

Summary of Findings: Proposed Beaufort Area Conference Center

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Why study a conference center in Beaufort?

- Economic and community development
- Tourism
- Local and regional social event opportunities

Introduction

- Conduct an independent and objective assessment of the potential level of market and economic appeal of building a high-tech conference center in Beaufort, SC

- Study Methodology
 - Site Analysis
 - Market Demand Assessment

- Major Assumptions
 - The proposed property will open in January 2013;
 - The property will be professionally managed; and
 - The facility will offer conference facilities, guest services, and amenities

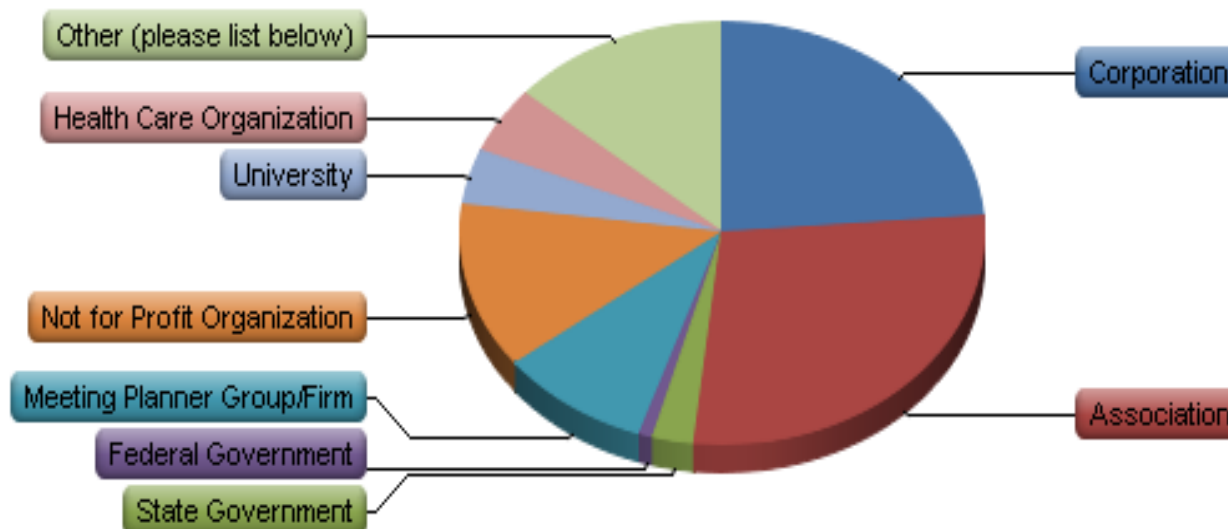
Meeting Planner Survey Results

- Convenience sampling
 - Used in exploratory research to get an inexpensive approximation of the truth
 - Non-probability method used to get a gross estimate of the results, without selecting a random sample
- The information developed is believed to be a good predictor of meeting planner response to the proposed Center

- A detailed 25-question survey was sent to 5,350 ConventionSouth Magazine subscribers
- 130 usable responses
 - Responses represent a cross section of the potential users of the Conference Center

Key Survey Results

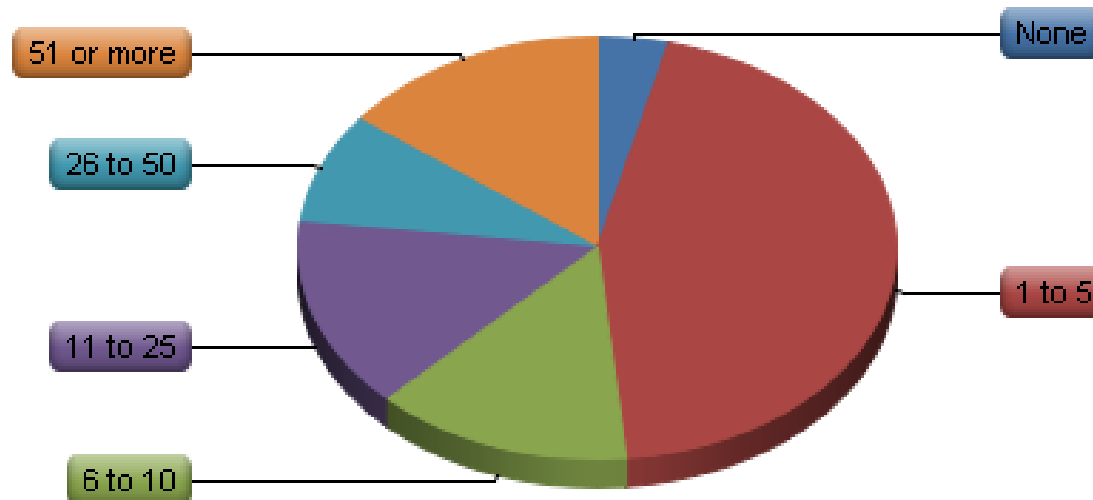
- ***Which of the following best describes where you work?***
 - Majority answer: Corporation or Association (51%)
 - Other write ins included: wedding planner, PR professional, entertainment facility



