New Convention Center

Feasibility Analysis Update

prepared by

StrategicAdvisoryGroup

Jacksonville
Where Florida Begins.

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INTRODUCTION

Strategic Advisory Group (SAG) is pleased to present our findings related to the potential of developing a new Convention Center in Jacksonville. The City of Jacksonville is embarking on a multifaceted approach to move Jacksonville forward as a great place to live and visit and SAG is proud to be part of this advancement. The opportunity to develop a Convention Center and reap the benefits of a successful effort to establish Jacksonville as a premier meetings and convention destination is an integral part of a comprehensive long term economic development plan.

SAG has completed a comprehensive process of gauging the current demand for a new Convention Center as well as gaining insight as to the importance of some of the current visioning that is in place for the future of Jacksonville. The purpose of this study is to evaluate the feasibility of developing a Convention Center based on the current market demand and to gain an understanding of the key factors that are important to decision makers when choosing a destination for their future meetings, conventions, and events.

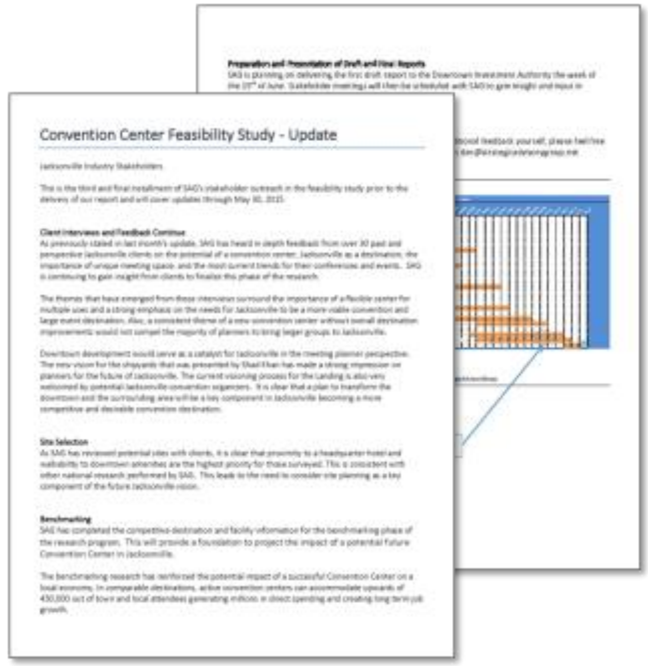
Our Approach

SAG has completed an inclusive approach from gaining insight from local stakeholders' interviews to conducting in-depth interviews and surveys with over 40 meeting planners from a wide variety of meetings and convention markets. The in-depth interviews created an opportunity to show potential Jacksonville customers the current visioning that is taking place around the future of downtown. The diagram on the right illustrates our process.

As depicted in the diagram, SAG took a comprehensive approach in understanding Jacksonville's current and potential position in the Convention and Meetings market, incorporating a broad spectrum of stakeholder input and evaluating the most impactful options.

Review of Past Research

SAG has reviewed the 2007 study conducted by Convention, Sports, and Leisure as well as the 2001 report conducted by SAG. There were common themes in the two previous reports. These included the conclusion that the current interest in Jacksonville as a convention destination was relatively low. Meeting planners cited the need for a headquarter hotel in proximity of the Convention Center. The consensus of both studies was that Jacksonville as a destination needed enhancement, which was a prerequisite to being a competitive convention destination.


Convention Center Feasibility Study - Update

Site Selection

Benchmarking

SAG Communication

SAG has presented regular updates to Visit Jacksonville and the Downtown Investment Authority to validate information that has been gained throughout the process. SAG has also sent updates to the broader stakeholder group in an effort to keep interested parties informed of progress and the highlights of the feedback received from clients throughout the process. This communication generated additional thoughts as well as increased local and regional participation. SAG continued to interview additional local and regional stakeholder throughout the process. This has provided valuable additional insight.

Stakeholder Feedback

SAG met with a broad spectrum of stakeholders to gain a sense of priorities and how a new Convention Center could complement the overall vision for Jacksonville. There was a high degree of interest in the exploration of a new Convention Center and gaining an understanding of how Jacksonville is currently perceived in the marketplace.

The stakeholder focus groups and subsequent one-on-one interviews uncovered the following themes and considerations:

1. *Broader community benefit and quality of life must be considered*
   There was an interest expressed in creating a design and approach that encouraged the community to participate in the new Center. The concept was raised of creating public outdoor space that welcomed community gathering.
2. *Creating a multipurpose design and approach will be important*
   There was consistent input on developing a Center that could accommodate a variety of events. These events included amateur and youth sports opportunities, congregational events with large general sessions as well as tradeshows and conventions. This has been validated by local sports leadership in Jacksonville.
3. *Networking is becoming a high priority for attendees*
   Attendees are very interested in meeting and learning from their peers as part of coming to a conference or convention. This needs to be taken into consideration in designing a Convention Center.
4. *The importance of coordinating the study with the overall Jacksonville plan*

The broad spectrum of potential development projects that are underway in Jacksonville raised the need to incorporate these visions and their impact on the attractiveness of the destination and the viability of a new Convention Center.

5. *The Convention Center needs to be more than a "box"*

   In keeping with the overall vision discussions, there was interest in creating a center that took advantage of the strengths of Jacksonville. In particular, the ability to incorporate the St. John's River in creating a unique experience was suggested.

6. *The role of the Prime Osborn Center needs to be considered*

   There was consensus that the future role of the Prime Osborn Center needed to be factored into the study. There was an understanding of the current activity and there was interest in determining how a new Center would complement or compete.

7. *Need to understand how Jacksonville is perceived by the Convention and Meetings industry*

   There was an interest in understanding the current perception of Jacksonville and whether it is based on a lack of understanding or tangible areas that need improvement. This also raised the question of what future resources would be needed to market Jacksonville and drive awareness to the industry.

8. *It will be important to finalize the Jacksonville "brand"*

   SAG received feedback that the Jacksonville brand needed to be evaluated. This included the development of a "brand promise" and a consistent overall approach on the look and feel.

Participation

The following stakeholders have participated in focus groups and/or one-on-one interviews to add their input and guidance to this process. SAG would like to thank them for their invaluable insight.

Office of the Mayor and City Council - Jacksonville City Council - Tourist Development Council

- Clay Yarborough (TDC Chair)
- Warren Jones
- Richard Clark
- Fred Pozin
- MG Orender
- Barbara Goodman
- Jeff Truhlar
- Craig Smith

Downtown Investment Authority

- Audra Wallace
- Tom Daley

Hotel Community

- Gino Caliendo,
- Shawn Frisbee
- Burnell Goldman
- Ron Congdon
- Yehoshua Yisrael
- Jacqueline Conley
- Sonny Bhikha
- Scott Wellington
- Shannon Dearin

Prime Osborn & SMG

- Jim Pritchard
- Mary Lynn Kirkland
- Bill McConnell

Visit Jacksonville

- Paul Astleford
- Pam Clark
- Laurie Kopstad
- Jeanne Miller
- Alan Verlander
- Terry Lorince
- Peter Rummell
- Dave Herrell
- Nat Ford
- Bill Prescott
- Michael Munz
- Steve Grossman
- Janice Lowe
- Mary Andrew
- Mike Yokan
- Ric Clarson
- Bruce Fouraker

Greater Jacksonville Business Community

- Daniel Davis
- John Delaney
- Vince McCormack

Jacksonville Jaguars & Hallmark Partners

- Mark Lamping
- Alex Coley

MEETING PLANNER FEEDBACK

SAG has conducted in-depth interviews with over 30 meeting planners from a wide variety of market segments to gain an understanding of their level of interest in a new Convention Center in Jacksonville and their overall impression of Jacksonville as a convention and meetings destination. SAG also collaborated with Hyatt Hotels to do a quantitative survey to potential Jacksonville clients. The interviews and survey covered the following areas:

1. Perceptionof Jacksonville
2. Overall Awareness of Jacksonville
3. Competitive Destinations
4. Attendee Trends
5. Convention Center Features
6. The Future of Jacksonville
7. Unique Meeting Spaces
8. Final Input – A new Convention Center in Jacksonville

1. Perception of Jacksonville

The majority of the interviewees rated Jacksonville's attractiveness below seven on a scale of one to ten. The areas that were cited most frequently as challenges were walkability, the lack of a sufficient hotel package, airlift, the need to "clean up" downtown, safety and the overall lack of "things to do". This chart on the right indicates the areas cited as weaknesses when discussing Jacksonville's attractiveness:

The most consistent and important weakness cited by a majority of the interviewees was the walkability of the area surrounding the current and potential Convention Center location. Lack of restaurants, attractions and retail were all cited as significant drawbacks to bringing their larger conventions to Jacksonville.

2. Overall awareness of Jacksonville

Over 80% of the meeting and event planners that were interviewed felt that Jacksonville was "not on the radar" as a large meeting or convention destination. This concern led to a recommendation that there needs to be a significant investment in raising awareness of Jacksonville as a convention destination if a new Center was built in the future.

Planners who had not met in Jacksonville commented that Jacksonville is not in the mix when they are discussing potential convention locations with their boards of directors or members. The reason for this was lack of awareness or their current perception of Jacksonville.

3. Competitive Destinations

Meeting and Event Planners were asked to comment on the following destinations as locations for meetings, events and conventions:

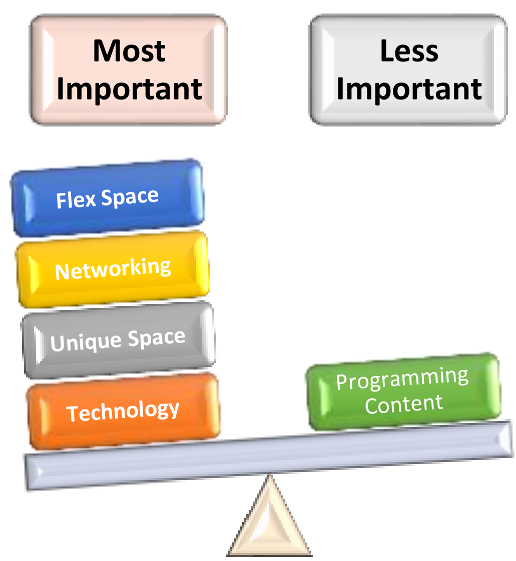
The following chart illustrates the key attributes that the interviewees expressed in discussing comparable and competitive destinations.

