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TO: JOE PITTS / JEFF BIBB

OF: CLARKSVILLE, TN

FAX #: (931) 645-1574 / (931) 552-0785

SUBJECT: GATEWAY CENTER ECONOMIC STUDY REPORT (PARTIAL)

FROM: John Sherwood, Executive Director
Tel # (410) 841-0090 Fax # (410) 841-0090 then *51

COMMENTS: _____

Joe - Jeff has his. I made
copies for George + myself.

MS

GATEWAY CENTER ECONOMIC REPORT

PARTIAL DRAFT OF JAN 7, 1999

January 7, 1999

Mr. Joe Pitts
Executive Director,
Clarksville Area Chamber of Commerce
312 Madison Street
Clarksville, Tennessee 37040

Dear Mr. Pitts:

I am pleased to transmit herewith The Sherwood Consultancy's (TSC) report presenting findings and conclusions resulting from TSC's detailed economic analysis of the proposed Gateway Center conference and civic center ("Gateway Center") that is being considered for development in Clarksville. The focus of this work has been on business and economic aspects of the proposed facility. The report presents a summary of the facility's business operations and the economic ramifications of these operations, including the impact it would have on the economy of Downtown Clarksville and on Clarksville/Montgomery County as a whole.

The findings and analysis set forth in the report are based on interviews I conducted in Clarksville and research done at that time locally as well as research done elsewhere, primarily in connection with financing. The material contained in the report is consistent with the work program identified in the proposal/contract governing TSC's assignment. This study has built on and is a natural extension of two previous studies undertaken by me while at Legg Mason Realty Group. The first study, completed in the fall of 1994, established the need for and market support for a conference/exhibition/civic center facility to serve visitors to and residents of Clarksville and Montgomery County. The second study was completed in February, 1996. It was conducted in association with the Odell Associates planning/-architectural team and updated the work of the first study with regard to utilization and operation but added material on impact and financing. This third study goes into greater detail with regard to the latter two matters and updates the operations analysis to reflect changes that have occurred in the economy of Clarksville and Montgomery County over the past five years.

Gateway Center, the facility that is the subject of this work, was previously referred to, generically, as the "Clarksville-Montgomery County Conference Center." For the purpose of this analysis it is assumed to consist of a complex of spaces in a single building intended to serve as a location for meetings, conferences, trade shows, public shows, exhibitions, banquets, reunions, and a wide range of other events to meet the needs of area citizens and visitors. As described in the Odell Associates report of 1996, the center would be able to provide about _____ square feet of contiguous flat floor space divisible into several smaller units and ___ to ___ meeting rooms, depending on configuration. It is assumed that there will be adequate moderate cost parking associated with the center but a separate analysis of parking is not included herein.

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The report is divided into four sections followed by a Technical Appendix. **Section I** is an *executive summary* providing a succinct overview of the major findings set forth in the body of the report. **Section II** presents the operation of Gateway Center as a *business enterprise*. A comparison of this material with that set forth in the feasibility update study of 1996 reveals that the growth of and improved prospects for the economy of Clarksville and Montgomery County have resulted in projections of greater utilization, higher attendance, and increased operating income. **Section III** dimensions the *impact* that the center's business and the people who will attend events at it will have on downtown Clarksville and the regional economy. **Section IV** provides an overview of approaches to *managing and financing* the facility. The **Technical Appendix** contains tables and other materials referred to in the text and documenting and supporting the analysis.

During the past decade a number of metropolitan areas, including many the size of Clarksville/Montgomery County, have developed an "audience support/public assembly" (AS/PA) facility capable of accommodating some mix of sports, entertainment, meeting and civic/community events. Several such facilities have been built in Tennessee, such as in Gatlinburg, Kingsport, and Nashville. Other communities, such as nearby Hopkinsville, are in the process of planning for the development of such facilities. These buildings are major investments. The decision to build or not build usually comes after a long period of study and local debate regarding whether or not to do it. Some communities decide not to proceed. However, in those instances where they have, in every case of which I am aware, the area's citizens greatly enjoy the experience of having the facility in their community as a place for civic and community activities and entertainment and as a location for events that attract visitors. The economies of those communities have benefited from the economic impact of the facilities.

