

ASSESSMENT OF DOWNTOWN REAL ESTATE AND IMPLICATIONS FOR THE SUCCESS OF ATTRACTING HIGH IMPACT CONVENTIONS AND MEETINGS TO THE LANCASTER COUNTY CONVENTION CENTER

Presented to the Lancaster Convention Center Authority
February 11, 2016



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Kevin R. Molloy
Executive Director
Lancaster County Convention Center Authority
25 South Queen Street
Lancaster, PA 17603

Dear Mr. Molloy:

Conventions, Sports and Leisure, International (CSL) has completed an assessment of current, planned and future real estate development in downtown Lancaster, and associated implications for the success of attracting high-impact conventions and meetings to the LCCC.

The analysis presented in this report is based on estimates, assumptions and other information developed from industry research, data provided by the Lancaster County Convention Center Authority (LCCCA) and other study stakeholders. This report has been prepared for the internal use of LCCCA and other study stakeholders, and should not be relied on by any other party.

We sincerely appreciate the assistance and cooperation we have been provided in the preparation of this report and would be pleased to be of further assistance in the interpretation and application of our findings.

Very truly yours,

CSL International

CSL International

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1.0 Introduction

Conventions, Sports and Leisure International (CSL) has completed an assessment of current, planned and future real estate development in downtown Lancaster, and associated implications for the success of attracting high-impact conventions and meetings to the Lancaster County Convention Center (LCCC).

There are important real estate conditions that have to be considered when creating a viable and marketable convention product. How parcels are developed, particularly those adjacent to a convention center, can have a significant impact on the ability to offer a competitive destination package for high-impact conventions, conferences and tradeshow. Event planners continue to place significant importance on the walkable experience that a community can offer for event attendees, and the development of hotel, restaurant, entertainment and other hospitality amenities surrounding a center is critical.

As part of our analysis, we have reviewed local market conditions, assessing the availability of existing developable parcels in the downtown area, particularly those in close proximity to the LCCC. As part of this review, we have considered the recent planning documents related to the South Queen Street Gateway Center Redevelopment, with a focus on the importance of specific parcels in terms of their ability to contribute to a viable and marketable LCCC.

Our benchmarking analysis focuses on the center, hotel and entertainment development surrounding selected competitive and comparable convention centers. We have created aerial images showing the relative proximity of this type of hospitality inventory to the center. A comparison to conditions surrounding the LCCC yields a useful framework for the strengths and weaknesses assessment.

Finally, we have prepared findings and recommendations as to development priorities that should be considered for parcels adjacent to, nearby and in the broader downtown area of Lancaster. These priorities are designed to enhance the competitiveness of the destination for attracting high-impact events, and to support the significant public investment that has taken place with the development of the Lancaster County Convention Center (LCCC).

2.0 Local Market and LCCC Site Overview

The Lancaster County Convention Center is owned by the Lancaster County Convention Center Authority (LCCCA), a component unit of the County of Lancaster, and operated under contract by Interstate Hotels & Resorts (IHR). The LCCC was developed to attract event activity from around the region and the country, and to generate significant economic impact for the City of Lancaster and throughout the Commonwealth. In 2009, the LCCC opened concurrently with the 299-room headquarter hotel, Lancaster Marriott at Penn Square at a total cost of approximately \$178 million.

The LCCC offers nearly 75,000 square feet of event space, including the 46,500-square foot Freedom Hall, the 9,700-square foot Heritage Ballroom, the 8,800-square foot Commonwealth Ballroom and 10,000 square feet of meeting space throughout 16 breakout rooms. The LCCC hosts a variety of conventions and tradeshow, consumer shows, corporate meetings, and other local and regional events.