Destination	Positive	Negative
Orlando	Great destination – variety of activities First Tier destination	Distracting location Attendees lose interest
Atlanta	First Tier destination	Lacks downtown experiences Price is high for certain segments
Charlotte	Great small city "Walkable" amenities	Hotel package is limited Inflexible on rate
Nashville	Attendees love the city "Walkable" amenities	Inflexible on rate Gaylord is too far
Birmingham	Affordable	Lacks downtown experiences Tourism appeal is low
Louisville	Great small city Lots to do downtown	Regional airlift
Savannah	Great small city	Convention Center is inaccessible Price is high for certain segments
Daytona Beach	Family-friendly destination Effective layout	Access is an issue Center is getting dated
San Antonio	Attendees love the city "Walkable" amenities	No negative comments in this sampling
Austin	Attendees love the city Lots to do – variety of options	Level of activities can be a distraction
Tampa	Great small city, accessible amenities	Hotel package is limited. Some convention hotels out of walking distance

The attributes that were considered positive by the meeting planners reinforce the key priorities that are important for Jacksonville to become a competitive convention and meetings destination.

4. Attendee Trends

SAG asked meeting planners for the most current trends in convention centers that are important to their attendees. The top attendee trends that were suggested by customers were the following:



a) The need for expanded, flexible and cost effective technology is a very high priority. This encompasses the needs of the attendees to stay connected through multiple devices as well as the opportunity to stream content into and out of the Center.
b) A design that has flexible, multi-use space with a high degree of divisibility is imperative.
c) Unique, non-traditional meeting spaces with the ability to create innovative layouts that may be more conducive to learning and information exchange is important today and will be more important in the future.

d) The level of interest in networking as part of a convention is higher due to lower level of interest in content. Attendees are still interested however the accessibility to educational content is more readily available. Centers should be designed with this in mind.

5. Convention Center Features

The interviews and survey results uncovered additional convention center features that were important to meeting planners. The following are two features that were noted frequently:

Flexibility, multipurpose use and more meeting space

In keeping with the above trends, the respondents reiterated the importance of flexibility in the design and operation of a Convention Center. The need to create space that could be used for light exhibits as well as a general session or a food and beverage function was a common theme of the interviews. The trend of having more meeting space in comparison to exhibit space will impact the most effective approach in developing a Convention Center in Jacksonville.

Seamless Operation - One Team

Many meeting planners expressed their concern for the inefficiencies that are built into the "traditional" Convention Center operating model. Meeting planners who have experience coordinating meetings with both hotels and Convention Centers commented on the fact that the typical Convention Center coordination process is more complicated and more expensive. In the development of a new Convention Center, they recommended developing operational and sales processes that are seamless and efficient.

6. The Future of Jacksonville

After gaining insight on Jacksonville today and the viability of a Convention Center, the interviews turned to understanding the impact of potential future development on the attractiveness of Jacksonville as a meetings and convention destination. SAG reviewed the renderings of some current plans and visions with the interviewees. These are examples of the renderings that were reviewed with the interviewees.

SHIPYARDS DEVELOPMENT

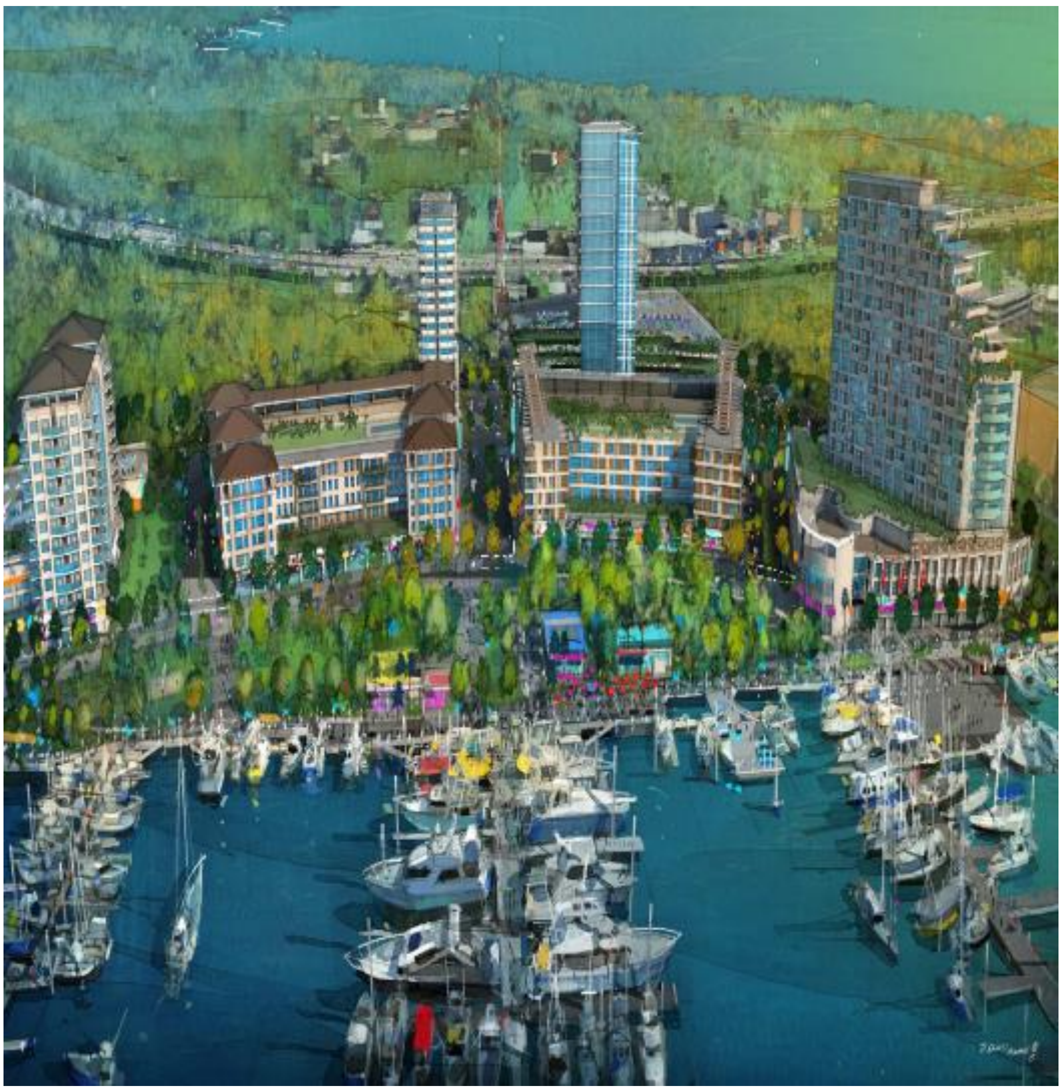
POTENTIAL AQUARIUM

The response to the potential future vision for Jacksonville was very positive. This reinforces the importance of the ongoing development of Jacksonville to become a desired convention destination. Over 85% of the respondents said they were more likely to consider Jacksonville after viewing the images. Specific feedback included the observation that this kind of transformation would catapult Jacksonville as a destination that would compete with many of the major southeast convention destinations. SAG also reviewed the potential of a new vision for the Landing and surrounding property.

The addition of walkable attractions and a new opportunity to extend and enhance the Riverwalk in both directions was very appealing to the meeting planners.

The District

An additional development that will enhance the desirability of Jacksonville as a Convention Destination is "The District". The District is located across the St. John's river from the proposed Convention Center site. The vision is an exciting mixed use project that will add restaurants, entertainment and outdoor activities to downtown Jacksonville. The rendering below depicts the current vision for the project. This type of vision will be vital in conjunction with the development of a Convention Center to enhance Jacksonville's competitiveness and reap the rewards of an active Convention Center.



7. Unique Meeting Spaces

In conjunction with gaining insight on future visions for Jacksonville, SAG presented conceptual examples to understand the importance of maximizing the utilization of the St. John's River. This was also designed to understand the importance of having unique meeting spaces. The images on the right are examples of different approaches to incorporating water into a venue.

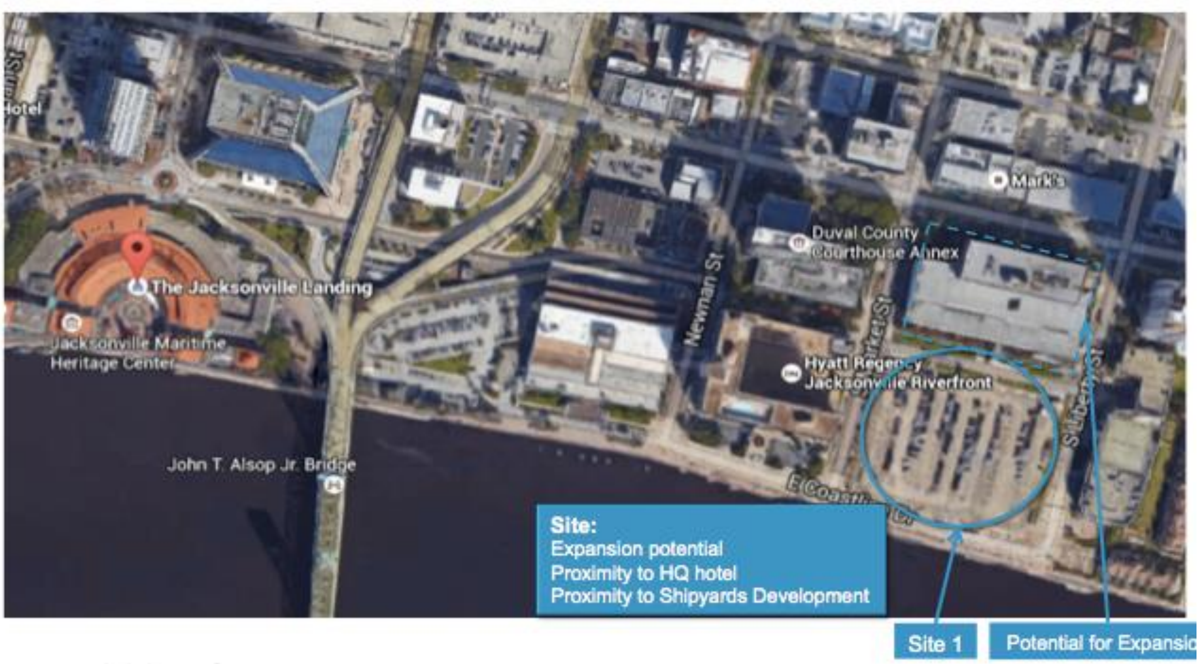
The responses to these approaches were positive by the interviewees. Over 55% of those interviewed expressed an interest in delivering unique meeting experiences and felt that this would differentiate Jacksonville's future Center from others. The consensus was that this approach was not as important as the overall enhancements to Jacksonville as a destination described above and analyzed later in this report.

Site Selection

The meeting planners that were interviewed had two key criteria for determining the most effective site for a future Convention Center in Jacksonville. The key criteria were proximity to a headquarters hotel and the walkability or access to downtown amenities such as restaurants, attractions, and additional close by hotels for overflow room blocks.