Key Survey Results

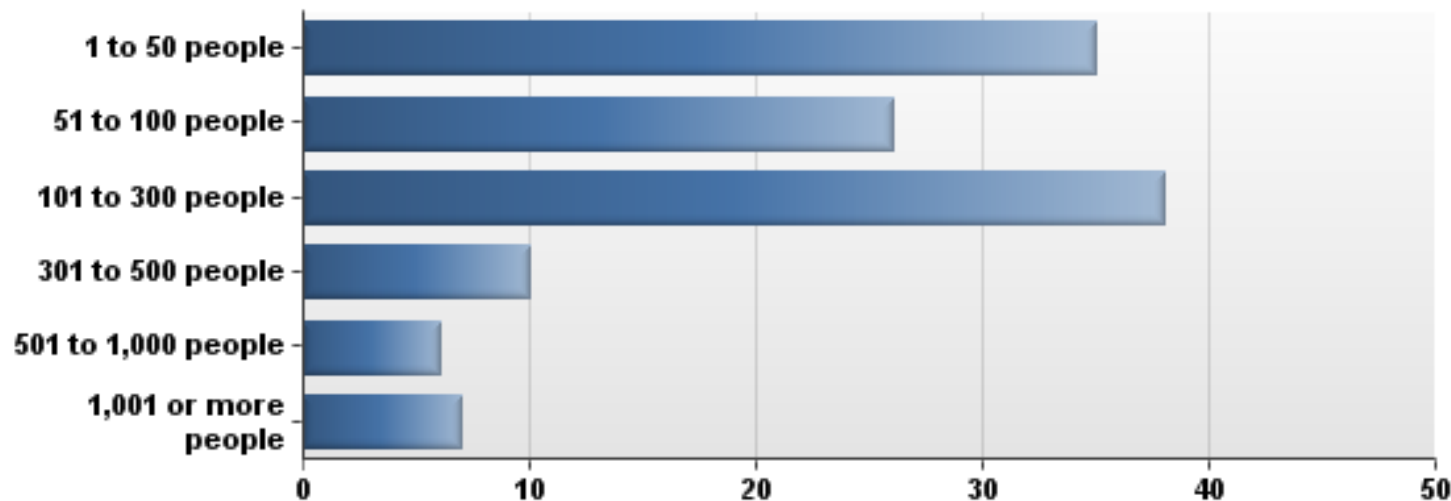
- ***How many off-site meetings does your organization conduct annually?***

- Majority answer: 1-5
- Those who responded “none” were automatically directed to the end of the survey



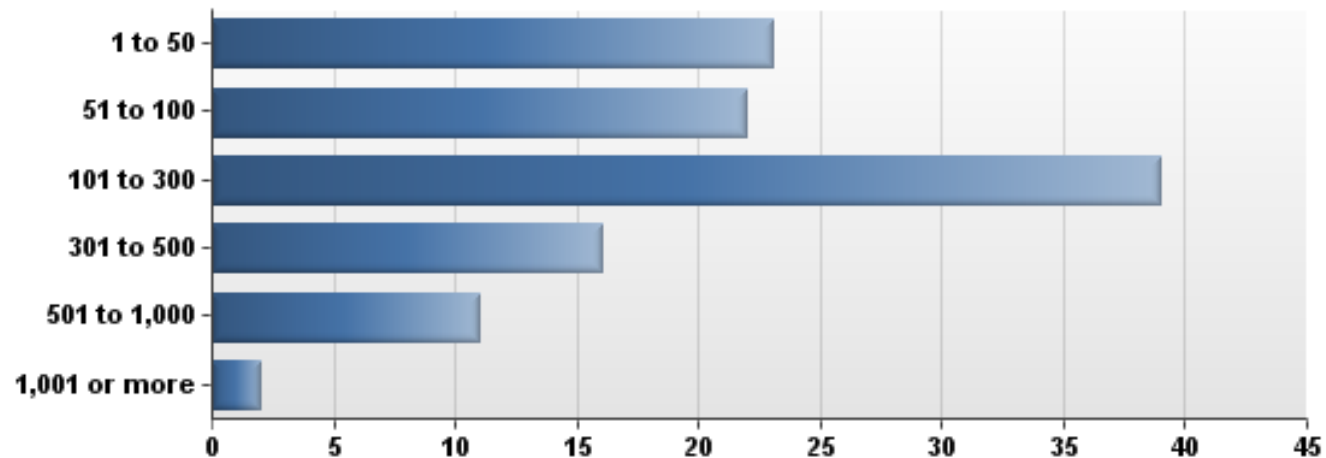
Key Survey Results

- ***Approximately how many people, on average, attend a typical meeting?***
 - Majority of respondents (81 percent) answered between 1 and 300 people
 - Very few 301 to 1,001+