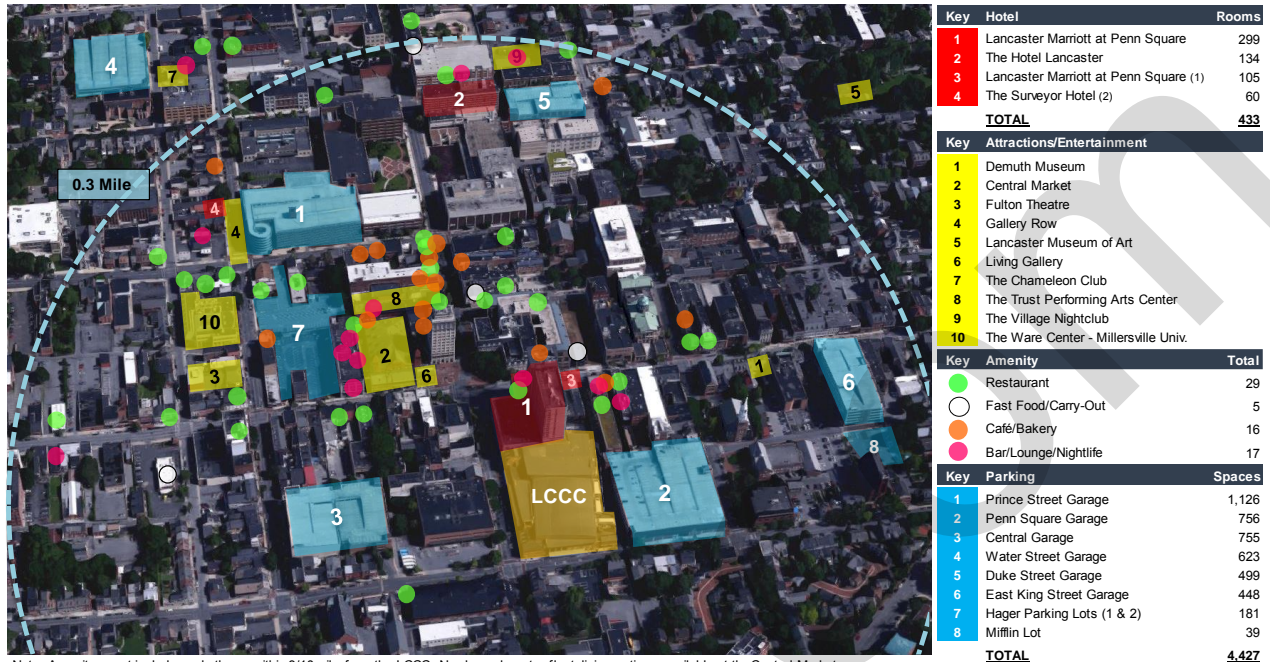
There have been several economic developments in downtown Lancaster that have taken place over recent years. Since 2005, there has been more than \$1.5 billion in development that has either been completed, is under construction or planned. These include more than 100 net new restaurants, retail and services, more than 100 new condominiums and over 200 new residential units, the Clipper Magazine Stadium, and the Lancaster County Convention Center and Lancaster Marriott at Penn Square, among other notable economic development highlights.

Going forward, it is important for the City to carefully plan for continued growth, and the convention and tradeshow industry can play a very important role. It is therefore important that future real estate decisions, both public and private, take into consideration implications on the ability of the City to create the most advantageous destination package for event planners. This includes the LCCC, hotel inventory, restaurants, retail, entertainment and other elements. A strong downtown housing and corporate base is also critical to creating vibrancy that event attendees and planners seek.

Downtown Hospitality Related Assets

Throughout this section of the report, we present an overview of existing conditions in the downtown Lancaster area, starting with the aerial image represented in the following exhibit.

Exhibit 1 Aerial Summary of Downtown Lancaster Visitor Amenities



Note: Amenity count includes only those within 3/10 mile from the LCCC. Numbers do not reflect dining options available at the Central Market open Tuesdays, Fridays and Saturdays.
 Hotel count includes only rooms currently available. The Village Nightclub and The Chameleon Club are also included in the Bar/Lounge/Nightlife count.
 Source: City of Lancaster, facility publications, stakeholder interviews, CSL, 2015

(1) Planned expansion of Lancaster Marriott at Penn Square.
 (2) Proposed hotel development.

As outlined above, the condensed urban environment surrounding the LCCC, in addition to the inventory of supporting visitor infrastructure (such as parking, nearby entertainment options, restaurants) is significant. These amenities are generally within close proximity to the LCCC, concentrating to the north and northwest of the LCCC.

The hotel base immediately surrounding the LCCC consists only of the 299-room Lancaster Marriott at Penn Square. The 134-room Hotel Lancaster is located several blocks from the LCCC.

An Economic Development Strategic Plan for the City of Lancaster issued by the Lancaster City Alliance recently noted a general lack of hotel room inventory within the Lancaster market. Past CSL research has also noted that added hotel inventory is needed to enhance the ability to attract non-local events to the LCCC.

Helping to address these needs, the Lancaster Marriott at Penn Square has plans to undergo a \$25 to \$30 million expansion project that would add up to 105 net new guest rooms to the property. Additionally, the Surveyor Hotel, a proposed boutique hotel could add an additional 60 guest rooms to downtown Lancaster. Even with these additions, it is important to consider the viability of locations for future hotel development at a time when market conditions support it (as discussed later in this report).

Within downtown Lancaster, there are more than 90 dining establishments, providing a variety of cuisine options, many of which are unique to Lancaster. Immediately surrounding the LCCC, there are nearly 30 restaurants, five fast food or carry-out establishments, 16 cafés/bakeries and

17 bar/lounge/nightlife venues. Additionally, the Central Market, adjacent to the LCCC, houses approximately 70 vendors including more than 15 farm-to-table dining options.