Top Criteria
• Walkability • Proximity to Headquarter Hotel • Close by hotels for overflow

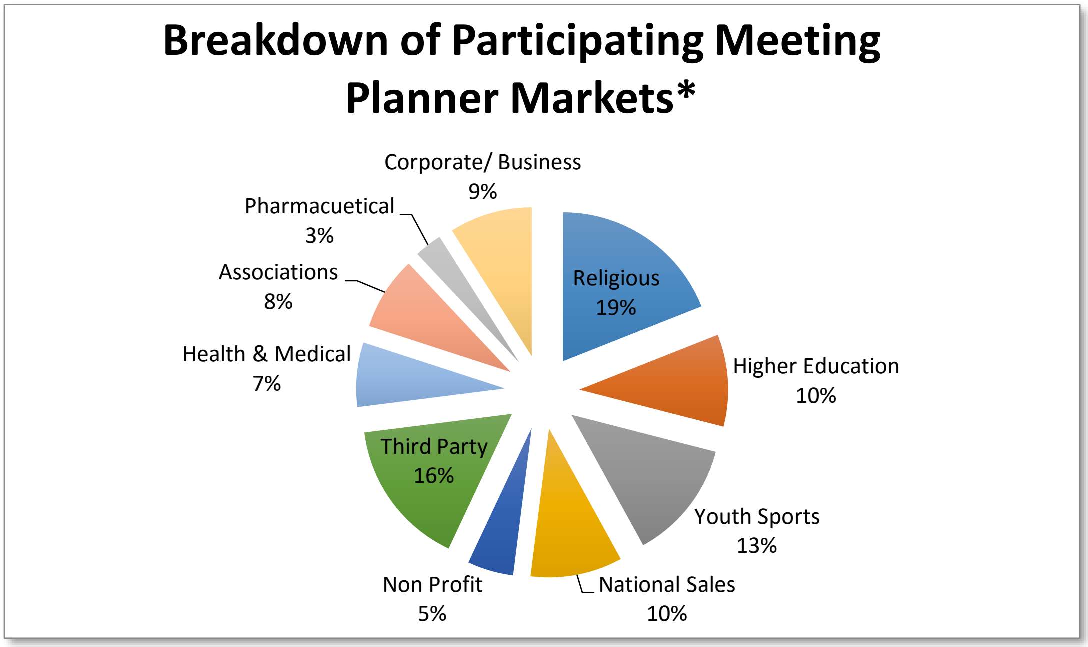
In reviewing the options for downtown Convention Center sites, the meeting planner's preferred site is shown on the map below. This site has the advantage of proximity to an existing



headquarter hotel, as well as longer term walkability when considering future planning for the Shipyards and the downtown core. The other advantage to this site is the ability to expand in the future. There is an area of the site that may need to be removed due to foundational issues. This could potentially create an opportunity for a Convention center site that would have water on two sides of the building. As stated earlier, the maximization of the St. John's River was appealing to the meeting planners that were interviewed for this study. In addition, the Duval County Courthouse Annex has been slated for demolition which will provide the opportunity for future expansion of the Convention Center.

Represented Meetings Markets

The following represents the markets of the participants in the SAG research:



*SAG surveyed or spoke with nearly 50 meeting planners for this study.

There were key differences in the relative interest in hosting an event in Jacksonville. The Pharmaceutical, Health and Medical, and National Association markets showed the least propensity to book a meeting or convention in Jacksonville. Youth and Amateur Sports, Religious, and nonprofit organizations had the highest level of interest in holding an event, meeting, or convention in Jacksonville. This is an important consideration for the future design of the Center. The flexibility and multipurpose design of the future Center will be important in serving those markets that have the highest probability of coming to Jacksonville.

Youth and Amateur Sports

The input and overall interest in Jacksonville by the youth and amateur sports organizers was noteworthy. Many organizers stated that a new convention center that was designed to hold the larger indoor competitions would be very desirable. They also stated the importance of the walkability of the Center location. This level of interest should be factored into future design.

Survey – Hyatt National Sales

SAG in conjunction the Hyatt National and Local Sales office conducted a survey of 30 meeting planners, representing over 73,000 meeting and convention attendees, to get their impressions of Jacksonville and input on current strengths and weaknesses. The following are the highlights of the survey results:

1. 81% of the respondents who had met in Jacksonville were somewhat likely or highly unlikely to return.
2. 75% of the respondents validated that walkability to restaurants and nightlife is an important consideration when choosing a destination.
3. San Antonio, Nashville and Denver were cited as destinations with a high degree of walkability.
4. A new Convention Center with no improvement in the Jacksonville downtown experience was not appealing.

The results of the Hyatt National Sales survey validated the results of the one on one interviews. The overall interest in placing a meeting at a new Convention Center in Jacksonville with no destination enhancements was very low. SAG spoke with the Hyatt Sales team and they agreed with this assessment of the survey results.

CONCLUSION – MEETING PLANNER INTERVIEWS

As stated above, over 60% of the planners interviewed or surveyed were not interested in Jacksonville and/or a new Convention Center without destination development. This is a very high percentage compared to other studies conducted by SAG. The in-depth interviews uncovered that the type of improvements suggested or needed were comprehensive. A large majority of the interviewees were clear that Jacksonville had to improve the overall experience and invest in raising awareness to become a viable large convention destination for their future meetings.

The positive outcome of the meeting planner interviews and survey was the noticeable improvement in their level of interest when they were shown the renderings of the shipyard vision and gained an understanding of the current plan for downtown Jacksonville. This supports the importance of including a new Convention Center in the overall planning for the future of downtown Jacksonville.

The other observation that should be considered in future planning is the current trend towards using unique meeting spaces. The concept of a more creative use of the St. John's River in the design of the Convention Center presents an opportunity to differentiate Jacksonville as a meetings destination.

Participation

The following meeting planners have participated in one-on-one interviews or participated in the online survey to add their input and guidance to this process. SAG would like to thank them for their invaluable insight.

Jayne Kuryluk, Christian Meetings & Conventions Associations
Chris Pugh, Ruritan National
Rachel Eble, Arrowhead Conferences and Direct
Jeffrey Perrin, Hyatt Hotels & Resorts
Sheryl Schreiner, Helms Briscoe
Dr. Phil Harris, Association for Educational Communications and Technology
Sherry Eschenberg, Presbyterian Church in America
Matt Johnson, Collinson Media & Events
Scott Chard, Conference Direct
Beth Miller-Tipton, University of Florida
Jason Cocomise, Philadelphia Church of God
Denise Culin, Turner Syndrome Society
Teri Chandler, Our Little Miss, Inc.
Sara Hotchkiss, The United Methodist Church
Leslie Schaeffer, South Eastern Fabricare Association
Bonnie Weiss, Hyatt Hotels Corporation
Francine Esposito, Marriott Hotels
Dana Barton, Ducks Unlimited
Robert Allan, Prevent Child Abuse America
Mary Andrew, Youth Volleyball
Craig Damon, Florida High School Athletics Association
John Kelly, Florida First Coast Softball
Michael Brennan, AJ Jannetti Inc
Dedra Herod, Christian Leadership Alliance
Eve Schmitt, VMware
Mary Alice Moore, Aimia
Doris Condron, Procter & Gamble
Tina Lamar, Maritz Travel
Caitlin Roberston, ITA Group
Brian Smith, Citi
Denise Hart, Nix Conference & Meeting Managers
Mark Humi, AbbVie Inc.
James Gondles, American Correctional Association
Darlene Hart, Lanyon
Lynne Marvin, The Lutheran – Church Missouri Synod
Kristen Roget, Experient
Craig Davis, Varsity Brands
Nikole Fridenmaker, Association of Change Management Professionals
Mickie Walters, Preferred Convention Services
Toby Brenner, Par Avion Meetings & Conventions
Scott Falk, Arrowhead Conferences and Events
Donna Cappo, Association for Computing Machinery
Mary Beth Norwak, Evangelical Church in America
Leigh Bentley, Servpro Industries
Peg Guilikson, Travel and Transport
Phyllis Klasky, American Society of Mechanical Engineers
Rachelle Snethen, Wellington
David Bruce, CMP Meeting Services

INDUSTRY TRENDS

The overall outlook in the Meetings and Convention industry is positive. The most recent report by the Center of Exhibition Industry Research (CEIR) showed a 4.6 percent gain first quarter 2015 in comparison to the first quarter of 2014. The most recent CEIR index has predicted slow growth in the exhibition industry over the next three years.

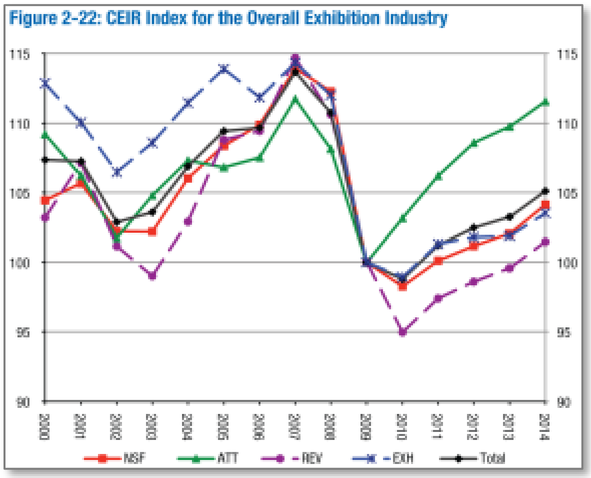


Figure 2-22: CEIR Index for the Overall Exhibition Industry

Figure 2-23: CEIR Index for the Overall Exhibition Industry, Percent Change

The above chart demonstrates the positive trend in the exhibition industry since the downturn of 2009/2010.