In the course of my nearly five years of work in Clarksville, I have come to respect the hard work that the business, political and civic leaders of the city and county have invested in advancing the economy of the region and the social well being of its citizens. I respect the fact that careful consideration is being given to the possible development of an audience support/public assembly complex in Clarksville. I hope that the material in this report will help local decision-makers understand certain economic factors associated with the presence and operation of such a facility in Clarksville.

Most sincerely,

John Sherwood
Senior Consultant

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I. EXECUTIVE SUMMARY

The purpose of this material is to highlight key findings resulting from the research and analysis conducted by The Sherwood Consultancy and presented in this report. The material is organized in the same order as contained in the report.

A. BUSINESS OPERATIONS

Gateway Center will be a major business enterprise. Regardless of whether the facility is operated by a public agency or by a private firm under contract to the public owner, the bulk of the business occurring within it will be private in nature. It will provide a venue for large and small firms, institutions, and nonprofit and civic groups to promote their operations and earn income. Some of the principal features of the business occurring at Gateway Center are set forth below.

- 257,500 people will attend 169 events at the Center encompassing 261 performance/- days of activity.
- Commercial ticketed events will generate \$1,473,000 in ticket sales.
- Gateway Center's concessionaires will sell \$1,906,800 in food items (from hot dogs to banquets) and \$520,000 worth of souvenirs and novelties in the building.
- The operators of the facility will spend \$800,000 in a typical year for everything from salaries (\$545,000) and insurance to toilet paper.
- Promoters of events, exhibitors at trade and public shows, and performers at various other events will spend uncalculated additional funds on decorations, communications, utilities, part time labor, and miscellaneous other items.
- Gateway Center will employ 15 people on a permanent, full time basis.
- The facility will have income of \$671,000 of which \$294,200 will be from space rentals paid by events and \$306,800 will be the facility's share of concessions sales.

72%
OF TIME
ALMOST
30%
OUT
4

B. ECONOMIC AND FISCAL IMPACTS

- **Construction Impacts.** Gateway Center will cost about \$15 million to construct, not including parking and improvements to nearby public infrastructure. It will have a payroll of roughly \$6,800,000 and employ the equivalent of 75 people full time on site over the two year construction period. Additional jobs will be created at firms providing professional and other services to the general contractor. Some of the goods and material required in construction will be purchased from Clarksville-Montgomery County area vendors.
- **Direct Spending Impacts.** (All non-admissions spending occurring within Gateway Center, including purchases by residents of Clarksville/Montgomery County, is assumed to be direct spending. However, only spending by visitors is counted as direct spending outside of the facility.)

15M
CONST.
PAYROLL
6,800,000
75 people
24%

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- There will be \$2,436,800 in direct spending in the building, exclusive of admissions.
- The facility will draw 72,100 visitors to Clarksville/Montgomery County, including 18,540 who will stay overnight and 53,560 day visitors.
- Visitors will spend \$3,281,600 annually in the Clarksville-Montgomery County area outside of Gateway Center: \$2,317,500 by overnight visitors and \$964,100 by day visitors.
- **Total Spending Impacts.**
 - Direct spending by attendees within Gateway Center and by visitors outside of it will total \$5,708,400 a year.
 - Indirect spending impacts occur when the direct spending circulates in the community. TSC assumes a very conservative multiplier of 2.0, resulting in total direct and indirect spending from business at Gateway Center and in the community by visitors of \$11,416,800.
- **Induced Development Impacts.**
 - As a leading public investment in downtown Clarksville, Gateway Center will create business of interest to private firms, attract attention to Clarksville and its downtown area, and generate nearby development.
 - Recent, current and known projected private sector development that is occurring or will occur in the downtown since the site for and characteristics of Gateway Center were established and publicized in February 1996 will total \$36,950,000 upon completion. TSC projects that additional smaller projects, primarily in the form of restaurants and shops, will bring that total to at least \$40,000,000 within five years.
- **Fiscal Impacts.**
 - Taxable sales of retail goods and services, other than hotel rooms, inside and outside Gateway Center will generate \$46,800 in sales tax revenues to the city, \$65,700 to the county and \$270,200 to the state each year.
 - The hotel rooms used by overnight new visitors will result in \$36,000 in additional hotel/motel tax revenues of which the Tourism Commission would get 1/2 and the city and county 1/4 each.
 - The private real estate development induced by the presence of Gateway Center would result in \$190,400 in additional annual real estate tax revenue to the city on the improvements alone and \$528,000 to the county.
 - Local tax revenues will increase a total of \$246,200 annually for the city, \$602,700 for the county and \$18,000 for the Tourism Commission as a result of net new business generated by Gateway Center.