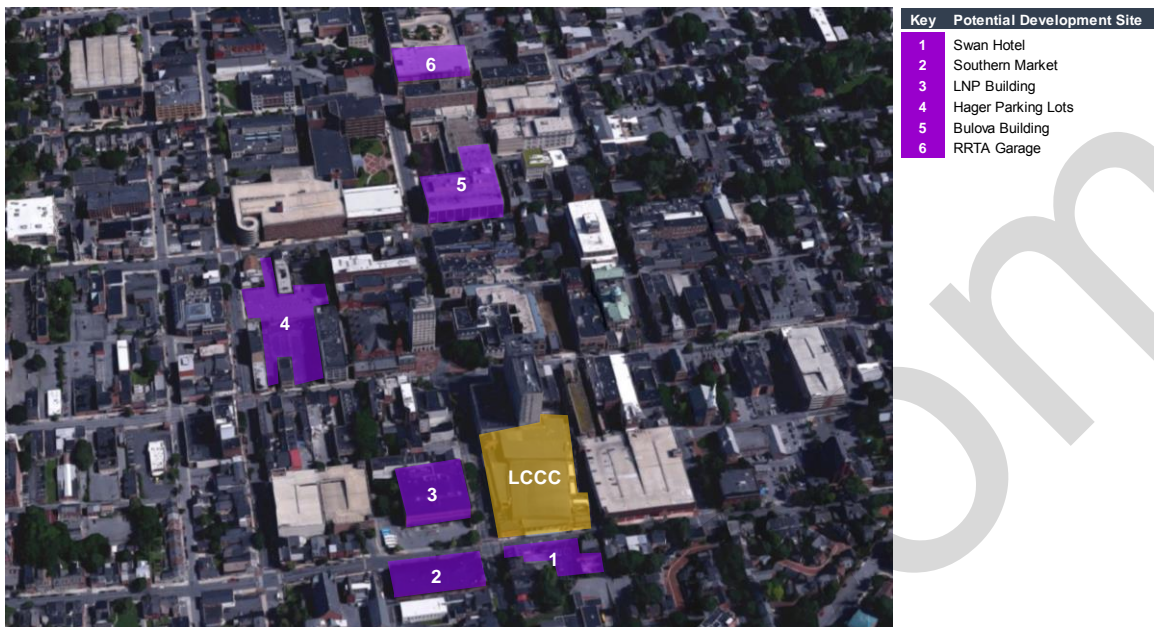
There are also a variety of museums, theaters and music venues within walking distance of the LCCC. These attractions and entertainment options help support a vibrant environment that is beneficial to the non-local event attendee experience. They also showcase the breadth of arts and culture present in the Lancaster community.

Within a walkable distance of the LCCC there are approximately 4,400 parking spaces available. The Lancaster Parking Authority recently released a report, "The State of Parking in Lancaster City", which presents the current parking conditions and availability throughout downtown Lancaster. The LCCC's Marketing Consortium has increased marketing efforts targeting larger events. The resulting increase in attendance levels will result in higher demand for safe and convenient parking within a short walking distance of the LCCC. Most of the parking facilities are currently oversold by 10 percent to 25 percent, and larger events have created a challenging environment for commuters. The parking availability can no longer keep up with demand generated from new businesses, residential units, or the increased number and size of events within downtown Lancaster.

Potential Future Development Sites

There are numerous potential development sites available in the downtown Lancaster area that can serve as critical assets for the continued economic growth of downtown Lancaster. We have considered six of these sites that offer the size, configuration and location suitable to support the enhancement of the downtown convention and visitor infrastructure.

Exhibit 2 Aerial Summary of Potential Development Sites Impacting the Convention and Visitor Industry



Source: Lancaster City Alliance, CSL, 2015

A discussion of each of these sites is presented below.

- Swan Hotel and Carriage House Site – Adjacent to the LCCC and occupying the prominent corners of East Vine Street and South Queen Street. The site is owned by the LCCCA, and could be critical to both supporting the convention and visitor industry, and creating an important link to the core of downtown and the southern area.
- Southern Market – Adjacent to the LCCC on the opposite corner of West Vine Street and South Queen Street. The site is owned by the City and offers a pivotal re-use opportunity that is also critical in strengthening the connection between the downtown area and south Lancaster. The historical building offers a highly unique opportunity to develop approximately two levels of 20,000 square feet each.
- LNP Building – Located adjacent to the LCCC and Southern market offers two stories of approximately 40,000 square feet of floor space each. The LNP site is privately owned, and has the potential to enhance the connection between the downtown core and South Lancaster. The large floorplates may offer the potential for a corporate presence, potentially even small headquarter operations.
- Hager Parking Lots – Two blocks to the west of the LCCC, the Hager Parking lots are privately owned and currently offer approximately 181 parking spaces with the potential for new development. The location of the site is not adjacent to the LCCC, but is in close enough proximity that some form of hospitality development could be beneficial.
- Bulova Building – The four-story, 212,000 square foot building is located on the corner of East Orange Street and North Queen Street two blocks north of the LCCC. The building is privately owned and has stood vacant since 2008, representing a prime development

opportunity in the downtown core. As with the LNP Building, this property offers large floorplates that could be suitable for significant corporate relocation.

- RRTA Garage – The seven story parking garage and transit center is approximately 0.3 miles north of the LCCC off of East Chestnut Street and North Queen Street. The site has already experienced some ground level restaurant development, and air rights development could be used to develop additional square footage.

Further analysis of potential development site opportunities will be addressed later in this report.