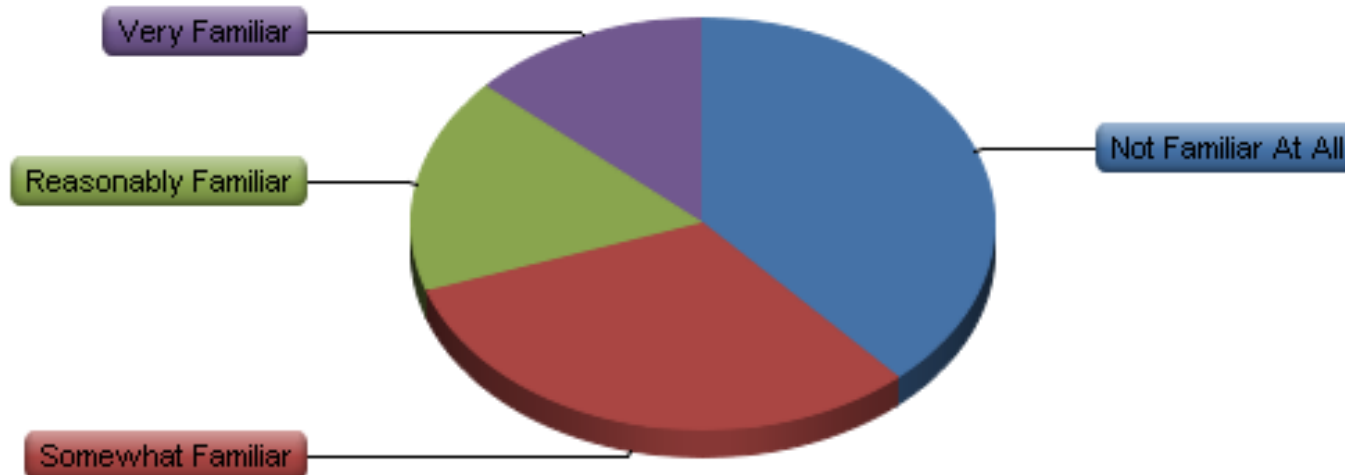
Key Survey Results

- ***Typically, what is the maximum number of seats your organization requires for a sit-down banquet?***
 - Majority answered between 1 and 300 people
 - 14 percent said 301 to 500 people, and 12 percent said 501 or more people



Key Survey Results

- ***How familiar are you with the Beaufort, South Carolina area?***
 - 13% very familiar, 17% reasonably familiar
 - **70% only somewhat familiar or not familiar at all**

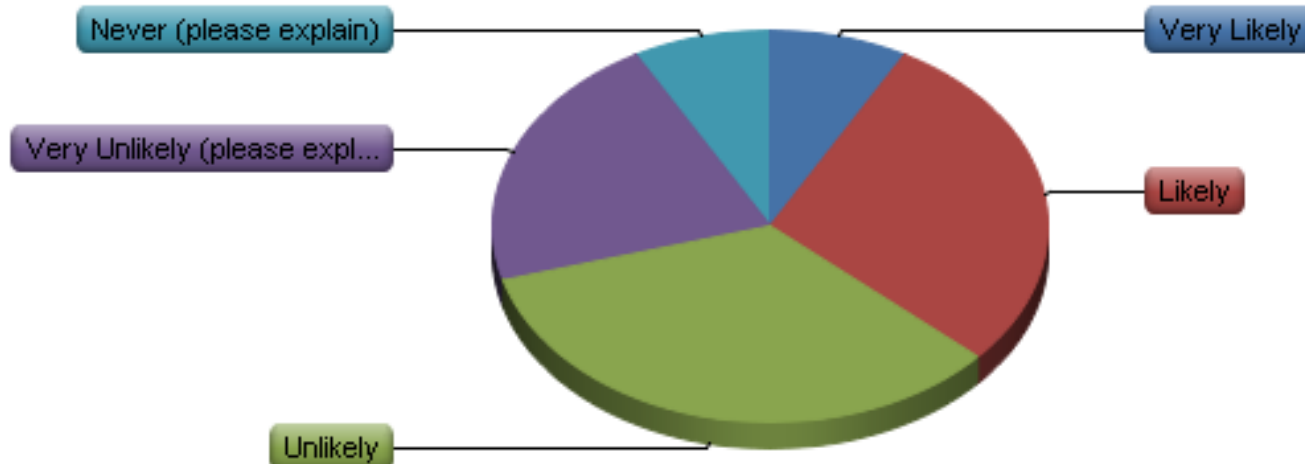


Key Survey Results

- ***“Please take this opportunity to comment on how this facility could benefit your organization.”***
- **General themes in the responses included:**
 - “Beaufort would be a nice alternative to Charleston/Hilton Head/Myrtle Beach/other coastal options”
 - “Beaufort would be a convenient drive-to location; great for state-wide and regional conferences”
 - “The location and setting would be great-- a location that close to the ocean is always a draw”
 - “It would give us a great opportunity to mix business and relaxation in this setting and at this location”
 - “It could be a viable meeting place as long as hotels are nearby”

