373)

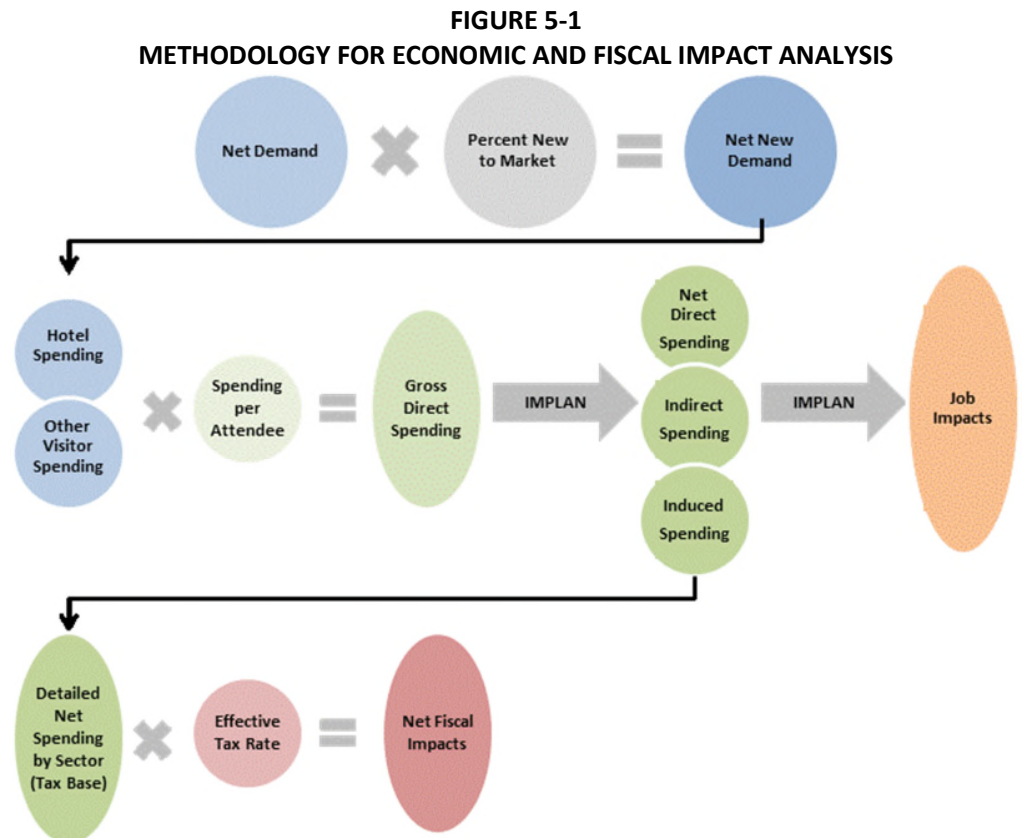
Total operating revenue and expense are both higher in the one-phase scenario across the years studied due to the one-phase scenario being completed sooner and ramping up to demand stabilization faster than the two-phase scenario.

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

5. Economic Impact

Based on the demand projections presented in this report under each scenario, HVS identified the new spending that would occur in the local economy due to the proposed redevelopment and expansion of the Austin Convention Center (“ACC”). HVS estimated the amounts of income and employment that new visitors, event organizers, and exhibitors would generate in Austin annually once demand has stabilized. HVS compared the economic impact generated by the ACC from 2019 until 2032 under the one-phase and two-phase construction scenarios.

The figure below demonstrates our methodology.





Direct, Indirect, and Induced Spending

Spending falls into three categories:

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

To generate direct spending estimates, HVS applied assumptions about the amounts of new spending generated by ACC event attendees and sponsors. HVS used the IMPLAN input-output model of the local economy to estimate net direct, indirect, and induced spending. The sum of net direct, indirect, and induced spending estimates make up the total estimated spending impact of the proposed redevelopment and expansion of the ACC.

Some refer to indirect and induced impacts as multiplier effects. The relationship between direct spending and the multiplier effects varies based upon the specific size and characteristics of a local area's economy.