3.0 Comparable Markets Analysis

Analyzing the hospitality infrastructure immediately surrounding a convention center is important when assessing the overall attractiveness of a destination from a convention and hospitality industry perspective. As previously discussed, our research has shown that event planners are increasingly seeking markets that provide an attractive, pedestrian-friendly environment that provides a mix of hotels, restaurants, retail, nightlife, entertainment and attractions.

As a part of this study, we have conducted an analysis of various characteristics among three markets throughout the U.S. that are comparable in some way to Lancaster. These data are used to form a comparative basis with Lancaster in terms of available visitor amenities such as hotel room inventory, restaurants and entertainment offerings, among other hospitality amenities within relative proximity to comparable convention centers. Additionally, we have spoken with representatives from comparable markets regarding recently completed, current or planned development of the area immediately surrounding their respective convention centers. A summary of our findings are presented herein.

Lexington, Kentucky

Lexington is located 80 miles west of Louisville and has a market population of approximately 490,000. The Lexington Convention Center (LCC) originally opened in 1976 and offers more than 105,000 square feet of total sellable space in addition to the 25,200 square feet of flat floor space in Rupp Arena (which also has fixed seating for 23,000), and is located in the center of downtown Lexington. The downtown area has seen several economic development projects in recent years that have enhanced the area immediately surrounding the LCC. In 2014 alone, nearly \$200 million in downtown development projects were completed. The success of these efforts can be seen in several downtown metrics that include:

- 12,500 employees working in downtown Lexington
- 2,938,000 square feet of Class A and B Office Space
- Total office space vacancy rate is approximately 14.6 percent.
- Downtown hotel occupancy rate is 65%, with an ADR of \$121.75.
- Approximately 7,500 people live in the downtown and more than 10,000 housing units are within one mile of the downtown area.

In speaking with local representatives, the largest contributor to the economic success of downtown has been the University of Kentucky's presence just one-half mile south of the urban core. Further, over the past two years, the CVB has been working with the Downtown Development Authority and the City of Lexington to discuss multiple initiatives to develop a "traveler's experience" concept centered on the LCC. The following exhibit provides an overview of downtown Lexington, the LCC and surrounding hospitality infrastructure.

Exhibit 3 Downtown Lexington Hospitality Overview



Note: Amenity count includes only those within 3/10 mile from the LCC.
Source: Visit Lexington, CSL, 2015

Key	Hotel	Rooms
1	Hilton Lexington Downtown	367
2	Hyatt Regency Lexington	366
3	Gratz Park Inn	44
4	21c Hotel Lexington (opens April of 2016)	88
TOTAL		865
Key	Attractions/Entertainment	
1	Downtown Arts Center	
2	Explorium of Lexington	
3	Gratz Park	
4	Lexington Opera House	
5	Mary Todd Lincoln House	
6	R.J. Corman Lexington Dinner Train	
7	Rupp Arena	
8	Triangle Park	
Key	Amenity	Total
●	Restaurant	29
○	Fast Food/Carry-Out	14
●	Café/Bakery	6
●	Bar/Lounge/Nightlife	11
Key	Parking	Spaces
1	High Street Parking Lot	1,800
2	Transit Center Garages	777
3	Lexington Financial Center Garage	600
4	Manchester Street Parking Lot	550
5	Courthouse Garage	518
6	Lexington Public Library Garage	428
7	Blue Grass Corporate Center Hilton Gar	406
8	Victorian Square Garage	382
9	The Helix Garage	380
10	Event Support Lot	350
11	BB & T Plaza Garage	293
12	Central Bank Lower Garage	275
13	Short Street Lot	182
14	Market Lot	91
15	Billboard Lot	83
16	West High Parking Lot	34
17	South Hill Lot	23
TOTAL		5,587

The hotel base immediately surrounding the LCC includes the 366-room Hyatt Regency, the 367-room Hilton Lexington Downtown and the 44-room Gratz Park Inn, combining for a total of 777 guestrooms. In April of 2016, the \$41 million, 21c Museum Hotel Lexington will open with 88 rooms, increasing the downtown hotel room inventory to 865. The 21c Museum Hotel Lexington was financed using public subsidies from a city-established TIF, loans from the city, and Historical Tourism Grants from the State of Kentucky. Additionally, developers are looking into potentially incorporating a hotel component within a development in the nearby Central Business District.

Downtown Lexington’s inventory of restaurants and cultural attractions continues to grow, supporting the city’s new “culinary and bourbon” brand associations. In the last five years, dining establishments along Short Street, which runs one block north of the LCC, have increased from three to 15. Within walking distance of the LCC there are:

- nearly 30 sit-down restaurants;
- fourteen fast food/carry-out options;
- six cafés/bakeries; and
- 11 bars/lounges/nightlife options.

In total, there are approximately 50 restaurants and dining options immediately surrounding the LCC and nearly 175 within the greater downtown area. Future development includes potential growth in these numbers.