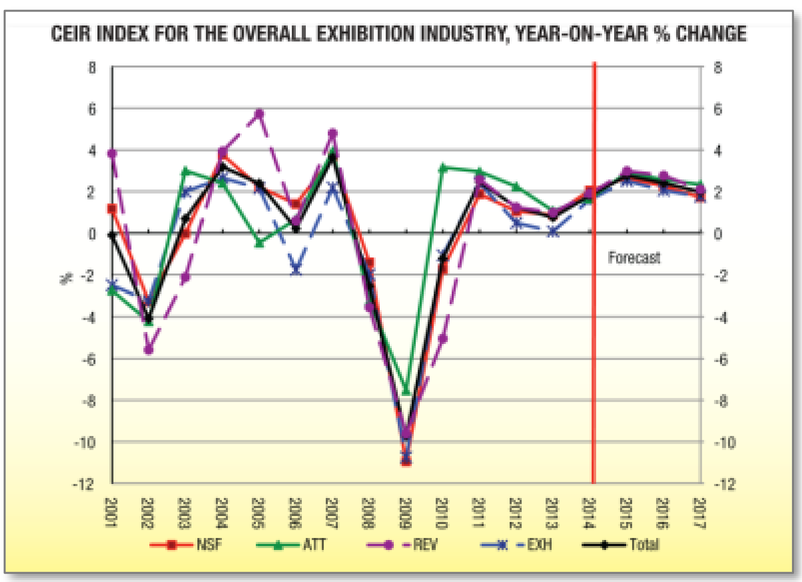


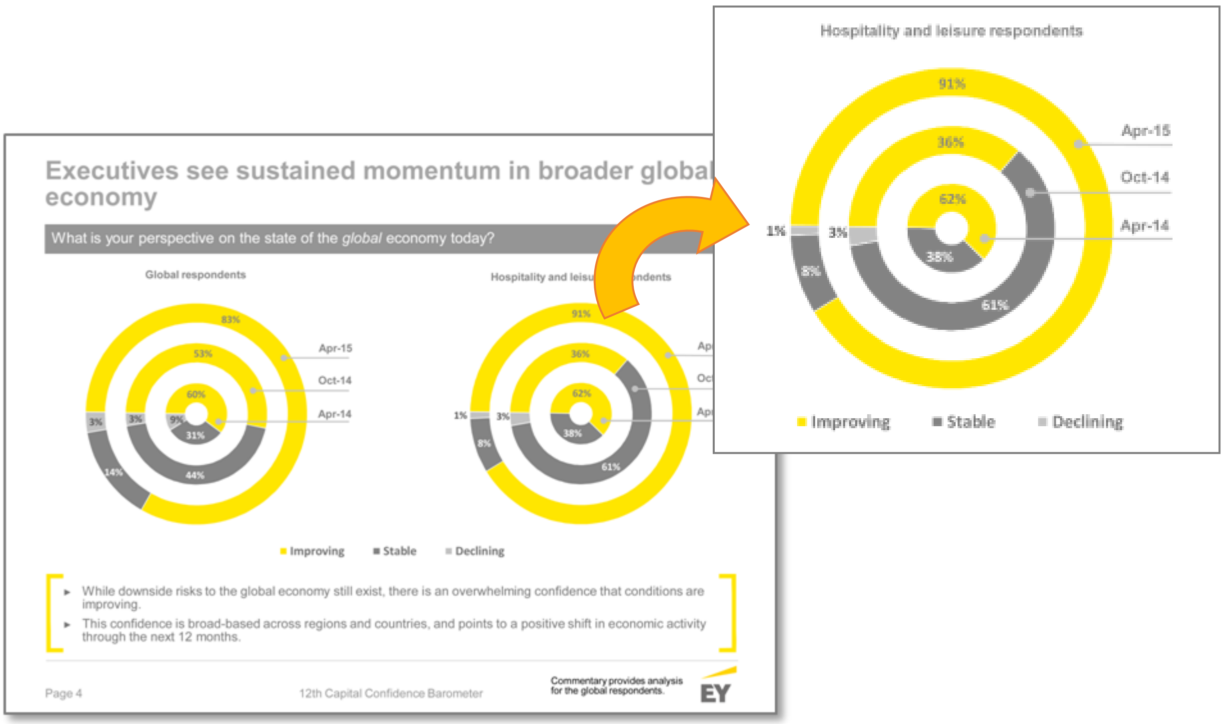
Chart Key:

NSF – Net Square Feet
ATT – Attendance
REV – Revenue
EXH – Exhibit
Total - Total

The above chart shows that continued growth of 2% annually is projected for the exhibition industry.

HOSPITALITY INDUSTRY

Recent Hospitality research indicated an increasing confidence within the industry. A recent Ernst and Young report showed that 91% of hospitality executives surveyed felt the overall economy was improving. The current economic growth increases the opportunity to entice full service hotel growth in Jacksonville. The chart below is the outcome of a recent survey demonstrating the improved outlook from hospitality industry executives.



The overall outlook of the industry is positive as indicated by recent research in the exhibition and hospitality industries. This is a positive indicator that would support Convention Center and full service Hotel inventory expansion with the destination enhancements discussed in this report.

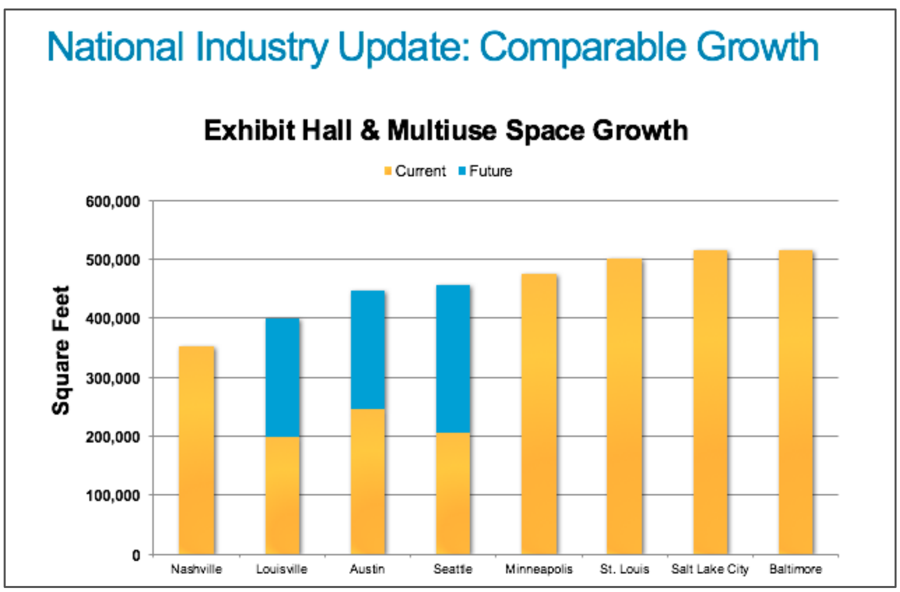
Overall Supply

While the outlook on current demand is positive, it important to note that there is new supply in both Convention Centers and Headquarter hotels in various stages of development. The following chart shows some of the higher profile projects and their completion dates.

Convention Center Projects

Destination	Construction	Opening/Completion	Cost
San Antonio, Texas	Convention Center Renovation/ Expansion	2016	$325,000,000
Tampa, Florida	Convention Center Upgrades	2018	$14,000,000
Anaheim, California	Convention Center Expansion	2017	$180,000,000
Louisville, Kentucky	Convention Center Expansion	2018	$180,000,000
Miami	Convention Center Expansion & Hotel	2018	$500,000,000
Denver	Convention Center Expansion & Hotel	TBD	$100,000,000

The projects listed above indicate the ongoing priority destinations are placing with Convention Centers as part of their overall economic development strategy.



The chart above indicates the destinations that are currently planning to increase exhibit space or multiuse space.

Headquarter Hotel Activity

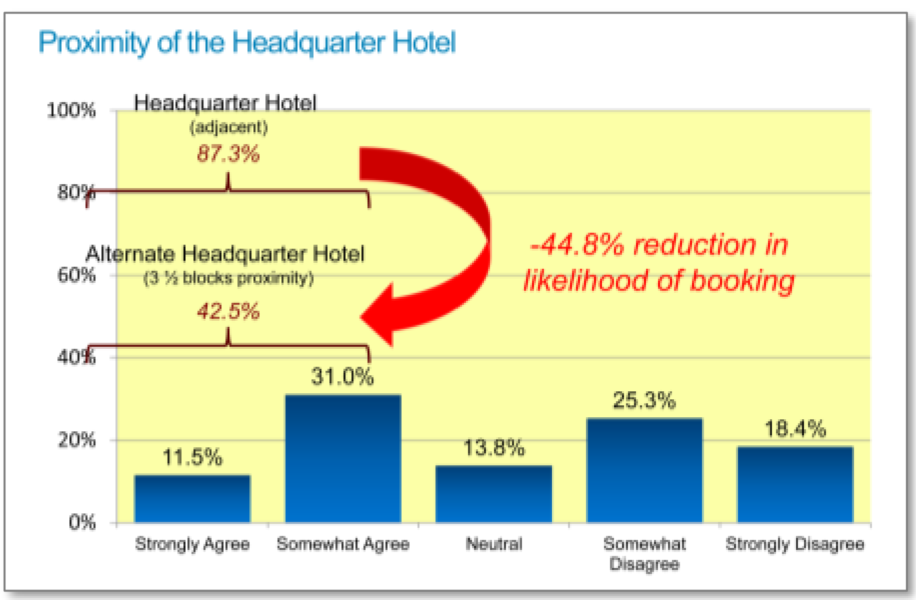
Destinations are continuing to support the development of headquarter hotels. The increase in hotel room inventory that is adjacent or connected to a Convention Center is raising the expectations of meeting planners regarding the proximity of their headquarter hotel room block. SAG recently completed a national study of meeting planners and asked the question related to impact of a headquarter hotel being three blocks from a Convention Center. The three block distance resulted in a 45% reduction in likelihood of booking.

This supports the need to plan for full service hotel sites in conjunction with future Convention Center development. The clear feedback from the meeting planners on the importance of close proximity is an indicator of the increase in the number of destinations with growing numbers of hotel rooms in close proximity to their Convention Centers. The chart below depicts recent headquarter hotel development.

Destination	Hotel Development	Opening/Completion
San Antonio, Texas	1,003 room Grand Hyatt	2008
Austin, Texas	1,012 room JW Marriott Hotel	2015
Salt Lake City, Utah	1,000 room Omni	TBD
Ft. Lauderdale	750-1,200 rooms	TBD
West Palm Beach	400 room Hilton	2016
West Palm Beach	200 room Hilton	TBD

Importance of a Connected or Adjacent Headquarter Hotel

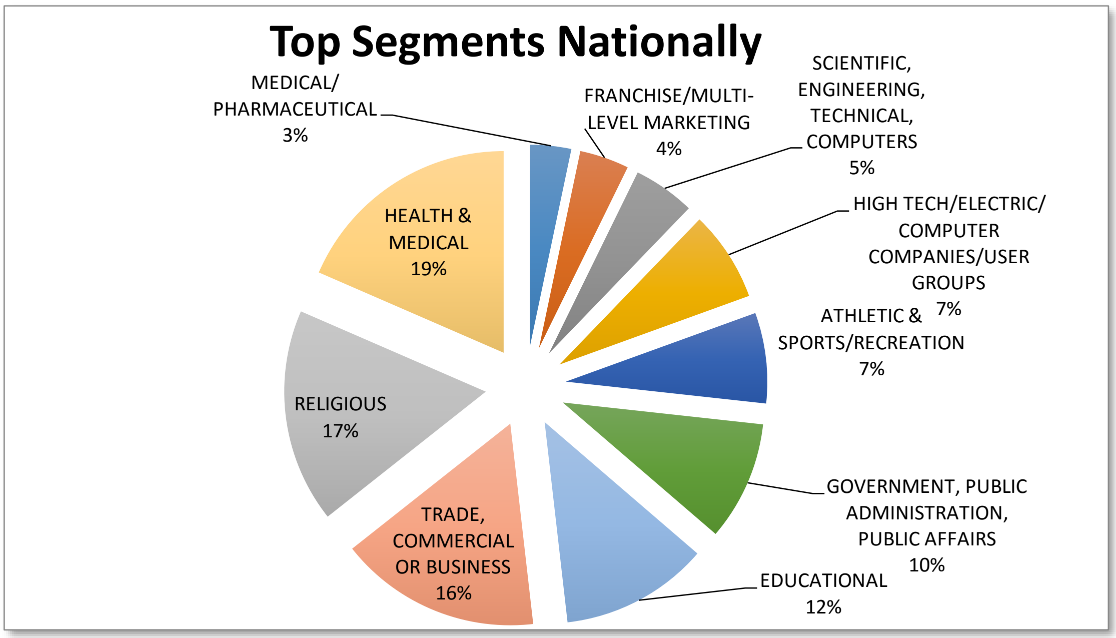
SAG recently completed a national meeting planner survey and posed the question of the importance of proximity of a head quarter hotel. Meeting Planners were asked to rate the likelihood of booking if a headquarter hotel was adjacent or three blocks away from a Convention Center. The following illustrates that there was a 45% reduction in likelihood of booking when a headquarter hotel is just three blocks away from a Convention Center.