11,416,800
1 1/2 mill
Dollar
IMPACT

40,000,000
spinoff
project

CITY -
46,800 sub/
FAY
65,700 COUNT
270,200 STATE

C. MANAGEMENT AND FINANCING

.... to be completed

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II. BUSINESS OPERATIONS

The proposed Gateway Center will be a substantial enterprise in its own right. While likely to be owned and operated by a public entity, it will perform in much the same way as a private business. The purpose of the analysis in this section is to dimension these operating characteristics, which serve to underpin subsequent analyses of impact and financing.

A. UTILIZATION

A key component of operations is utilization. Consequently, before analyzing operations it is necessary to establish the level of utilization that Gateway Center will experience. Previous studies have shown that there is a clear need in the Greater Clarksville community for such facility. This has been indicated by the amount of use (utilization) that the facility will experience. Research conducted by TSC in connection with this economic study revealed that the prospects for utilization (events and average attendance) have increased since the study done by Legg Mason Realty Group in 1996. This is due primarily to the following factors:

- Strong recent growth in the Clarksville area economy and the likelihood of this growth continuing for the foreseeable future;
- Changes in APSU's concept for the University Center and thus its heightened need for conference, meeting and banquet space off-campus for social, athletic and fundraising events;
- Plans to develop a world class museum in association with Fort Campbell, which will generate increased reunion, social and conference activities;
- The needs of downtown civic organizations for meeting space.

A summary of the number of events and performances and the projected attendance for the facility as currently estimated and as estimated in 1996 is set forth below. The current data are shown in detail in Table 1 in this report's Technical Appendix.

**GATEWAY CENTER
SUMMARY OF UTILIZATION**

Activity	<u>Current Study</u>			<u>Change from 1996 Study</u>		
	Events	Performance/Days	Attendance	Events	Performance/Days	Attendance
Expositional	80	162	191,400	+15	+30	+28,400
Performing Arts	7	7	3,500	+ 2	+ 2	+ 1,000
Community	<u>82</u>	<u>92</u>	<u>62,600</u>	<u>+15</u>	<u>+17</u>	<u>+ 5,300</u>
Total Activity	169	261	257,500	+42	+48	+34,700


Source: 1998 data from The Sherwood Consultancy;
1996 data from Legg Mason Realty Group's 1996 report

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The change from the 1996 study is significant. Events and performance/days are projected to increase because of the events that will result from the stronger APSU connection and the increased visitation to the Clarksville area from the Don F. Pratt Museum associated with Fort Campbell. It is also projected that the improved local economy will result in greater demand for and attendance at public shows, concerts and other community oriented events. Local businesses will have an increased need for meeting and function space. While many of these events will be in the categories of reunions, meetings, conferences, and classes with generally small attendance, they are of significant economic and civic value.

Utilization by the type of space in Gateway Center and by whether the sponsor is a commercial or non-commercial entity is set forth in Table 2 in the Technical Appendix. It can be seen that of the 261 performance/days of activity at the center, 175 will be commercial in nature. These events will be put on by businesses or promoters. The 86 non-commercial performance days of use will be sponsored primarily by local educational and nonprofit groups. (A nonprofit group that sponsors an event where tickets are sold to the public is categorized as a commercial sponsor.)

The utilization profile assumes that there will be a *tourist information center* operated by the Tourism Council in the conference center complex. However, none of the events tabulated above are directly associated with the presence of the tourism office. Rather, it will serve to generate daily visitation to the building by visitors to the area and will help draw visitors to downtown Clarksville. Three other facilities have been mentioned as possible tenants in Gateway Center. TSC assumes that the Business and Community Solutions Center and the Data Center will not be housed in the center and that the offices of the Economic Development Council/Chamber of Commerce may be. 

B. BUSINESS PERFORMANCE

Gateway Center will generate income from doing business with event sponsors, promoters, concessionaires, and advertisers. It will create jobs and spend money in the community for goods and services. A detailed analysis of the center's business performance is set forth below.