Sources of Direct Spending

HVS identified six sources of new direct spending impact:

- **Overnight Guests:** Visitors to the ACC who require overnight lodging, including convention delegates, meeting attendees, and attendees at other ACC events. Overnight delegate spending includes the spending on meals, shopping, local transportation, recreation and entertainment, and other goods and services while in town.
- **Daytrip Attendees:** Visitors to the ACC who do not require paid lodging. In most markets, day-trippers typically spend money on meals, shopping, local



transportation, recreation and entertainment, and other goods and services while in town.

- **Event Organizers:** Individuals, associations, or other organizations that plan, sponsor, organize, and coordinate events that take place at ACC facilities. In addition to facility spending, event organizers also spend on lodging, meals, local transportation, facility rentals, equipment rentals, and other goods and services required to plan and organize a successful event.
- **Exhibitors:** Individuals or companies that rent exhibition space, typically from event organizers, to display information or products at events. In addition to spending at the facility, exhibitors purchase lodging, meals, local transportation, vendor services, meeting room rentals, equipment rentals, and other goods and services.
- **Overnight Sports:** Individuals who are travel to Austin for a sports event that stay overnight. They spend on hotels, food, retail, and recreation.
- **Daytrip Sports:** Individuals who are travel to Austin for a sports event that do not pay lodging costs. They spend on food, retail, transportation, and recreation.

Estimation of new spending of each of these sources involves three sets of assumptions: 1) the number of new visitors to the market, 2) the geographic location of their spending, and 3) the amounts typically spent by each of the sources.

New Visitors

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

**FIGURE 5-2
PERCENTAGE OF VISITORS NEW TO AUSTIN**

Visitor Type	Overnight Guests	Day Trips
Conventions	85%	60%
Tradeshows	77%	60%
Consumer Shows	26%	60%
Conferences	58%	37%
Banquets	20%	37%
Meeting	29%	37%
Concerts & Entertainment	24%	37%
South by Southwest	95%	95%

Source: HVS



- **Overnight Guests** – HVS estimates of the number of new overnight guests, including overnight sports attendees, are based on the attendance draw of the event and averaged across each event type. Data on the attendance draw of each event was provided by ACC staff.
- **Day Trips** – HVS estimates of the number of new daytrip guests, including daytrip sports attendees, were based on the population of the City of Austin relative to the population within different drive times of the ACC. For conference, banquet, meeting, and concert attendees, HVS used a 30-minute drive-time. For convention, tradeshow, and consumer show attendees, HVS used a 60-minute drive-time. For South by Southwest, HVS used a three-hour drive-time.
- **Exhibitor/Organizer spending on Attendees/Delegates** – HVS based estimates on the percentage of attendees by events organized and exhibited by companies that would otherwise not hold or participate in an event in Austin.

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

$$\text{Total Overnight Guests} \times \text{Percent New} = \text{New Overnight Stays}$$

$$\text{Total Day Trips} \times \text{Percent New} = \text{New Day Trips}$$

$$\text{Total Delegate Days} \times \text{Percent New} = \text{New Delegate Days}$$

The figure below shows the number of new visitors to Austin that generate new spending.

FIGURE 5-3
SUMMARY OF DIRECT SPENDING- STABILIZED YEAR

Demand Type	Overnight Visitor Days	Day Trips	Attendee-Days*
Conventions	127,400	85,100	361,800
Tradeshows	1,400	5,400	9,900
Consumer Shows	100	12,700	44,000
Conferences	12,100	23,000	65,600
Banquets	100	7,400	20,000
Meeting	1,000	4,800	24,000
Sports	3,100	9,700	18,000
Concerts & Entertainment	100	700	800
Total	145,300	148,800	544,100

*Used to estimate organizer and exhibitor spending.