There are a variety of attractions and entertainment options immediately surrounding the LCC. The neighboring Rupp Arena and Lexington Opera House are high quality venues that greatly enhance the appeal of the LCC campus by providing event attendees with viable entertainment options, occasionally accommodating portions of LCC event activity. The adjacent Triangle Park offers outdoor green space, and The Square, also adjacent to the LCC, is currently undergoing a \$2.3 million renovation. These amenities serve as the heart of the downtown, offering a mix of unique shops, galleries, restaurants and bars among other amenities. Downtown Lexington offers more than 10,000 parking spaces, approximately 7,200 of which are within walking distance of the LCC.

Planned development projects in the downtown area include the following.

- Centre Point Development (one block east of LCC) in Central Downtown has recently switched developers, but plans to add retail, office space, a hotel and potentially apartments to the city block are still being considered. The project could be finished by 2018 at a total cost of \$80 million.
- A new 2.5-mile, \$75 million park and walkway development (Town Branch Commons) that leads into central Downtown is currently being developed, with the park's "center point" being placed across the street from the LCC.
- A feasibility study was recently completed for a \$38 million renovation of the downtown Fayette County Courthouse that could include a food/drink establishment, a museum of Kentucky's equine history, a bourbon sampling center, a visitor center, multi-purpose space for lectures and a Kentucky memorabilia store.

These recent, planned and proposed developments surrounding the LCC are critical in creating a more vibrant downtown experience, and are continuing to serve as a competitive advantage for the community.

Fort Wayne, Indiana

Fort Wayne is located 130 miles northwest of Indianapolis with a total market population of approximately 423,000. The Grand Wayne Convention Center originally opened in 1985 and a \$42 million expansion and renovation was completed in 2005. The GWCC now offers approximately 76,000 square feet of total sellable space. In the past ten years, Fort Wayne has seen nearly \$500 million in combined private and public investment in downtown due to a number of successful initiatives undertaken by the City, which include the following.

- In 2001, the Fort Wayne Downtown Improvement District was established to revitalize the downtown area. Working with City and County officials and a private consulting firm, the Downtown Blueprint for the Future, a five-year action plan was created.
- In 2002, the City published the Downtown Blueprint for the Future, a framework plan that identified and prioritized catalyst downtown projects that could leverage public funds to encourage private investment. This plan was updated in 2005 with BLUEPRINTPLUS. In total, 76 of the recommended initiatives have either been implemented or are underway.
- Ten years ago, the City passed a \$10 million bond issue to help support the improvement of the downtown area which included broader financing for the convention center expansion, the entertainment plaza in front of the downtown library, streetscaping,

beautification projects, and wayfinding improvement, among others, in an effort to spur economic development in downtown.

As a result, the downtown area has seen significant revitalization and economic development. One of the most significant project included the \$90 million Harrison Square revitalization, completed in 2009 adjacent to the GWCC. Project features include the following.

- Parkview Field, a multi-use baseball field home to the minor league baseball team, the TinCaps.
- A 249-room Courtyard by Marriott-branded hotel.
- 900-space parking garage.
- Development of the Robert E. Meyers Park that includes an amphitheater with terraced seating for special events, a splash pad and fountain.
- \$18.5 million, four-story mixed-use building with 43 residential apartments on the top two floors, a law firm on the second floor and retail space on the ground floor.

The development of Harrison Square is credited with attracting business to the GWCC and stimulating over \$50 million in additional development within downtown Fort Wayne in less than five years. The following exhibit provides an overview of the downtown Fort Wayne hospitality conditions immediately surrounding the GWCC.

Exhibit 4 Downtown Fort Wayne Hospitality Overview



Note: Amenity count includes only those within 3/10 mile from the GWCC.
Source: Visit Fort Wayne, CSL, 2015

As shown, there are a total of 510 guest rooms within walking distance of the GWCC that include the 249-room Courtyard Fort Wayne Downtown at GWCC, the 246-room Hilton Fort Wayne at GWCC and the 15-room LaSalle. Downtown Fort Wayne offers more than 3,400 parking spaces.

There are approximately 34 dining options immediately surrounding the GWCC including 12 sit-down restaurants, 11 fast food/carry-out options, four café/bakery establishments and seven nightlife options that offer a bar and/or lounge atmosphere. To incentivize additional restaurant and dining development in the downtown area, the City Council is moving forward with plans to create a downtown dining district as part of its riverfront development project.

Restaurants seeking to develop within the designated district do not have to purchase a liquor license traditionally selling for \$70,000 or more if no more than half of their annual revenue is acquired through alcohol sales and they agree to stay open at least 300 days a year. Additionally, eligible restaurants must pay a \$2,500 annual fee that is put towards a marketing fund for the promotion of all of the downtown dining establishments.

Downtown Fort Wayne offers a variety of attractions and entertainment options that greatly enhance the visitor experience. Connected by skyway to the GWCC is the historic Embassy Theatre that hosts touring productions and local arts events. There are several important assets adjacent to the GWCC including the following.

- The mixed-use Harrison Square which includes the number-one rated minor league baseball park, Parkview Field.
- The Foellinger-Freimann Botanical Conservatory, a unique indoor garden offering year-round seasonal displays.
- The African-America Historical Museum.
- The Cathedral of the Immaculate Conception.
- The Fort Wayne Firefighters Museum.
- The Fort Wayne Museum of Art.