Key Survey Results

- ***Based on the facilities offered at the Beaufort Conference Center, what are the chances that your group would utilize the property?***
 - Very likely or likely: 37%
 - ***Unlikely, very unlikely, or never: 63%***



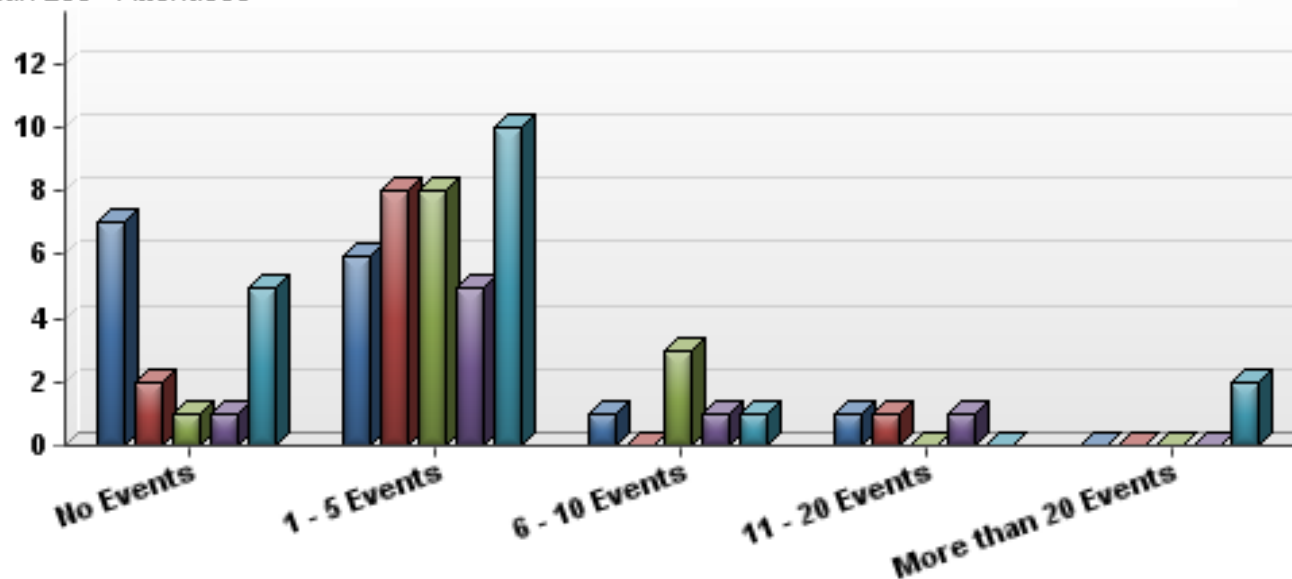
- **Those who answered “Very Unlikely” or “Never” were asked to comment on why. Objections that cannot be overcome include:**
 - Some respondents are required to hold their meetings in-state, and are not located in South Carolina
 - The location is not desirable
 - The airport is too far/not international
 - “Not exotic enough for incentive, not accessible enough for nationwide attendees at annual conference, not located in dense area for regional meeting”
 - “We need a resort hotel with golf, spa, and great food for an annual meeting”
 - “No 4 star hotels rooms close by”
 - “We have no clients in that area”

Key Survey Results

“Very Likely” and “Likely” Respondents

- ***By meeting size, how many events per year would you consider conducting at the Conference Center?***
- Majority of respondents likely to come to Beaufort would hold 1-5 events (ranging from 25-200+ attendees) at the proposed conference center