Source: HVS



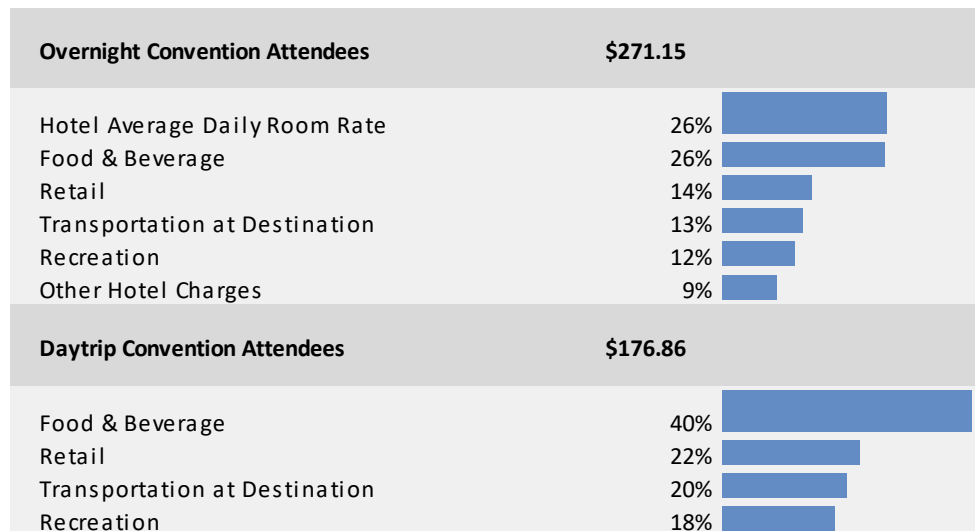
Spending Parameters

Delegates, attendees, event organizers, and exhibitors spend locally on lodging, meals, local transportation, facility rentals, vendor services, meeting room rentals, equipment rentals, and other goods and services.

To estimate the spending for overnight and day trip visitors, HVS used results from several tourism spending data sources. Our primary source is the Travel USA study by Longwoods International. This survey is conducted annually with a sample size of approximately 350,000 trips and assesses origin, spending, party size, and primary purpose of the trip. HVS supplements this with the Destination International (“DI”) Convention Expenditure & Impact Study which surveyed event organizers across over 1,000 events to gather daily spending parameters on overnight convention attendees, day-trip event attendees, exhibiting companies, and event organizers. HVS applies parameters from the Corporate Travel Index (“CTI”) to account for local spending patterns. Adjusted data from DI provides estimates of organizer spending per visitor day.

All spending parameters are stated as the daily spending by individual overnight guests and day-trippers in 2020 dollars. The following figures present the direct spending estimates for each spending category.

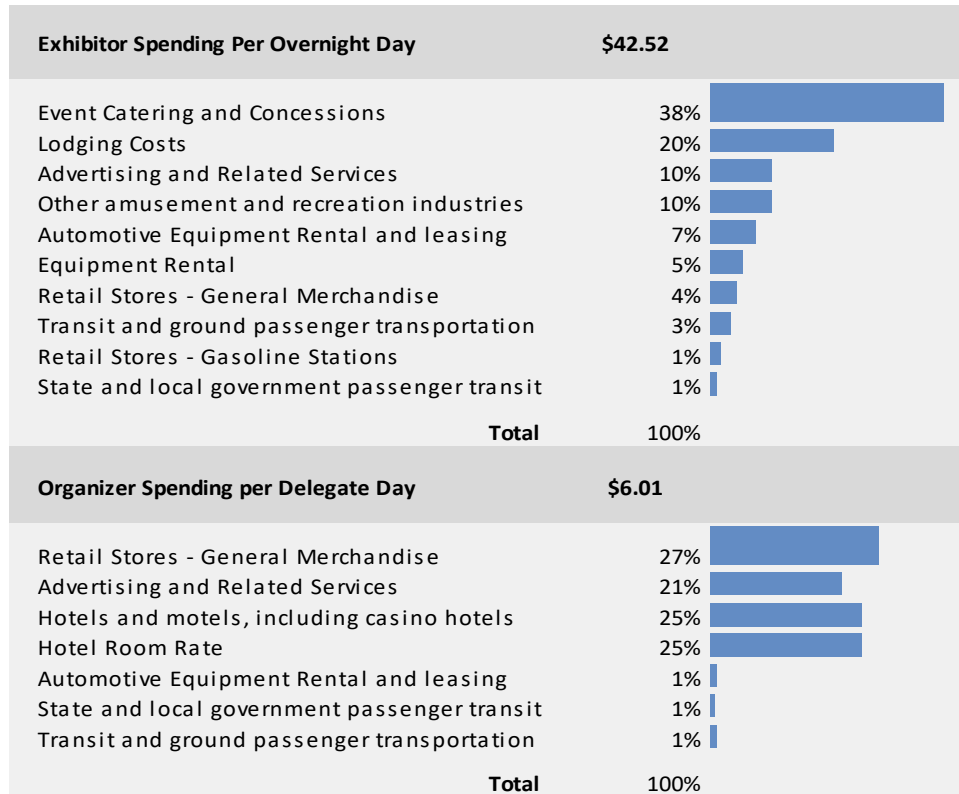
**FIGURE 5-4
CONVENTION ATTENDEE SPENDING**