1. Income

Data associated with the generation of income at the center are set forth in the Technical Appendix in Table 3, Table 4, and Table 5. Table 3 shows the schedule of rents that will be charged various users of the facility. As is customary with community oriented facilities such as Gateway Center, these rents are relatively low. The intention is to assure access to the center by a wide range of commercial and community sponsors. Application of these rents to the space utilization profile set forth in Table 2, results in projected income from rent in Table 4. As show, the center will generate rental income of \$294,200 in constant 1998 dollars in a typical operating year. * * * * * **Temporary end of report 1-7-99**

TABLE 1
GATEWAY CENTER
UTILIZATION PROFILE

ACTIVITY	Performance/Days			Facilities Used (1)	Attendance	
	Events	Per Event	Total		Per Performance/Day	Total
Sports	None					
Expositional						
Public Shows:(Sm.)	6	2	12	Banquet Hall	1,000	12,000
Public Shows:(Med.)	7	3	21	Exhibit Hall	2,500	52,500
Public Shows:(Lg.)	8	3	24	Conf/Exh Ctr	4,000	96,000
Trade Shows:(Med.)	4	2	8	Banquet Hall	500	4,000
Trade Shows:(Lg.)	3	3	9	Exhibit Hall	1,000	9,000
Business Mtgs./Conf. (Sm.)						
1 Day	12	1	12	Mtg. Rooms	100	1,200
Multi Day	10	2	20	Mtgs. Center	100	2,000
Business Mtgs./Conf. (Lg.)						
1 Day	10	1	10	Conf. Ctr.	300	3,000
Multi Day	6	3	18		300	5,400
Reunions (Sm.)	7	2	14	Mtgs. Center	+150	2,100
Reunions (Lg.)	7	2	14	Conf. Ctr.	+300	4,200
Expositional Total	80		162			191,400
Performing Arts Total	7	1	7	Presentation Room	500	3,500
Community						
Expos & Festivals	5	3	15	Conf/Exh Ctr	3,000	45,000
Banquets (Med.)	9	1	9	Ballroom	400	3,600
Banquets (Lg.)	8	1	8	Banquet Hall	700	5,600
Dances/Parties (Sm.)	8	1	8	Ballroom	200	1,600
Dances/Parties (Lg.)	12	1	12	Banquet Hall	400	4,800
Meetings/Classes	40	1	40	Mtg. Rooms	50	2,000
Community Total	82		92			62,600
Total Activity	189		261			257,500

Source: The Sherwood Consultancy based on information from interviews, survey, report of organizations and observations. Update of version presented in Legg Mason Realty Group in Technical Memorandum dated February 26, 1996.

TABLE 2
GATEWAY CENTER
UTILIZATION OF SPACES
TYPICAL YEAR OF OPERATION

SPACE	GATEWAY CENTER		
	Comm'l	Non-Comm'l	Total
Meeting Rooms	22	30	52
Presentation Room	7	--	7
Entire Meetings Center (1&2)	20	14	34
Ballroom	7	10	17
Banquet Hall (2&4)	20	20	40
Entire Conference Center (3&5)	30	12	42
Exhibit Hall	30	--	30
Entire Conference Exhibition Center (6&7)	39	--	39
TOTAL	175	86	261

Source: Total Utilization from table 1; commercial/non-commercial split by The Sherwood Consultancy.

TABLE 3
GATEWAY CENTER
RENT SCHEDULE
TYPICAL YEAR OF OPERATION

COMPONENT	RECOMMENDED RENT (1998 dollars)	
	Commercial	Non-Commercial
Meeting Rooms (ea) ¹	\$100	\$100
Ballroom ¹	\$500	\$400
Presentation Room ¹	\$400	\$300
Entire Meetings Center ²	\$700	\$550
Banquet Hall ¹	\$900/12% ³	\$700
Entire Conference Center ²	\$1,500/12% ³	\$1,200
Exhibit Hall ²	\$1,200/12% ³	\$1,000
Entire Gateway Center ²	\$2,500/12% ³	\$2,000

¹For 4 hours or less of use

²For entire day of use

³Flat fee or % of gross ticket sales, whichever is greater

SOURCE: The Sherwood Consultancy based on industry standards and local conditions. Update version presented in study report dated February 1996

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TABLE 4
GATEWAY CENTER
PROJECTED INCOME FROM RENT
TYPICAL YEAR OF OPERATION
(In constant 1998 dollars)