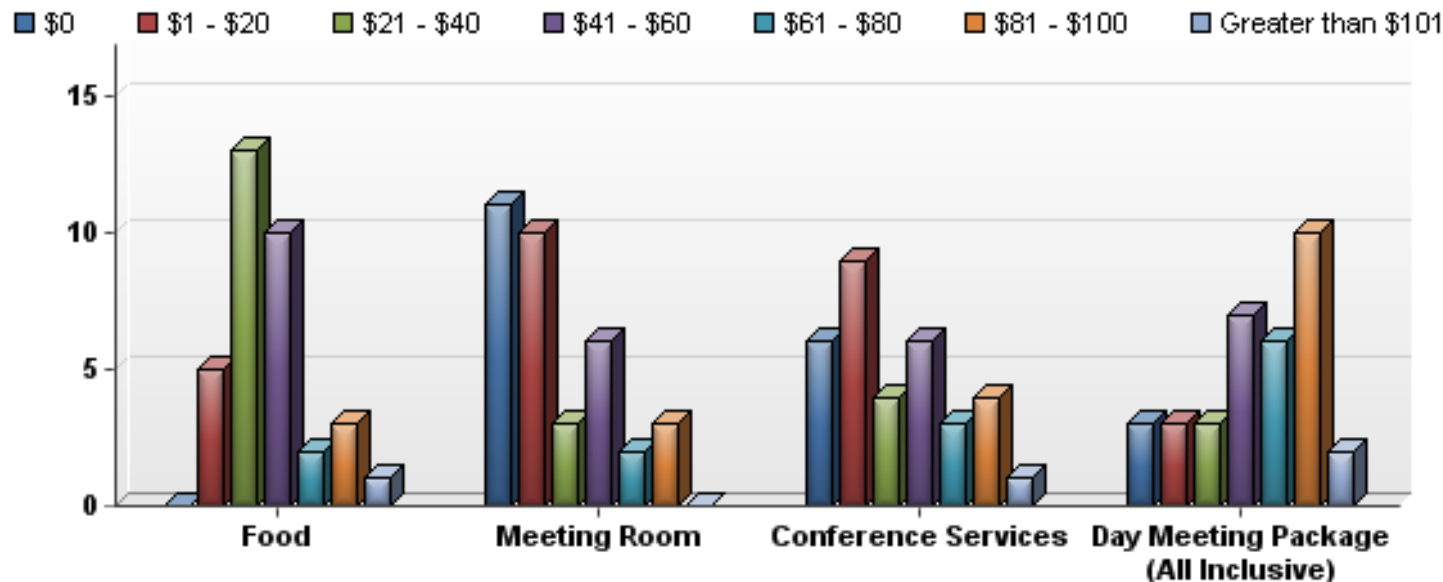
■ Less Than 25 Attendees ■ 25 - 50 Attendees ■ 51 - 100 Attendees ■ 100 - 200 Attendees
■ Greater than 200 Attendees



Key Survey Results

“Very Likely” and “Likely” Respondents

- ***What rate per person per day would you be willing to pay at the for the following?***
 - 2010 market-wide ADR was \$80.27
 - 2009 market-wide ADR was \$85.09
 - 2008 market-wide ADR was \$92.19



Competitive Facilities

- Existing Meeting/Conference Facilities:
 - Holiday Inn & Suites
 - Quality Inn
 - Hilton Garden Inn
 - Dataw Island
 - Fripp Island
 - Officer's Club, MCAS Beaufort
 - Traditions Restaurant, Parris Island
 - Lyceum at Parris Island

- Regional meeting planners typically do not use the above facilities

- Identified 10 conference and convention centers outside of the immediate Beaufort area that would provide competition to the proposed Conference Center

- Selected based on
 - Location
 - Size
 - Product offering

Competitive Facilities

| Name | City | State | Approx. Distance from Beaufort | # Meeting Rooms | Exhibit Space | Meeting Capacity | Banquet Capacity | Largest Space | Hotel? | # Guestrooms |
|--|--------------------|-------|--------------------------------|-----------------|---------------|------------------|------------------|---------------|--------|--------------|
| Crowne Plaza Hilton Head Island Beach Resort | Hilton Head Island | SC | 35 | 16 | 20,000 | 1,000 | 800 | 20,000 | Yes | 340 |
| Savannah International Trade & Convention Center | Savannah | GA | 45 | 18 | 100,000 | 2,500 | 3,500 | 97,750 | No | N/A |
| Wild Dunes Resort | Isle of Palms | SC | 85 | 16 | 23,000 | 450 | 450 | 5,851 | Yes | 525 |
| Sea Palms Hotel & Conference Center | St. Simons Island | GA | 120 | 12 | 17,500 | 1,000 | 600 | 6,500 | Yes | 250 |
| Columbia Conference Center | Columbia | SC | 130 | 10 | 20,000 | 500 | 320 | 6,175 | No | N/A |
| Florence Civic Center | Florence | SC | 155 | 5 | 50,000 | 7,000 | 2,000 | 50,000 | No | N/A |
| The Hampton Inn & Suites at Summit Pointe | Spartanburg | SC | 225 | 9 | 17,000 | 750 | 600 | 6,000 | Yes | 126 |
| Embassy Suites Golf Resort & Conference Center | Greenville | SC | 235 | 22 | 23,000 | 1,300 | 840 | 11,552 | Yes | 268 |
| Hyatt Regency Greenville | Greenville | SC | 235 | 22 | 24,000 | 1,750 | 1,200 | 14,381 | Yes | 328 |
| Clemson University Conference Center & Inn | Clemson | SC | 260 | 17 | 17,000 | 600 | 450 | Unknown | Yes | 89 |