Sources: Longwoods International, STR, CTI



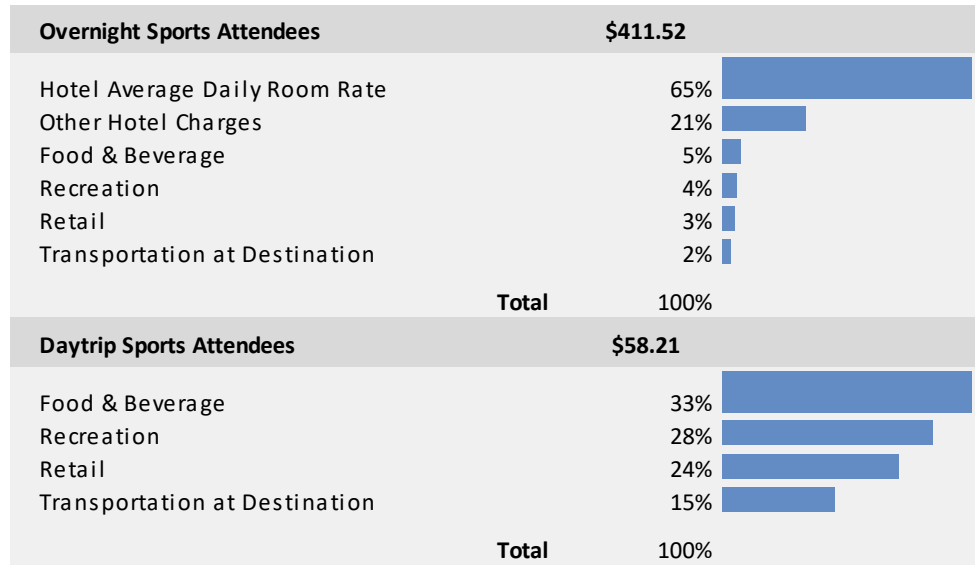
**FIGURE 5-5
EXHIBITOR AND ORGANIZER ATTENDEE SPENDING**



Sources: Destinations International, CTI



**FIGURE 5-6
SPORTS ATTENDEE SPENDING**



Sources: Longwoods International, STR, CTI

**Facility Revenue from
Outside Spending**

Event organizers and exhibitors create additional spending impacts through spending at the ACC through facility rentals, the purchase of event food and beverage services, and other spending at the venue. Using operating revenue histories, HVS estimated future spending by exhibitors and event organizers at the expanded ACC including:

Food and Beverage—Most events that use a venue’s function space will arrange for food service for their attendees during their events. This food service includes catering which can range from coffee breaks associated with a meeting to a full dinner associated with a convention or banquet. Consumer shows, sporting events, and other events may generate concessions revenue. Most conventions and conferences generate demand for multiple meals during these multi-day events. Meetings and banquets generally include a single meal or refreshment services. Events like conventions and tradeshows typically spend the most per attendee. Consumer shows have lower per capita spending.

Facility Rental—Facility rental revenue includes the revenue venues receive from clients that reserve one or more function areas in the facility. Despite having published rates, convention centers typically charge rental fees based on negotiated daily rental fees. Not all events incur a facility rental fee. Management may reduce or waive the exhibit rental charges to book an event that generates significant food and beverage revenue or has a positive economic impact.