The Size of the Market

SAG performed a national search utilizing the national database from Destination Marketing Association International (DMAI) to understand the size of the market for an initial Convention Center in Jacksonville.

SAG conducted a national search of the group database that is maintained by Destination Marketing Association International (DMAI), known as MINT. MINT is an industry maintained database that is a sampling of groups that meet across the Country. Parameters for group size were used that would require multiple Jacksonville hotels and exhibit and meeting space that is larger than any singular Jacksonville Hotel could accommodate. The search produced a total of 1,702 organizations with 2,602 meetings that would fit into a future Jacksonville Convention Center. The breakdown of national markets is as follows:



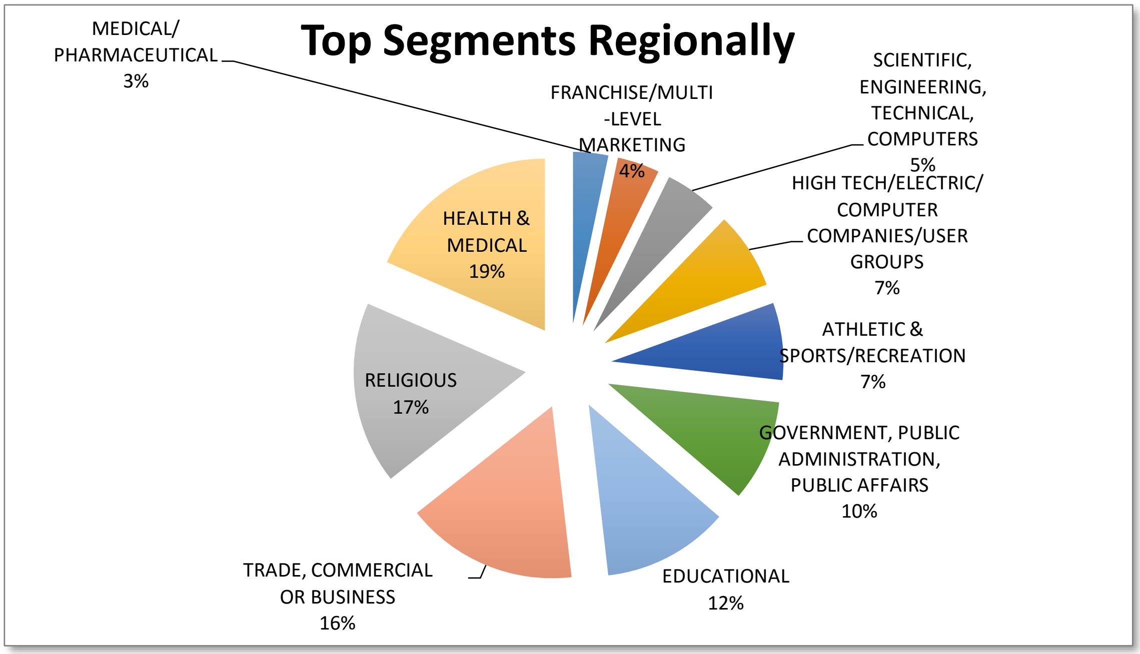
This result indicates that as Jacksonville implements the overall destination vision, there is a viable national market. It is also important to note that the feedback from the meeting planner interviews would support a significant marketing investment to raise awareness of Jacksonville as a convention, meeting, and large event destination.

Regional Market

SAG also conducted a search of organizations using the same size parameters, which were headquartered in the region and have held meetings in the Southeast. The query included the following states:

- Alabama
- Florida
- Georgia
- Louisiana
- Mississippi
- North Carolina
- South Carolina
- Tennessee

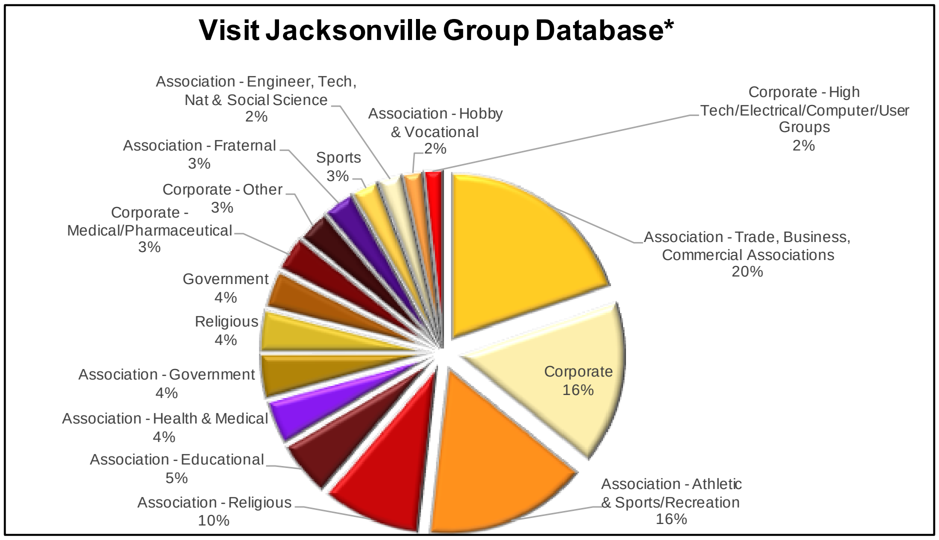
The results also demonstrated that there was a viable market of 308 organizations representing 443 meetings and events. The following represents the breakdown of the market segments represented by the groups identified in the search:



SAG also reviewed other indicators of the size of the market including a review of specific segments that have a higher propensity to book Jacksonville and demonstrated the highest level of interest in holding conventions and events in a new Convention Center. The two segments were religious meetings and convention and amateur and youth sporting events. These two segments have a large regional and national presence and would generate significant demand in conjunction with the destination developments reviewed earlier in this report.

Visit Jacksonville Database

SAG also reviewed the Visit Jacksonville database and found that there are over 1,500 room-night generating meetings and events. This database represents small and large events. This is another indicator of potential demand.



The Prime Osborn Convention Center

SAG has reviewed the current activity level of the Prime Osborn Convention Center as another indicator of current demand. In 2013, the Prime Osborn had an overall occupancy of 28% and in 2014 it was 27%. Occupancy is defined as the total square footage occupied by show or move in day divided by the square footage available annually. The feedback received in the meeting planner interviews and survey confirmed that the Prime Osborne is not a preferred location. This is an important factor when analyzing results. The breakdown of this by type of space is as follows:

2013 Overall Occupancy – 28%	
Exhibit hall total occupancy	35%
Ballroom total occupancy	23%
Main Level total occupancy	12%
Mezzanine total occupancy	2%

2014 Overall Occupancy – 27%	
Exhibit hall total occupancy	36%
Ballroom total occupancy	26%
Main Level total occupancy	14%
Mezzanine total occupancy	3%

The industry standard for a center that is operating at capacity is 70% occupancy. The current activity level at the Prime Osborn is an indicator of overall demand. This should be taken in context of the consistent feedback from the meeting planners as to the lack of desirability of the location of the Prime Osborn.

Fiscal Results of the Prime Osborne

The following table indicates the operating results over the past three years.

	2012	2013	2014
Revenue	$2,024,604	$1,939,287	$1,983,752
Expenses	$2,728,662	$2,646704	$2,832,799
Net Income (Loss)	**(704,058)**	**(707,412)**	**($849,047)**

The Future Positioning of the Prime Osborn

The feedback received in this study as well as past studies supports the conclusion that the current location of the Prime Osborn prevents it from being an active convention facility. SAG recommends evaluating the universe of public, consumer, and community shows that are potential future events for Prime Osborn. With the above reality of the current activity, a plan should be developed in conjunction with the convention center vision for how the Prime Osborn can increase its share of its potential market or whether a public show venue is the highest and best use of the land.

Destination Convention Center Comparative Review

SAG has reviewed activity levels and size of facilities in the following destinations:

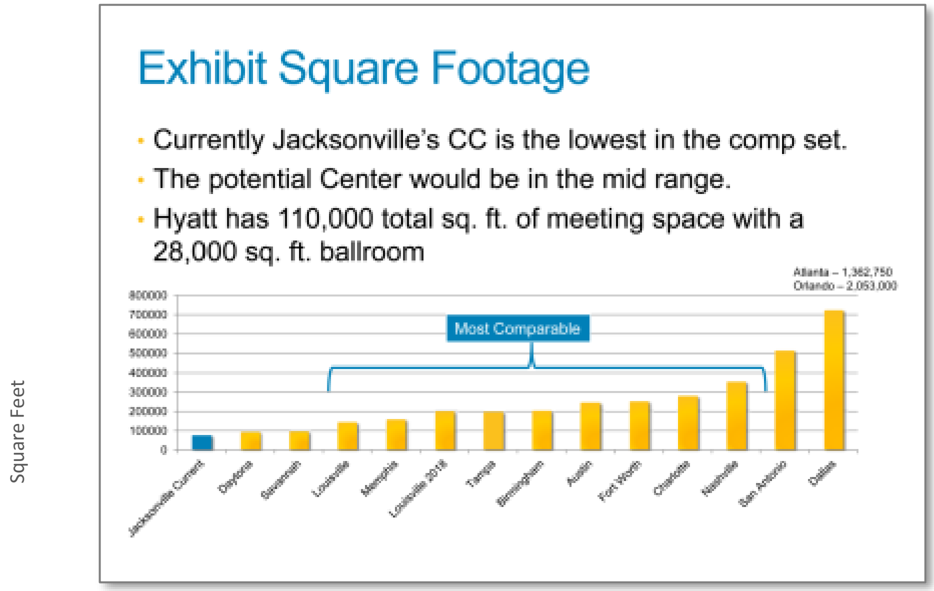
Orlando	**Daytona**
Atlanta	**Memphis**
Charlotte	**San Antonio**
Nashville (hotel package only)	**Austin**
Birmingham	**Columbus**
Louisville	**El Paso (center)**
Savannah	**Ft. Worth**

The Prime Osborn has been placed in the overall comparison to demonstrate how Jacksonville compares today in available space