Competitive Marketing Potential

- Scenic location
- Facilities
 - New
 - High-tech
 - Largest in the immediate area
- Only LEED certified dedicated meeting facility in Beaufort area
- Number and variety of meeting rooms

- Limited amount of good quality lodging proximate to the proposed Conference Center
- Beaufort is at least a 45 minute to one hour drive from the nearest airport
- Beaufort does not have the same amount of recognition among regional meeting planners that other Lowcountry destinations such as Charleston, Hilton Head Island, and Savannah have

- Attract groups who are looking for a Lowcountry experience but at a lower price point
- Relationships will need to be developed with local lodging facilities

- Pricing – demonstrated resistance to paying for meeting space
- Service delivery – need for consistency
- Third party suppliers – potential issues in relying on multiple hotels

Estimated Operating Results

- To develop estimates of potential utilization levels for the Conference Center, we determined and estimated the potential needs of the following types of users:
 - Corporate meetings
 - Association groups
 - Government
 - Civic duty/Community relations
 - SMERF
 - Other

Estimated Utilization

Estimated Utilization for the Beaufort Area Conference Center

| Market Segment of External Meetings | # of External Meetings | % of Total |
|--|------------------------|------------|
| <i>Corporate</i> | 150 | 54.5% |
| <i>Association</i> | 35 | 12.7% |
| <i>Government</i> | 50 | 18.2% |
| <i>Civic Duty /Community Relations</i> | 5 | 1.8% |
| <i>SMERF</i> | 30 | 10.9% |
| <i>Other</i> | 5 | 1.8% |
| TOTAL | 275 | 100.0% |
| Geographic Scope Of external Meetings | # of External Meetings | % of Total |
| <i>Local/State</i> | 248 | 90.0% |
| <i>Regional</i> | 28 | 10.0% |
| <i>National</i> | 0 | 0.0% |
| <i>International</i> | 0 | 0.0% |
| TOTAL | 275 | 100.0% |

Source: PKF Consulting USA

- To make revenue projections it is necessary to make estimates as to the type, size and revenue for each meeting for the different users of the conference center

- The types of functions are
 - Breakfast meeting
 - Lunch meeting
 - Dinner Meeting
 - Reception
 - Large Event
 - Half Day Meeting
 - Full Day Meeting

- Based on our understanding of the different types of meeting groups, their willingness to pay as expressed in the meeting planner survey, and our market knowledge with similar-scale facilities, we have established a three-tiered pricing schedule

| Estimated Average Pricing Structure Three Scenarios (Per Person) | | | | | |
|---|--------------------|-------|--------------------|-------|-------------------|
| <i>Meeting Type</i> | Pessimistic | | Most Likely | | Optimistic |
| Breakfast Meeting | \$ | 11.50 | \$ | 12.00 | \$ 12.50 |
| Lunch Meeting | \$ | 17.00 | \$ | 18.00 | \$ 19.00 |
| Dinner Meeting | \$ | 33.25 | \$ | 35.00 | \$ 36.75 |
| Reception | \$ | 28.50 | \$ | 30.00 | \$ 31.50 |
| Large Events | \$ | 52.25 | \$ | 55.00 | \$ 57.75 |
| Half Day Meeting | \$ | 28.50 | \$ | 30.00 | \$ 31.50 |
| Full Day Meeting | \$ | 61.75 | \$ | 65.00 | \$ 68.25 |

- Using estimates derived from the meeting planner survey and our understanding of the potential Beaufort meeting market; we estimated the average attendance for each type of meeting

| Estimated Attendance by Type of Meeting | |
|--|--------------------|
| Meeting Type | # of People |
| Breakfast Meeting | 50 |
| Lunch Meeting | 75 |
| Dinner Meeting | 75 |
| Reception | 100 |
| Large Events | 225 |
| Half Day Meeting | 75 |
| Full Day Meeting | 75 |