Event Services—Event Services include the fees charged to users for services that could include business services, technical assistance, set-up and take down of function spaces, cleaning services, security services, electricity and other utilities, commissions from decorators and other services provided by third-party contractors at events. Many events also require communications and internet services. Banquets and other upscale events can often require elaborate decorating services. Almost all events require cleaning services; cleaning of common areas may be complimentary for most events while cleaning services offered to individual exhibitors can represent a significant source of revenue. Service charges vary by type of event. Some of these services may be included in the rental charges for using the facility, but others will be add-on service charges.

Parking—Parking revenue include charges collected by a the venue. Conventions, trade shows, and consumer shows generate a significant amount of parking revenue.

AV Services (Net)— Audio visual includes the revenue generated from services related to sound and video system used for presentations and productions during events.

Other—Other revenue includes miscellaneous and non-recurring revenue sources. Other revenue includes miscellaneous and non-recurring revenue sources. It also includes lease revenue from storefronts on blocks with convention center parking garages.

Gross Direct Spending

HVS applied the previous sources of spending impacts and spending parameters to estimate gross direct spending for a stabilized year. Facility revenue was deflated from 2024 dollars to 2020 dollars using the Consumer Price Index (“CPI”). See the figure below.

**FIGURE 5-7
GROSS DIRECT SPENDING**

Visitor Type	Number of New Visitors		Daily Spending	Total Spending (Millions)
Convention Delegate Overnight Spending =	192,851	overnight visitors	x \$271.56 =	\$52.37
Convention Delegate Daytrip Spending =	443,200	daytrip visitors	x 176.86 =	78.38
Exhibiting Company Spending per attendee =	415,700	attendees	x 42.52 =	17.68
Event Organizer Spending per attendee =	543,300	attendees	x 6.01 =	3.27
Overnight Sports Attendees =	3,100	overnight visitors	x 155.56 =	0.48
Daytrip Sports Attendees =	9,700	daytrip visitors	x 58.21 =	0.56
		Facility Revenue =		21.79
		Total Gross Direct Spending =		\$174.53



IMPLAN Impact Modeling

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

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

Annual Net Direct Spending

Not all of the gross direct spending counts as an economic impact because some of the spending does not generate income within the market. HVS adjusts gross direct spending to account for income that leaks out of the local economy by estimating retail margins and local purchase percentages. As a result, the realized direct spending (“net direct spending”) is lower than the gross direct spending in the market area.

Retail Margins

Spending at retailers creates a smaller economic impact compared to spending in other industries. Retailers add value equal to the margin or price increase of the good above the original price paid to obtain the good. The IMPLAN model is product based, so HVS uses IMPLAN margin numbers to account for the discrepancy between retail purchaser prices and producer prices.

Local Purchase Percentage

To accurately measure spending impacts, HVS counts spending on products and services located in the market area. Some of the direct spending demand in the market area cannot be accommodated. For example, an event organizer may need to buy novelty items for all attendees but find that the market area does not produce these items. This effect occurs for direct, indirect, and induced spending. HVS uses the IMPLAN SAM model values to track the percentage of a good purchased within the market area.

Indirect and Induced Spending

The relationship between direct spending and the multiplier effects can vary based on the specific size and characteristics of a local area’s economy. HVS enters the gross direct spending estimate into the IMPLAN input output model of the local economy to estimate the net direct, indirect, and induced spending. HVS obtained the most recent available data from IMPLAN for .



The following figures present the output of the IMPLAN model—the net new direct, indirect, and induced economic impacts and that are attributable to the proposed redevelopment and expansion of the ACC. HVS also used IMPLAN to estimate the jobs created based on the direct, indirect, and induced spending estimates.

Annual Net Spending Impacts

The figure below shows the annual net direct, indirect and induced spending generated by the existing ACC, the increase in economic impact due to the redevelopment and expansion of the ACC, and the estimated total economic impact of a redeveloped and expanded ACC. The increased impact from redevelopment and expansion would occur under either scenario, though timing would vary.

**FIGURE 5-8
ANNUAL ECONOMIC IMPACT ESTIMATES**

Impact (\$ millions)	Current ACC	Increase from Expansion	Total
Net Direct	\$277.7	\$167.8	\$445.5
Indirect	110.2	68.9	179.1
Induced	80.8	48.4	129.2
Total	\$468.8	\$285.0	\$753.8

Employment Impacts

HVS calculated the full-time equivalent jobs supported by the spending in each economic sector. The figure below summarizes the results.