Exhibit Space

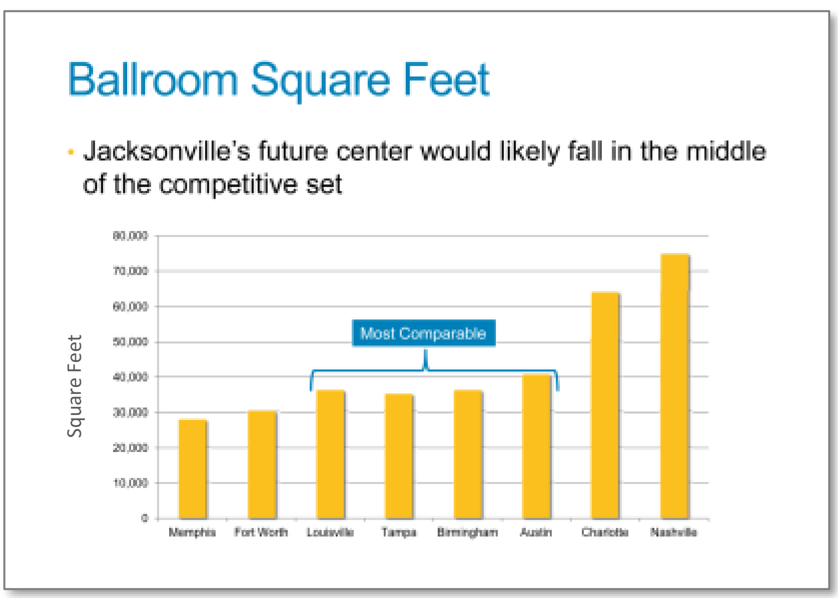
The following demonstrates the comparison of exhibit space in the destinations studied:

The area that is noted indicates the probable range of exhibit space square footage that would be applicable for a future Convention Center in Jacksonville.



Ballroom Space

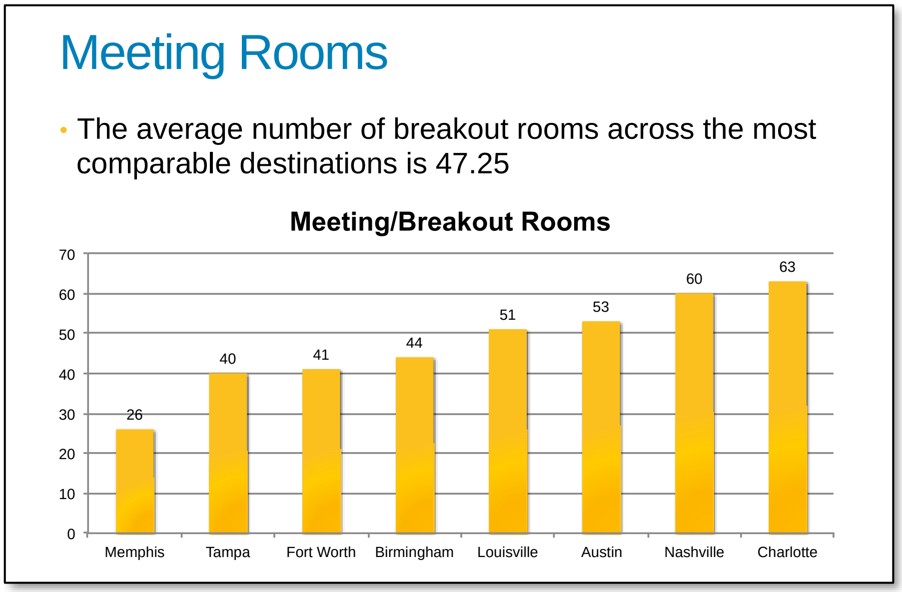
The following is a breakdown of Ballroom square footage in comparable destinations:



The industry review indicated a trend towards groups needing an increased amount of ballroom and meeting space with the demand for exhibit space remaining flat or decreasing.

Meeting Space

The following is a comparison of meeting space in like destinations:



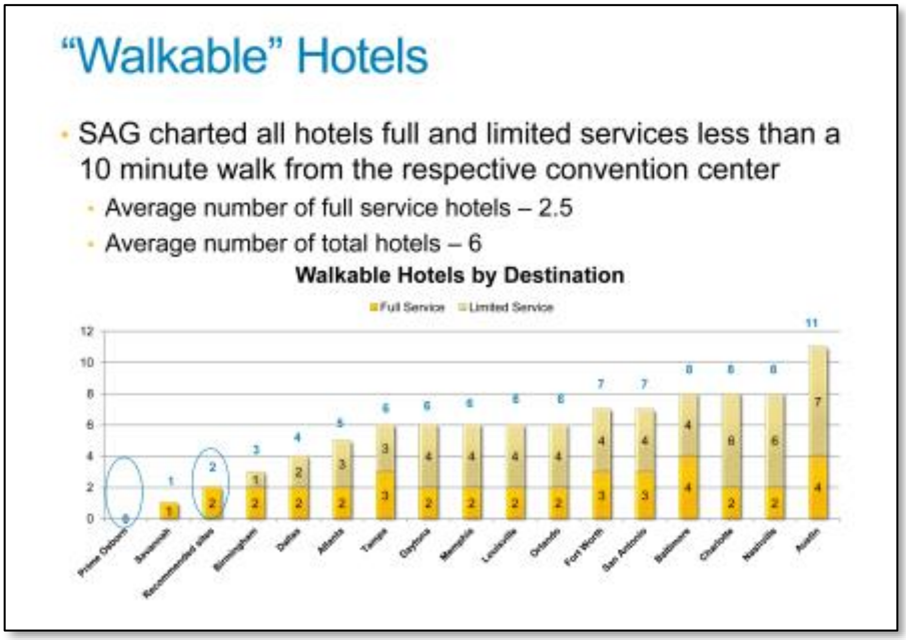
Potential Jacksonville Program

After reviewing the competitive destinations and evaluating the overall market, a potential layout for a Convention Center in Jacksonville would contain the following:

Exhibit Space	200,000 square feet
Ballroom	40,000 square feet
Meeting/Breakout Rooms	45

Comparative Walkable Hotel Rooms

The following depicts the number of hotel rooms in comparative cities in walkable distance from the Convention Center. This also shows the number of hotel rooms that are adjacent or connected to the respective Convention Center.



This chart demonstrates the additional need to support full service hotel development in conjunction with the development of a Convention Center in Jacksonville. Select Service hotels can provide some support for attracting conventions, however full service hotels are the highest priority.

CONCLUSION - SAG DEMAND REVIEW

After conducting in depth interviews with meeting planners and industry experts, evaluating the available market, studying the current industry trends and reviewing comparable destinations, it is SAG's recommendation to postpone the construction of a new Convention Center. The development of a new convention center should be delayed until such time as it is part of a destination plan that will improve the overall attractiveness of Jacksonville as a convention, meetings, and major indoor event destination. The support for this recommendation can be summarized by the following points:

1. In depth interviews with decision makers clearly indicated a need for Jacksonville to advance an overall vision that will address their concerns before they would consider Jacksonville for their major events.
2. While the industry outlook is positive, the projected growth is only two percent annually. There is sufficient additional supply in both Convention Center space and headquarter hotel inventory to mandate Jacksonville creating a holistic plan to enter the market and stay in front of the increasing competition.

A more significant sustainable image and presentation of Jacksonville to the buyer world will be required to keep up with the investment competitive cities are already dedicating to promoting their respective destinations. Investment in marketing Jacksonville as a convention destination must be made, which creates the need to determine a future sustainable source of funds. This type of investment should coincide with the overall destination enhancement plan.

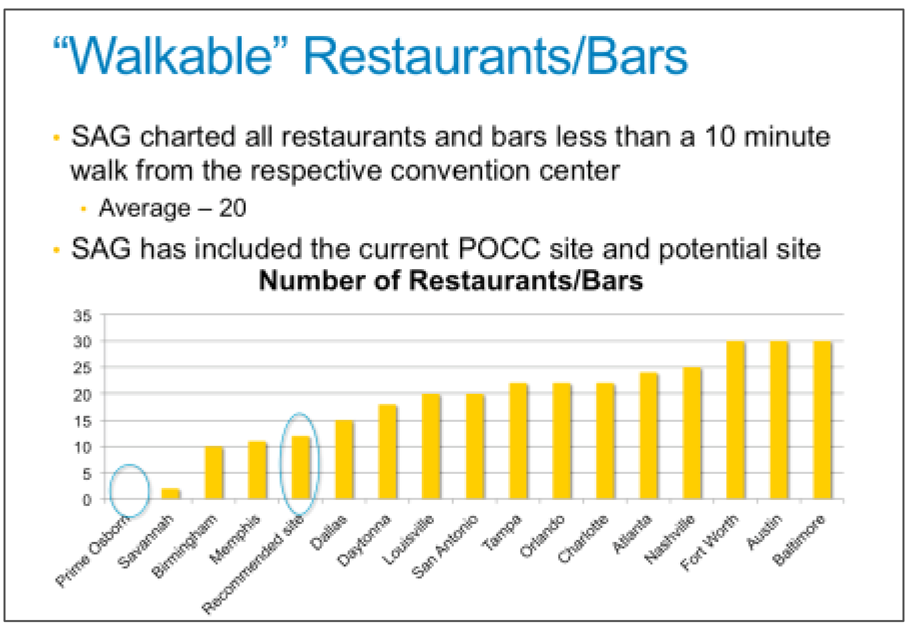
THE IMPORTANCE & VALUE OF THE CONVENTION AND MEETINGS INDUSTRY

The recommendation not to proceed currently with the construction of a Convention Center does not diminish the importance of capturing the broad benefit of having a vibrant convention and meetings industry in the future. The following is an overview of specific needs in Jacksonville that must be addressed and the overall impact of a successful Convention Center in the future.

COMPARING DESTINATION ATTRIBUTES

After the initial research uncovered the negative perception of Jacksonville as a meetings and convention destination and with "walkability" as a high priority, SAG studied attributes of the comparable destinations. Walkability is defined as reaching a destination amenity or attraction in less than a 10-minute walk from a Convention Center. The recommended site for a future Convention Center was included in this research. The following are four points of comparison in analyzing walkability:

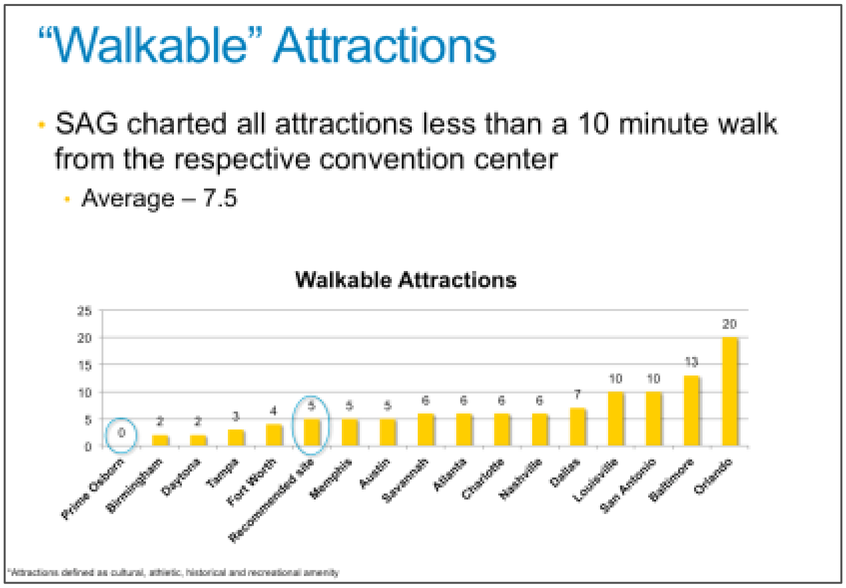
Restaurants and Bars



This indicates that the current and potential convention site ranks low in terms walkable restaurants and bars. The proximity to a variety of food and beverage options was cited as a high priority by a majority of meeting planners interviewed and surveyed for this study.