Estimated Revenue

Projected Revenues

| | | Pessimistic | Most Likely | Optimistic |
|---------|-------------------|-------------------|-------------------|-------------------|
| Year 1 | Breakfast Meeting | \$ 25,625 | \$ 27,163 | \$ 28,700 |
| | Lunch Meeting | \$ 54,000 | \$ 57,750 | \$ 61,500 |
| | Dinner Meeting | \$ 33,394 | \$ 35,344 | \$ 37,294 |
| | Reception | \$ 70,800 | \$ 75,000 | \$ 79,200 |
| | Large Events | \$ 203,681 | \$ 215,156 | \$ 226,631 |
| | Half Day Meeting | \$ 86,288 | \$ 91,406 | \$ 96,525 |
| | Full Day Meeting | \$ 230,606 | \$ 243,469 | \$ 256,331 |
| | TOTAL | \$ 704,394 | \$ 745,288 | \$ 786,181 |
| Year 2 | Breakfast Meeting | \$ 28,125 | \$ 29,813 | \$ 31,500 |
| | Lunch Meeting | \$ 59,400 | \$ 63,525 | \$ 67,650 |
| | Dinner Meeting | \$ 35,963 | \$ 38,063 | \$ 40,163 |
| | Reception | \$ 82,600 | \$ 87,500 | \$ 92,400 |
| | Large Events | \$ 227,644 | \$ 240,469 | \$ 253,294 |
| | Half Day Meeting | \$ 95,138 | \$ 100,781 | \$ 106,425 |
| | Full Day Meeting | \$ 263,550 | \$ 278,250 | \$ 292,950 |
| | TOTAL | \$ 792,419 | \$ 838,400 | \$ 884,381 |
| Year 3+ | Breakfast Meeting | \$ 31,250 | \$ 33,125 | \$ 35,000 |
| | Lunch Meeting | \$ 66,150 | \$ 70,744 | \$ 75,338 |
| | Dinner Meeting | \$ 41,100 | \$ 43,500 | \$ 45,900 |
| | Reception | \$ 88,500 | \$ 93,750 | \$ 99,000 |
| | Large Events | \$ 251,606 | \$ 265,781 | \$ 279,956 |
| | Half Day Meeting | \$ 106,200 | \$ 112,500 | \$ 118,800 |
| | Full Day Meeting | \$ 287,081 | \$ 303,094 | \$ 319,106 |
| | TOTAL | \$ 871,888 | \$ 922,494 | \$ 973,100 |

Projected Annual Operating Results: Most Likely

Proposed Beaufort Area Conference Center: Most Likely Scenario

| | Year 1 | | Year 2 | | Year 3 | | Year 4 | | Year 5 | |
|---------------------------------------|---------------------|------------------|---------------------|------------------|---------------------|------------------|---------------------|------------------|---------------------|------------------|
| | \$ | % Total Revenues | \$ | % Total Revenues | \$ | % Total Revenues | \$ | % Total Revenues | \$ | % Total Revenues |
| Total Revenue: | \$ 790,700 | 100% | \$ 916,100 | 100% | \$ 1,038,300 | 100% | \$ 1,069,400 | 100% | \$ 1,101,500 | 100% |
| Cost of Goods Sold: | \$ 331,900 | 42% | \$ 373,100 | 41% | \$ 415,300 | 40% | \$ 427,800 | 40% | \$ 440,600 | 40% |
| Gross Profit: | \$ 458,800 | 58% | \$ 543,000 | 59% | \$ 623,000 | 60% | \$ 641,600 | 60% | \$ 660,900 | 60% |
| Labor: | | | | | | | | | | |
| Salaries and Wages | \$ 242,800 | 31% | \$ 266,400 | 29% | \$ 290,700 | 28% | \$ 299,400 | 28% | \$ 308,400 | 28% |
| Benefits | \$ 76,800 | 10% | \$ 79,900 | 9% | \$ 83,100 | 8% | \$ 85,600 | 8% | \$ 88,100 | 8% |
| Total Labor | \$ 319,600 | 40% | \$ 346,300 | 38% | \$ 373,800 | 36% | \$ 385,000 | 36% | \$ 396,500 | 36% |
| Other Operating Expenses: | | | | | | | | | | |
| Administrative and General | \$ 74,600 | 9% | \$ 78,800 | 9% | \$ 83,100 | 8% | \$ 85,600 | 8% | \$ 88,100 | 8% |
| Marketing | \$ 94,200 | 12% | \$ 99,000 | 11% | \$ 103,900 | 10% | \$ 107,000 | 10% | \$ 110,200 | 10% |
| Maintenance | \$ 48,000 | 6% | \$ 49,900 | 5% | \$ 51,900 | 5% | \$ 53,400 | 5% | \$ 55,000 | 5% |
| Utilities | \$ 56,500 | 7% | \$ 59,400 | 6% | \$ 62,400 | 6% | \$ 64,200 | 6% | \$ 66,200 | 6% |
| Total Other Operating Expenses | \$ 273,300 | 35% | \$ 287,100 | 31% | \$ 301,300 | 29% | \$ 310,200 | 29% | \$ 319,500 | 29% |
| Income Before Fixed Charges: | \$ (134,100) | -17% | \$ (90,400) | -10% | \$ (52,100) | -5% | \$ (53,600) | -5% | \$ (55,100) | -5% |
| Fixed Charges: | | | | | | | | | | |
| Management Fee | \$ 106,100 | 13% | \$ 109,300 | 12% | \$ 112,600 | 11% | \$ 115,900 | 11% | \$ 119,400 | 11% |
| Property Taxes | \$ - | 0% | \$ - | 0% | \$ - | 0% | \$ - | 0% | \$ - | 0% |
| Insurance | \$ 26,500 | 3% | \$ 27,300 | 3% | \$ 28,100 | 3% | \$ 29,000 | 3% | \$ 29,900 | 3% |
| Total MF, PT, and Insurance | \$ 132,600 | 17% | \$ 136,600 | 15% | \$ 140,700 | 14% | \$ 144,900 | 14% | \$ 149,300 | 14% |
| Less: Reserve for Replacements | \$ 27,100 | 4% | \$ 42,200 | 5% | \$ 62,400 | 6% | \$ 64,200 | 6% | \$ 66,200 | 6% |
| Net Operating Income | \$ (293,800) | -37% | \$ (269,200) | -29% | \$ (255,200) | -25% | \$ (262,700) | -25% | \$ (270,600) | -25% |