**FIGURE 5-9
EMPLOYMENT IMPACT IN A STABILIZED YEAR**

Full-Time Equivalent Jobs	Current ACC	Increase from Expansion	Total
Direct	1,857	1,122	2,980
Indirect	454	287	741
Induced	404	212	616
Total Permanent Jobs	2,715	1,622	4,337

By a stabilized year of operation, the project would support approximately 1,625 additional permanent full-time equivalent jobs, bringing the total number of jobs supported by the ACC to more than 4,300.

Fiscal Impacts

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



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

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

**FIGURE 5-10
INCREMENTAL FISCAL IMPACT CITY OF AUSTIN**

Tax Category	Tax Base	Effective Tax Rate	Estimated Tax Revenue
Local Sales & Use Tax	217,982,924	1.00%	\$2,179,800
Auto Rental	20,886,852	5.00%	\$1,044,300
Lodging Tax	96,587,111	9.00%	\$8,692,800
		Total	\$11,916,900

Three tax sources would generate approximately \$11.9 million in additional annual tax revenue to the City of Austin in a stabilized year of operation of an expanded ACC. In the one-phase scenario, stabilization occurs in 2031, in the two-phase stabilization occurs in 2033.

**FIGURE 5-11
SUMMARY OF ECONOMIC AND FISCAL IMPACTS**

Summary of Impacts*	Current ACC	Increase from Expansion	Total
Economic Impact (millions)	\$468.8	\$285.0	\$753.8
Fiscal Impact (millions)	\$11.75	\$11.92	\$23.67
Jobs	2,715	1,622	4,337

*In a stabilized year.

**Economic Impact
During Construction**

In order to inform the decision of whether to expand the ACC in one or two phases, HVS prepared economic impact estimates for the ACC from 2019-2032 under each scenario. These estimates are based on the demand projections for each scenario and follow the same methodology and parameters described for the stabilized economic impact of redevelopment and expansion.



HVS also prepared estimates under a “no construction” scenario where the ACC is not expanded, and demand recovers to pre-COVID-19 levels. The economic impact in the “no construction” scenario begins to decline in 2027 due to larger convention events outgrowing the ACC, and being replaced by smaller “in-fill convention” events.

HVS identified convention events that are likely to move from the ACC based on the amount of function space used per event. The attendance and room night demand for in-fill conventions are based on smaller convention events that have occurred at the ACC. The table below shows the number of conventions and in-fill conventions from 2027 through 2033, as well as the number of attendees and room nights generated.

**FIGURE 5-12
DO NOTHING SCENARIO CONVENTION EVENT REPLACEMENT**

Year	Events			Attendance			Room Nights		
	Conventions	In-Fill Conventions	Total	Conventions	In-Fill Conventions	Total	Conventions	In-Fill Conventions	Total
2027	37	1	38	152,600	3,100	155,700	211,000	4,800	215,800
2028	36	2	38	148,500	6,200	154,700	205,300	9,600	214,900
2029	32	6	38	132,000	18,600	150,600	182,500	28,800	211,300
2030	28	10	38	115,500	31,000	146,500	159,700	48,100	207,800
2031	24	14	38	99,000	43,400	142,400	136,900	67,300	204,200
2032	19	19	38	78,400	59,000	137,400	108,400	91,300	199,700
2033	16	22	38	66,000	68,300	134,300	91,300	105,700	197,000

By 2033, HVS projects that the ACC will have lost 22 of its largest conventions and replaced them with 22 smaller in-fill conventions. This loss of events will have results in ACC attendance and room nights decreasing by more than 15,000 and 18,000, respectively.