COMPONENT	CENTER	
	Pref Days	Income
Meeting Rooms	52	\$5,200
Presentation Room	7	\$2,800
Meetings Center	34	\$21,700
Ballroom	17	\$7,500
Banquet Hall	40	\$32,000
Conference Center	42	\$65,000
Exhibit Hall	30	\$45,000
Conference/Exhibit Center	39	\$115,000
TOTAL	261	\$294,200

Source: The Sherwood Consultancy based on Tables 2 and 3

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TABLE 5
EXPENDITURES AT GATEWAY CENTER
TYPICAL YEAR OF OPERATION
(In constant 1998 dollars)

	<u>ATTENDEES</u>	<u>TOTAL EXPEND. \$</u>
Admission Fees		
@ \$5.00	57,000	\$ 285,000
@ \$7.00	52,500	367,500
@ \$8.00	96,000	768,000
@ \$10.00	<u>3,500</u>	<u>52,500</u>
TOTAL	<i>209,000</i>	\$1,473,000
Food & Beverage Concessions		
@ \$2.00	57,000	\$ 114,000
@ \$5.00	52,500	262,500
@ \$7.00	<u>99,500</u>	<u>696,500</u>
TOTAL	<i>209,000</i>	\$1,073,000
Souvenir/Novelty Concessions		
@ \$5.00	40,000	\$ 200,000
@ \$8.00	<u>40,000</u>	<u>320,000</u>
TOTAL	80,000	\$ 520,000
Banquet Meals		
@ \$15.00	5,600	\$ 84,000
@ \$25.00	13,400	\$ 335,000
@ \$30.00	<u>10,400</u>	<u>\$ 312,000</u>
TOTAL	29,400	\$ 731,000
Coffee & Beverage Service		
@ \$5.00	2,000	\$ 10,000
@ \$8.00	<u>11,600</u>	<u>92,800</u>
TOTAL	13,600	\$ 102,800

Source: The Sherwood Consultancy

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TABLE 6
GATEWAY CENTER
PROJECTED TOTAL INCOME
TYPICAL YEAR OF OPERATION
(In constant 1998 dollars)

SOURCE	INCOME (1998 dollars)
	GATEWAY CENTER
Event Rental Income	\$294,200
Setup/Tear Down Income	40,000
Food & Beverage Concessions ¹	228,800
Souvenir/Novelty Concessions	78,000
Display Advertising	20,000
Miscellaneous Other ²	10,000
TOTAL	\$671,000

¹ Includes banquet catering

² Does not include recapture of variable expenses.

Source: The Sherwood Consultancy based on tables 4 and 5

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TABLE 7

GATEWAY CENTER

ESTIMATED INCOME *EXPENSES*TYPICAL YEAR OF OPERATION
(In constant 1998 dollars)

ITEM (1)	
Salary & Wages	545,000
Utilities	95,000
Communications	25,000
Insurance	45,000
Misc. Other Services & Charge	50,000
Supplies & Materials (2)	40,000
TOTAL	800,000

- (1) Does not include variable, contract expenses recovered through special charges to users.
- (2) Not Capital items.

Source: The Sherwood Consultancy.

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TABLE 8
DAILY OFF-SITE SPENDING BY ATTENDEES
OF EVENTS AT GATEWAY CENTER
TYPICAL YEAR OF OPERATION
(In constant 1998 dollars)

	OVERNIGHT ATTENDEES	DAY TRIPPERS	RESIDENTS
Hotel	\$ 65	N/A	N/A
Restaurant	40	\$8	\$3
Convenience Stores	5	3	1
Shops	10	5	2
Miscellaneous, Other	5	2	1
TOTAL	\$125	\$18	\$8

Source: The Sherwood Consultancy

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TABLE 9
TOTAL OFF-SITE SPENDING BY ATTENDEES
OF EVENTS AT GATEWAY CENTER
TYPICAL YEAR OF OPERATION

Category	Overnight Attendees	Day Trippers	Residents	Total
Hotel	\$1,205,100	N/A	N/A	\$1,205,100
Restaurant	741,600	\$428,500	\$ 741,600	1,911,700
Convenience Stores	92,700	160,700	185,400	438,800
Shops	185,400	267,800	556,200	1,009,400
Miscellaneous, Other	92,700	107,100	185,400	385,200
TOTAL	\$2,317,500	\$964,100	\$1,168,600	\$4,950,200

Source: The Sherwood Consultancy

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