Source: PKF Consulting USA

- NOI: Pessimistic Scenario

- Year 1: **\$(335,700)**
- Year 2: **\$(319,400)**
- Year 3: **\$(308,700)**
- Year 4: **\$(317,700)**
- Year 5: **\$(327,200)**

- NOI: Optimistic Scenario

- Year 1: **\$(251,900)**
- Year 2: **\$(223,800)**
- Year 3: **\$(201,600)**
- Year 4: **\$(207,500)**
- Year 5: **\$(213,700)**

Economic Viability Analysis

Project Cost Estimates

| Proposed Conference Center Beaufort, South Carolina Preliminary Development Cost Budget | | | |
|--|---------------------|--------------|---|
| Description | Initial Budget | Total | Cost per Square Foot @ 22,500 Square Feet |
| I. Land, Construction and FF& E Costs: | | | |
| Total Land and Improvements** | \$ - | 0.0% | \$ - |
| Total Soft Costs | \$ 1,150,000 | 13.6% | \$ 51.11 |
| Total General Construction | \$ 4,500,000 | 53.3% | \$ 200.00 |
| Total FF& E | \$ 1,310,000 | 15.5% | \$ 58.22 |
| Sub-Total Category I: | <u>\$ 6,960,000</u> | <u>82.5%</u> | <u>\$ 309.33</u> |
| II. Operations Costs | | | |
| Operating Supplies and Equipment | \$ 290,000 | 3.4% | \$ 12.89 |
| Pre-Opening Costs | \$ 285,000 | 3.4% | \$ 12.67 |
| Total Working Capital | \$ 190,000 | 2.3% | \$ 8.44 |
| Sub-Total Category II: | <u>\$ 765,000</u> | <u>9.1%</u> | <u>\$ 34.00</u> |
| III. Legal, Financing & Closing Costs | | | |
| Total Brokerage & Loan Costs | \$ 100,000 | 1.2% | \$ 4.44 |
| Capitalized Interest & Costs | \$ 380,000 | 4.5% | \$ 16.89 |
| Closing Costs & Contingencies | \$ 235,000 | 2.8% | \$ 10.44 |
| Sub-Total Category III: | <u>\$ 715,000</u> | <u>8.5%</u> | <u>\$ 31.78</u> |
| Total Development Costs | \$ 8,440,000 | 100.0% | \$ 375.11 |
| <i>Source: PKF Consulting USA</i> | | | |

****Note: The cost of land has been excluded from this budget.**

- Cost of ownership (in present value terms)
 - Development cost (without cost of land)
 - Annual operating losses
 - Cost of capital = 5.5 %
 - Does not include economic benefits

- Net Present Value over 50 years, before the cost of land: **\$(14,400,000)**

PKF Recommendations

- The overall economic situation in the country at the time of this report is unsteady and the duration of the recent recession is still unknown
- Considering the investment required to build the proposed conference center, combined with the projected annual operating losses, the economic appeal of such an effort appears questionable

The Future of a Potential Conference Center: Obstacles to Overcome

- “We need a resort hotel with golf, spa, and great food for an annual meeting.”
- “No 4 star hotels rooms close by.”
- “Need to have onsite sleeping accommodations.”
- “Not exotic enough for incentive, not accessible enough for nationwide attendees at annual conference, not located in dense area for regional meeting.”
- “Too much schlepping to get to hotel rooms.”
- “We also only use venues where we can walk to a variety of restaurants and bars.”
- “Beaufort hasn't been on our radar.”

- Continue to promote Beaufort as an attractive alternative for leisure travelers and conference/meeting planners. Focus should target state and regional demand sources.
- Monitor government cutbacks, particularly at the federal level as they relate to military spending.
- Consider revisiting the viability of conference center development in 3-5 years.

Q&A

Final Thoughts

For a copy of this presentation please email

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