Attractions

"Attractions" are defined as cultural, historical, athletic and recreational activities.



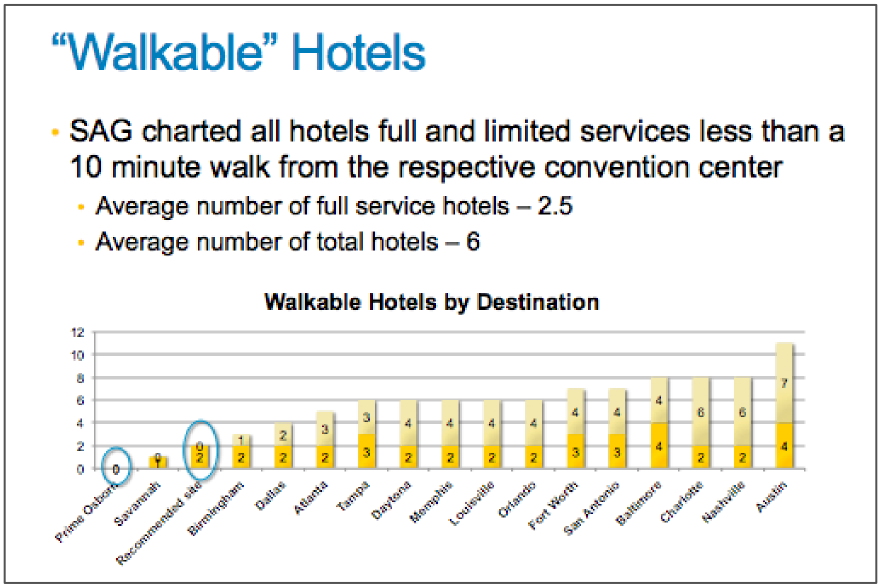
The recommended future Convention Center site has a similar number of attractions within walking distance. The future plans for the Shipyards that have been reviewed will likely increase this number which will help strengthen Jacksonville's competitiveness.

Shopping/Retail

Shopping is a popular activity for attendees when at a convention. SAG compared the number of individual retails outlets within walking distance of the current and proposed future convention site. This indicates that Jacksonville is below average in the accessibility of retail for convention attendees.

Hotels

The number full service hotels that are connected or adjacent to the center as well as full and limited service hotels within walking distance factor into the destination decision making process. As stated earlier, the following charts compare Jacksonville to other competitive destinations.



This slide reinforces the need to factor future full service hotel development in overall destination planning.

Conclusion – Destination Desirability Analysis

The results of the deeper analysis of how Jacksonville compares to other competitive destinations validates the feedback received in the initial research. There is an opportunity to address the areas where Jacksonville could strengthen the experience for a future convention or event attendee. This should be factored into all future planning efforts.

The current comprehensive visioning for downtown Jacksonville is a critical element to long term success. A new Convention Center is a catalytic element of downtown planning. This should be included in the overall plan.

THE JACKSONVILLE BRAND

The feedback from the meeting planners interviewed coupled with the input from the stakeholder interviews supported the need to create a consistent approach to the Jacksonville brand. This is not just focused on the representation of the brand, but of the creation of a compelling brand promise that is supported by the broader community.

The decision making process for selecting a destination for many large conventions includes whether the organizers believe that the destination will help drive attendance. The consistent theme in the meeting planner interviews and validated in some stakeholder's conversations was the need to determine what differentiates Jacksonville. This feedback was also accompanied by the need to invest in raising the overall awareness of Jacksonville to the meetings industry.

The current planning initiative that is focused on Jacksonville's future brand must be an inclusive process with a new brand promise and broad-based adoption by public sector and private sector organizations.

THE FUTURE IMPACT OF A VIBRANT CONVENTION CENTER

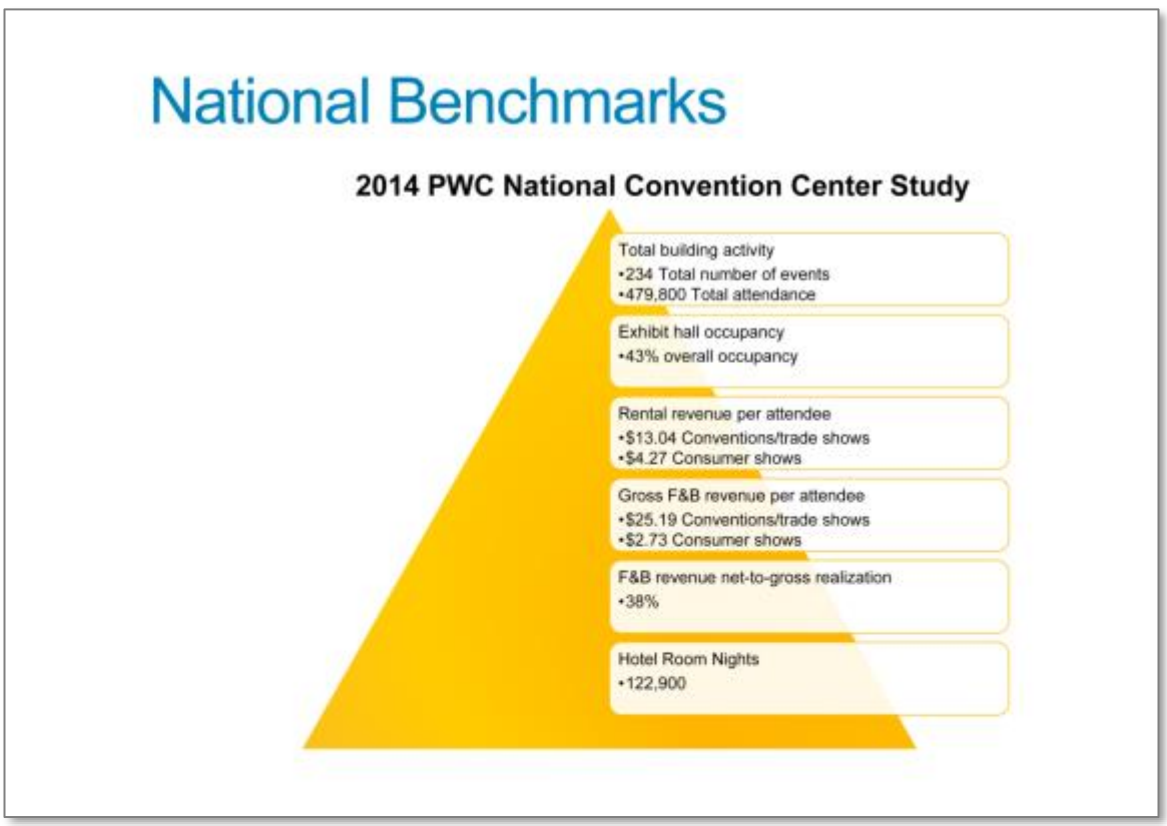
While the research has indicated that currently the potential demand does not warrant the construction of a Convention Center, SAG recommends that a plan is developed to improve the current Jacksonville experience and take the necessary steps to keep the vision of evolving into a competitive meetings destination as a top priority.

The basis for this recommendation is the potential economic stimulus and community enhancement that comes with a successful Convention Center. SAG has recommended the securing of the recommended site for the Convention Center as an immediate action item.

To demonstrate the potential impact of a new Convention Center, SAG has developed the economic impact of a Convention Center that is a similar size and specifications to the average of the destinations reviewed earlier in this report. The assumptions for these projections are a Convention Center with 200,000 square feet of exhibit space, 35,000/40,000 square feet of ballroom space, and 45 breakout rooms.

SAG also used the national revenue and activity numbers from a recent Price Waterhouse Study that included Convention Centers of the same specifications as stated above.

The following illustrates the activity and revenue metrics from this recent study that were used for this analysis:



CONCEPTUAL PROJECTION

SAG created conceptual projections for Convention Center events from the input received by the meeting experts and the priorities expressed in the stakeholder sessions. This also assumes that with the current proposed destination enhancements and marketing investment in place, Jacksonville will capture its share of the market.

155 total events
20 “citywide” events – (3,000 attendee average)
15 amateur/youth sporting events – (3,000 attendee average)
40 meetings (with room nights) – (500 attendee average)
20 social events – (500 attendee average)
40 local meetings – (200 attendee average)
10 community events – 150 attendee average)
10 Public shows – (10,000 attendee average)

The above breakout of the types of events would generate approximately 125,000 out of town visitors (or 312,500 room nights) and 119,500 local attendees.

ECONOMIC IMPACT

DIRECT SPENDING

The value of the out of town visitor on the Jacksonville economy is significant. The following chart illustrates the direct spending from projected future Jacksonville convention attendees and total impact based on the assumptions above:

Annual Economic Impact

- Annual total number of attendees – 244,500
  - Annual number of out of town attendees – 125,000
- Average Daily Spend
  - Local - $122.48
  - Convention/Meeting – $280.05

Attendee Type	Avg. Daily Spend	Avg. Stay Length	Annual Attendees	Total Spend
Local	$122.48	1 day	119,500	$14,636,360
Convention	$280.05	2.4 days*	117,000	$78,638,040
Meeting	$280.05	1.2 days	8,000	$5,376,960
			Direct Spending	**$98,651,360**
			Indirect Spending*	$39,460,544
			Induced Spending*	$24,662,840
			Total Spending	**$162,774,744**

*Collaboration with Visit Jacksonville and Tourism Economics – blended rate of 1.65% for indirect and induced spending

The projected local and out of town visitors that would utilize a new Convention Center would spend an over $80 million annually. This would translate into $162 million in total direct and indirect spending. This would be primarily incremental demand since Jacksonville does not currently host many large conventions in other facilities.

INDIRECT SPENDING

In addition to the direct spending into the Jacksonville economy, there are additional economic benefits that are generated beyond direct spending. This includes job creation and tax revenue that will be generated by an active Convention Center.