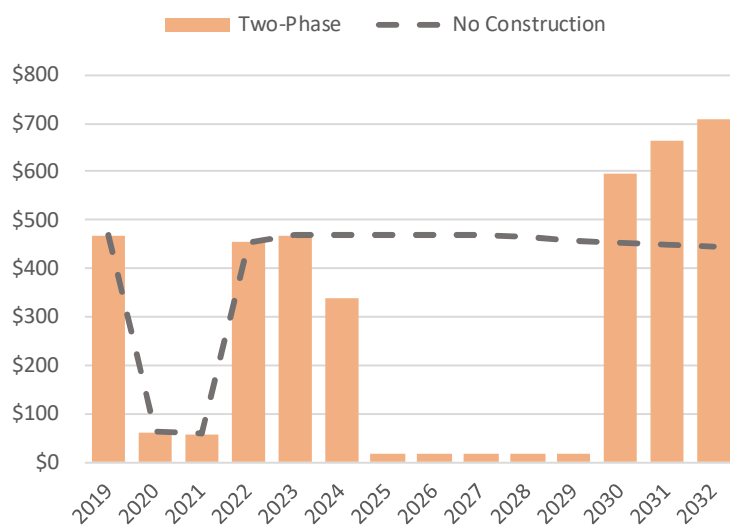
The charts below show the annual economic impact of the ACC during construction and through 2033. ACC staff provided data on ACC demand from 2019-2023 through advanced bookings and historic demand.



FIGURE 5-13
ANNUAL ECONOMIC IMPACT – ONE-PHASE



FIGURE 5-14
ANNUAL ECONOMIC IMPACT – TWO-PHASE





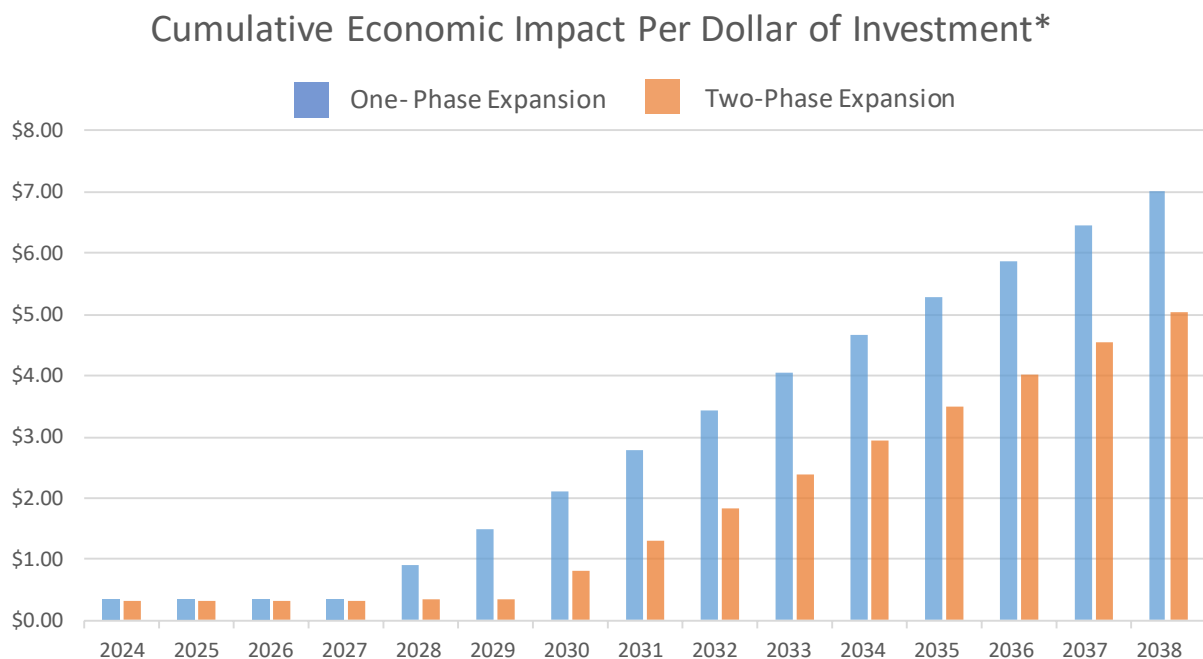
Economic impacts drop significantly during construction, to COVID-19 pandemic levels of impact, because they are generated by demand at the ACC, so when the ACC is not operating, or operating at limited capacity, there is less impact than when the ACC operates at its normal capacity. The stabilized economic demand, shown in 2033, shows an increase in economic impact of nearly \$300 million per stabilized year compared to the no construction scenario.