In addition to recently completed development, there are numerous current or planned projects that will significantly enhance the viability of downtown Fort Wayne that include the following.

- The City is investing \$39 million for parking, land acquisition and infrastructure for Ash Skyline Plaza – The 9-story building will include 5 levels of parking, the new headquarters for Ash Brokerage, additional commercial office space, and street-level retail space. The project should be completed in the summer of 2016.
- The City purchased seven buildings and two lots to spur entertainment and residential development as part of The Landing project.
- The City invested \$7 million for parking, combined with \$20 million in private investment in a large residential project.
- The City invested \$40,000 in a study looking at the viability of an arena being built adjacent to the Grand Wayne Convention Center.

Some of the major strengths of the downtown Fort Wayne destination cited by local officials include the entertainment options immediately surrounding the GWCC, the amount of parking distributed around the downtown area and the improving economy as a result of recent and upcoming development.

Little Rock, Arkansas

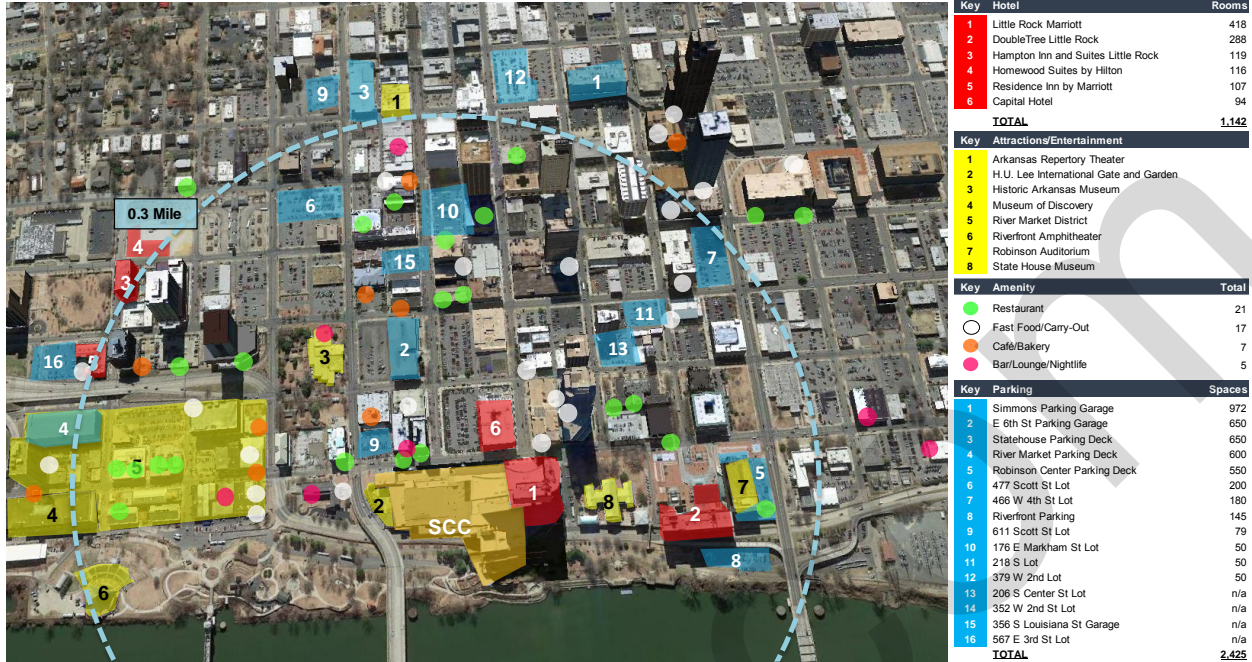
Little Rock, the state capital of Arkansas, has a total market population of approximately 724,400. The Statehouse Convention Center (SCC) offers 108,500 square feet of total sellable space, and underwent a renovation in 2013. The Little Rock Marriott serves as the headquarter hotel for the SCC with a total of 418 rooms. The City has seen a steady increase in economic development within the downtown area over the past two decades. In speaking with local officials, since 1994, nearly \$2 billion in projects have been completed in downtown, with \$176 million in development projects currently in progress and an additional \$194 million in proposed development.

Notably, the Downtown Economic Partnership, the CVB, the City of Little Rock and a private real estate company worked together to take advantage of the visitor-attracting ability of the SCC by creating an adjacent district that could generate non-local spending. Their efforts led to the development of the River Market District, a mixed-use retail, restaurant and entertainment district one block west of the SCC. The project involved converting warehouses and empty lots into a farmer's market, a scenic retail/restaurant district with an adjacent amphitheater, and a 600-space parking deck. In 1997, the project involved less than three blocks of real estate, but has more than tripled in size over the years. Additionally, the CVB continues to lead regular discussions with the DEP, the Chamber, the City, small business owners and other stakeholders on potential projects immediately surrounding the SCC and in other areas of downtown that could enhance visitors' experience within the destination.