CONCLUSION – IMPORTANT ECONOMIC GENERATOR

The value to Jacksonville of a vibrant, active Convention Center positions it as a high priority for future downtown planning. The following is an illustration of the daily spending of a convention delegate:

The value of the out of town visitor

Daily Spend Breakdown	
Lodging	$102.20
Transportation	$28.10
Food & Beverage	$69.52
Retail	$16.14
Recreation	$10.73
Space Rental	$10.55
Business Services	$42.28
Total	**$280.05**

Source: Tourism Economics

Tax Collection and Job creation

The combined tax collection for the projected spending outlined above would be $5.7 million using a blended local tax rate of 3.5%. The blended tax rate includes local property, sales and the Duval County option tax.

In addition to the broader tax implications, there would be nearly 1,400 jobs created in Jacksonville and Duval County from a new Convention Center. This underscores the level of impact the development of a new Convention Center could have for the community.

COST STRUCTURE

SAG has reviewed the national construction costs for a convention center. The range is between $300 and $500 per square feet of exhibit space. The total construction cost of a 200,000 square foot exhibit hall will range between $250 and $430 million dollars.

FINANCING MODELS

Convention Centers are generally financed with a revenue stream that is generated from related industries. These revenue streams are "credit enhanced" through public sector participation. Hotel Taxes or Fees are incorporated in a vast majority of Convention Center financing plans. In the state of Florida, any proposed increases to the hotel taxes must be approved at the state level. Duval County currently has a 13% combined local and state hotel tax; this is the maximum tax rate allowed by the State of Florida. An analysis of any potential competitive impact should be conducted prior to raising the current tax rate. The following are other taxes and fees that have been included in Convention Center financing nationally:

Funding Sources

1. Meals Tax
2. Liquor Tax
3. Sales Tax
4. Auto Rental Tax
5. Property Tax
6. Utility Tax
7. Road Tolls
8. Private Grant
9. Government Grant
10. Business License Tax
11. Taxi Tax
12. Entertainment/Ticket Tax/Fees

In conjunction with the incorporation of the Convention Center into the future master planning process, these potential revenue streams should be explored for their viability as funding sources.

Debt Instruments – Revenue Bonds or General Obligation Bonds

Over 90% of the Convention Centers are currently financed with revenue bonds. General Obligation Bonds are currently a rare exception. Revenue bonds are repaid through the revenues generated from the project or specific industries that are obligated to contribute fees.

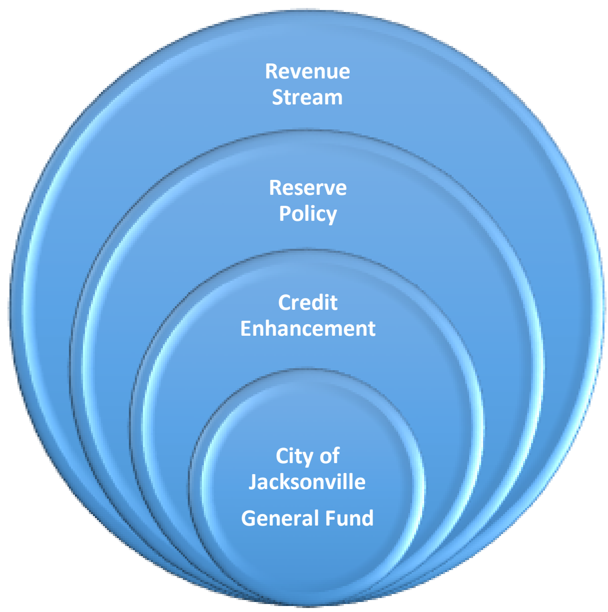
In preparation for potential Convention Center development, it should be determined which approach in funding a revenue bond will garner the most support.

Financing Vehicles

The following are potential funding approaches that should be considered and reviewed in anticipation of a future Convention Center.

1. *Develop a Convention Center Financing District*
   This approach would entail creating a geographical boundary with an agreed upon distance from the Convention Center and create a fee structure that would apply to all impacted business types. These would include hotels, restaurants, retailers and attractions. In most of these examples this can be enacted with City Government and a favorable vote from those participating businesses.
2. *Hotel Tax Increase*
   In conjunction with determining the broader impact of a Convention Center on the hotel industry, an increase in the hotel tax is another option. As stated above this would require state approval as Jacksonville is currently at the highest allowable tax rate. This option must be balanced with the impact to competitiveness if the overall proposed taxes and fees added to the room rates are higher than competing destinations.
3. *Entertainment/Ticketing Fees*
   The current level of ticketing activity in key venues in Jacksonville could provide an opportunity to develop a viable revenue stream. Further analysis should be completed to determine the potential of this option

KEY PRINCIPLES IN AN EFFECTIVE FINANCING PLAN



There are important principles in the development of an effective Finance Plan. SAG has participated in a variety of financing plans however the principles of success remain constant.

1. *Create a Stable Revenue Stream*
   The goal of creating a stable revenue stream can be enhanced by the diversification of the industries involved. Involving multiple industries such as restaurants, hotels, rental cars, entertainment venues, and others can help soften economic fluctuations.
2. *Establish a Reserve Approach that Effectively Protects the City's General Fund*
   It is impossible to eliminate any risk to the general fund however a conservative reserve policy that is funded from an initial period prior to any significant development expenditures and operations commencing is a key component.
3. *Utilize the City's Credit*
   The participation by the city comes in the form of "lending" the city credit rating to maximize the yield from the bond measure. Currently Jacksonville has an A1 bond rating.

Conclusion – Financing Models

In anticipation of a future Convention Center, SAG recommends engaging the potential participating stakeholders in a process to determine the most viable plan in a long term funding approach. This will include a series of community meetings and developing information to convey the importance of investing in a Convention Center.

PROJECTED DEBT AND ANNUAL COSTS

The charts below outline the range of annual debt service and operational deficit for the size of Convention Center outlined above. The amount of annual revenue needed for a revenue bond would depend on the coverage ratios that were required. Typically, these coverage ratios are 1.5 times the annual debt service that is required.

Debt Services for Lower Construction Costs Annually	
30 year term 6% interest rate	$20,353,212
Estimated annual deficit	$4,500,000
Total Annual Debt & Deficit	**$24,853,212**

Debt Services for Higher Construction Costs Annually	
30 year term 6% interest rate	$32,558,993
Estimated annual deficit	$4,500,000
Total Annual Debt & Deficit	**$37,058,993**

RETURN ON INVESTMENT

The potential model that has been outlined for a future Convention Center in Jacksonville would deliver $3.52 in Economic Impact for $1 invested in debt service (without coverage) and operating subsidy.

ADDITIONAL CONSIDERATIONS

There are some additional issues to consider in the long term planning for a Convention Center:

1. *Planning for additional full service hotel rooms*
   The preferred site that has been identified has longer term flexibility in adding a hotel and or additional Convention Center space. The research has shown that Jacksonville will need to plan for additional full service hotel rooms. SAG recommends that sites are identified that could accommodate new hotels in the downtown core.
2. *Parking*
   The benchmark analysis demonstrated that 952 dedicated parking spaces is the average amongst the competitive set. The ability to utilize current parking structures and the need to have dedicated spaces must be finalized. The current estimates for constructing parking are between $20,000 and $30,000 per parking space.
3. *Loading Capacity*
   The general guideline for an effective loading dock is 6/8 stalls per 100,000 square feet of exhibit space. This would indicate a need for 12 to 16 stalls for the future Jacksonville Convention Center.
4. *Minimum Site Requirement*

The minimum site requirement for a Convention Center with 200,000 square feet of exhibit space is 20 to 25 acres. SAG recommends securing the needed land in conjunction with the overall long term vision.

The Convention Center as a Catalyst

The timing and planning for a new Convention Center must also include a determination of the catalytic impact a new Convention Center will have on the overall development of downtown. Miami Beach, Indianapolis, and Houston are examples of cities where additional headquarter hotel development has occurred after the Convention Center was built. The Convention Center was not the only demand generator considered in the development of hotels in these destinations, however it played a major role. This would also hold true for the development of restaurants and other attractions.

Future Organizational Planning

The feedback received by the meeting planners pointed out the need to develop an overall sales and marketing and operational structure with an approach that will maximize efficiency and deliver a seamless customer experience. The relationship between the operational and sales and marketing teams must be evaluated to set up Jacksonville for success in developing a competitive overall Convention, Meetings and Events experience. Many destinations have evolved their structures, process and accountability.

Develop the Jacksonville Model

In conjunction with the development of the Jacksonville's long term vision and potential Convention Center and evaluating overall effectiveness, there is an opportunity to evaluate the current model and collaboration and determine the most effective approach. SAG recommends that Jacksonville develop key principles for future Convention, Meetings and Events operation and sales and marketing. With these in mind, determine the most effective organizational structure to support the agreed upon principles.

CONCLUSION – NOT NOW, BUT AN IMPORTANT FUTURE ELEMENT

As stated in the first section of this report, SAG recommends against building a new Convention Center at the present time, however the land banking and future planning for the Convention Center should be part of all future downtown visioning The feedback that was received in interviews and surveys demonstrated a moderate to low level of interest in many of the markets explored. This feedback became much more favorable when shown renderings of future enhancements to the downtown area.

NEXT STEPS

As part of the overall visioning process in place in Jacksonville, SAG recommends establishing an approach that includes effective planning for a potential future Convention Center. This will include the following:

1. *Secure the most favorable site as indicated by the research*
   The site that was identified in the customer interviews has growth potential, is next to a headquarter hotel, and is positioned to take advantage of the St. John River as a backdrop.
2. *Engage hotel developers and other potential business investors in discussions about future full service hotels and other business development in conjunction with a new Convention Center*
   This will help validate the future impact a Convention Center will have in stimulating development.
3. *Finalize the vision for the Prime Osborn*
   The Prime Osborn is currently operating at an overall occupancy of 27%. This is a low occupancy and may signify that it needs capital investment or to be repurposed.
4. *Support the implementation of the shipyards, and other visions for the future of downtown Jacksonville*
   The client feedback when reviewing the renderings of future Jacksonville visions was outstanding. The implementation of this will be a significant step in positively impacting Jacksonville's position as a viable convention destination.
5. *Support the visioning process for the Landing*
   The evolution of the landing will greatly impact Jacksonville's attractiveness as a meetings and convention destination.
6. *Evaluate and develop a funding source to increase the marketing outreach to build the awareness of Jacksonville as a meetings and convention destination.*
   Alternatives have been reviewed earlier in this study. It will be important to evaluate the most appropriate option for Jacksonville.
7. *Engage key stakeholders in a process to establish the most effective model for future convention, meetings and event marketing and venue operations*
   There has been a trend to evaluate new approaches to create a seamless model for the sales, marketing and operations of conventions, events and meeting. A process should be established to evaluate the opportunities.

It is recommended that the implementation of the above recommendations begin immediately. This will be critical in the achieving the long term vision to establish Jacksonville as a viable and active convention destination.

The current steps that are underway to improve the Jacksonville downtown experience are designed to create an overall vision for the future. The inclusion of the convention center in this vision will be a vital piece of developing a vibrant downtown.