Comparing the two scenarios shows that the one-phase approach generates more economic impact because it completes construction and ramps up to full operation sooner.

Cumulative Impact Per Dollar Spent

HVS calculated the cumulative economic impact under each scenario per dollar spent on the ACC. The cumulative economic impact is the sum of all impact generated by the ACC in that year, and each previous year. The amount spent on the ACC includes the cost of expanding the facility, as well as the funding needed to support the operating loss of the ACC, capital costs, and maintenance.

**FIGURE 5-15
CUMULATIVE IMPACT PER DOLLAR SPENT**



*Includes estimated capital costs, operating deficit, and ongoing capital maintenance



In the one-phase scenario, the cumulative impact per dollar spent reaches \$2.79 by the time demand stabilizes in 2031, and reaches more than \$7 in 2037. The two-phase scenario is below the one-phase due to the longer construction time, but reaches \$2.39 by demand stabilization and more than \$5 in 2037.

These economic and fiscal impact estimates are subject to the assumptions and limiting conditions described throughout the report. Numerous assumptions about future events and circumstances form the basis for these estimates. Although we consider these assumptions reasonable, we cannot provide assurances that the project will achieve the forecasted results. Actual events and circumstances are likely to differ from the assumptions in this report and some of those differences may be material. The readers should consider these estimates as a mid-point in a range or potential outcomes.



6. Statement of Assumptions and Limiting Conditions

1. This report is to be used in whole and not in part.
2. No responsibility is assumed for matters of a legal nature.
3. We have not considered the presence of potentially hazardous materials on the proposed site, such as asbestos, urea formaldehyde foam insulation, PCBs, any form of toxic waste, polychlorinated biphenyls, pesticides, or lead-based paints.
4. All information, financial operating statements, estimates, and opinions obtained from parties not employed by HVS are assumed to be true and correct. We can assume no liability resulting from misinformation.
5. Unless noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the subject property.
6. We are not required to give testimony or attendance in court by reason of this analysis without previous arrangements, and only when our standard per-diem fees and travel costs are paid prior to the appearance.
7. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material presented in this report, it is recommended that the reader contact us.
8. We take no responsibility for any events or circumstances that take place after the date of our report.
9. The quality of a facility's on-site management has a direct effect on a facility's economic performance. The demand and financial forecasts presented in this analysis assume responsible ownership and competent management. Any departure from this assumption may have a significant impact on the projected operating results.
10. The impact analysis presented in this report is based upon assumptions, estimates, and evaluations of the market conditions in the local and national economy, which may be subject to sharp rises and declines. Over the projection period considered in our analysis, wages and other operating expenses may increase or decrease due to market volatility and economic forces outside the control of the facility's management.
11. We do not warrant that our estimates will be attained, but they have been developed based on information obtained during our market research and are intended to reflect reasonable expectations.



12. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers have been rounded. Thus, these figures may be subject to small rounding errors.
13. It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the client and use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.
14. Although this analysis employs various mathematical calculations, the final estimates are subjective and may be influenced by our experience and other factors not specifically set forth in this report.
15. HVS, is not a municipal advisor and HVS is not subject to the fiduciary duty set forth in section 15B(c)(1) of the Act (15 U.S.C. 78o-4(c)(1)) with respect to the municipal financial product or issuance of municipal securities. The reader is advised that any actual issuance of debt would be done under the advice of its bond counsel and financial advisors. Financial advisor would provide advice concerning the specific structure, timing, expected interest cost, and risk associated with any government loan or bond issue. Potential investors should not rely on representations made in this report with respect to the issuance of municipal debt.
16. This report was prepared by HVS Convention, Sports & Entertainment Facilities Consulting. All opinions, recommendations, and conclusions expressed during this assignment are rendered by the staff of this organization, as employees, rather than as individuals.
17. This report is set forth as a market study of the subject facility; this is not an appraisal report.



7. Certification

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

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

Thomas Hazinski
Managing Director

Anthony Davis
Project Manager