CVB officials indicate that event planners and attendees are consistently impressed by the pedestrian-friendly nature of the downtown and riverfront areas that are proximate to the Convention Center. The night life, number of sit down restaurant options and the riverfront trail behind the Center are seen as nationally recognized advantages to booking the destination.

An overview of current downtown conditions surrounding the Statehouse Convention Center is presented in the following exhibit.

Exhibit 5 Downtown Little Rock Hospitality Overview



Note: Amenity count includes only those within 3/10 mile from the SCC.
Source: Little Rock Convention and Visitors Bureau, CSL, 2015

There are approximately 1,142 hotel rooms within the immediate area surrounding the SCC, 814 of which are found within one block of the SCC. The 418-room Little Rock Marriott adjoining the SCC completed a \$16 million renovation in 2013. There are 50 restaurant and dining options within walking distance of the SCC which include 21 sit-down restaurants, 17 fast-food/carry-out options, seven café/bakery establishments and five nightlife bars/lounges. Within the past two years, five new restaurants have opened along Main Street, which runs in front of the Little Rock Marriott. These numbers may increase as plans for a new multi-use complex between the SCC and the River Market District includes office space as well as multiple restaurants and retail space.

As previously noted, significant investment has been made to enhance the event attendee experience within the area surrounding the SCC in recent years. The adjacent Riverfront Park offers outdoor green space that includes the 7,500 capacity Riverfront Amphitheater and the H.U. Lee International Gate and Garden which was developed through CVB initiatives. The nearby Robinson Auditorium is currently undergoing a \$70 million expansion and renovation that will include a 10,000 square foot conference center. The project is being funded by a two percent advertising and promotion tax on hotel rooms and prepared food. One block from the SCC is the River Market District, which offers a variety of attractions and entertainment options that include:

- The River Market and Farmers Market
- Museum of Discovery
- CALS Ron Robinson Theater
- Peabody Park
- Witt Stephens Jr. Central Arkansas Nature Center

Additionally, there are more than 20 retail options, and a variety of dining and entertainment establishments, among other amenities. In total, there are more than 2,400 parking spaces within walking distance of the SCC and nearly 4,200 parking spaces in downtown Little Rock.

Comparable Markets Analysis Takeaways

The three markets reviewed are reflective of the types of development taking place in markets throughout the country. Local residents and officials increasingly view a vibrant downtown area as critical to the overall economic health of a region. Several of the elements common to much of the downtown development taking place nationally, and exemplified in the case studies presented herein, are summarized below.

- Significant Public Private Partnerships – the public sector can help plan and incentivize development, and in some cases can provide land and infrastructure improvement. However, vibrant hospitality development requires the commitment of the private sector, and robust public private partnerships are critical.
- Incentive Funds and Programs – in many cases, the public sector can provide tax increment financing, tax abatement, loan and grant programs and other incentives for development.
- Take Advantage of Unique Natural, Cultural, Historical and Other Assets – generic development of restaurants and retail can serve the needs of the resident and visitor base, however when these developers take advantage of assets unique to a community, they can have far greater impact. For Lancaster, the history and vibrant art and culture community are certainly elements that should be leveraged.
- Creating Critical Mass and Synergy – development of small, individual parcels for hospitality, art/culture and other uses can add to the downtown experience. However, the creation of a well-planned district that includes numerous development projects, supported by the public and private sector, can create critical mass that leads to material increases in downtown vibrancy.
- Concentration Near the Convention Center – the investment taking place in hospitality, art/culture, food and beverage, sports facility and other such assets, when focused near a convention center, can help enhance the desirability of the destination for convention attendees, visitors and residents.
- Don't Stand Still – it can be tempting to trust market forces to help evolve a downtown destination into something better. However, it is highly valuable for the public sector to lead (or at least participate in) planning initiatives, and to develop a set of development tools (as noted above) that can create momentum.

For Downtown Lancaster, the current availability of various parcels in close proximity to the LCCC represents an important obligation on the part of the public and private sector to help support the unique ability of the convention and visitor industry to enhance the vibrancy of the downtown, and to grow the local economy.

4.0 Analysis of Future Potential Development Priorities

We have considered the local and case study destination reviews summarized herein, as well as our past experience in the market, in order to develop findings related to future use of parcels adjacent to or nearby the LCCC.

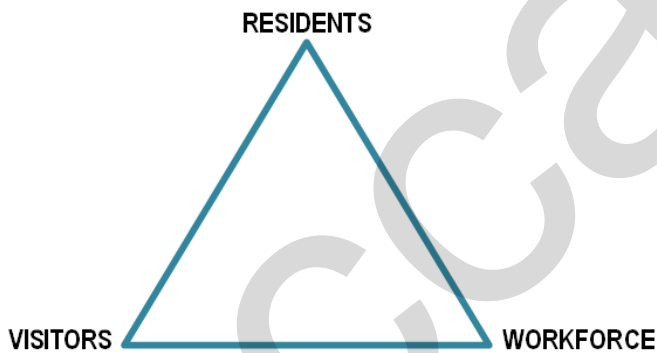
Generally, there are real estate uses that can *directly* enhance the ability of a convention center to attract high impact events, but only if those uses are located adjacent to or near the center. Conversely, there are other needed real estate development projects (often housing and office) that can *indirectly* benefit the convention and visitor industry, and that can be located in other areas of downtown.

In essence, a hotel placed near a convention center can be more beneficial than a hotel located several blocks away. An office or housing project by contrast has the potential to create benefits to the downtown whether it's located close to or distant from a convention center.

The Economic Development Triangle

In order to create significant downtown growth, we believe that three elements of economic development must be addressed: (1) downtown residential growth, (2) growth in the number of office workers, and (3) increased destination visitation. Without each of these elements working together, it is difficult to secure long term downtown economic health and vibrancy.


The Urban Economic Development Triangle



We note that the operating margins on restaurant and retail business can be very low, and surviving requires demand from various segments. With a strong office and residential base in a downtown, a stronger restaurant and retail sector is supported, which in turn benefits the convention and visitor industry. The office and residential development is therefore *indirectly* beneficial to the convention and visitor industry.

As part of our analysis, we have categorized various types of development as DIRECTLY and INDIRECTLY beneficial to the convention and visitor industry. This summary is presented in the following exhibit.

Exhibit 6
Categorization of Development Relative to the Convention & Visitor Industry



DIRECTLY beneficial to Convention/Visitor Experience	INDIRECTLY beneficial to Convention/Visitor Experience
<ul style="list-style-type: none"> • Hotel • Concert Venue • Retail • Restaurant/Bar • Parking • Green Space • Sculpture Garden 	<ul style="list-style-type: none"> • Arts/Culture Venue • Retail • Restaurant/Bar • Parking • Green Space • Commercial Space • Residential

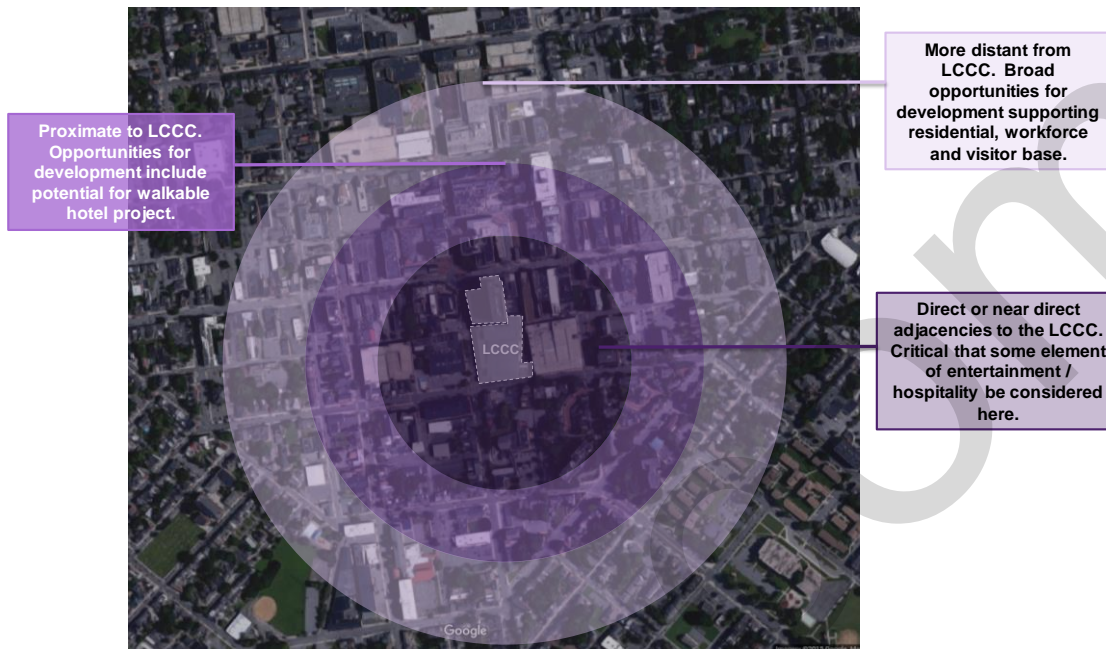
As noted above, hotel, concert, retail, restaurant, parking, green space/sculpture garden development can provide a direct benefit to convention attendees and planners. The green space and sculpture garden development is increasingly used throughout the industry to host outdoor/tented functions associated with an event. Concert venues can be used for general sessions.

The retail, restaurant and green space can also be seen as *indirect* benefits to the convention industry, helping to support overall downtown vibrancy. Other indirectly beneficial assets include art and cultural venues, commercial office and residential space. These types of development projects are also critical (as noted above) to the creation of density, pedestrian traffic and overall downtown vibrancy.

Application to Downtown Lancaster

We have evaluated the availability of parcels in the vicinity of the LCCC that can contribute (both directly and indirectly) to the strength of the convention and visitor industry. The following exhibit shows the downtown area, highlighting the LCCC and various surrounding regions.

Exhibit 7 Categorization of Development Regions Surrounding the LCCC



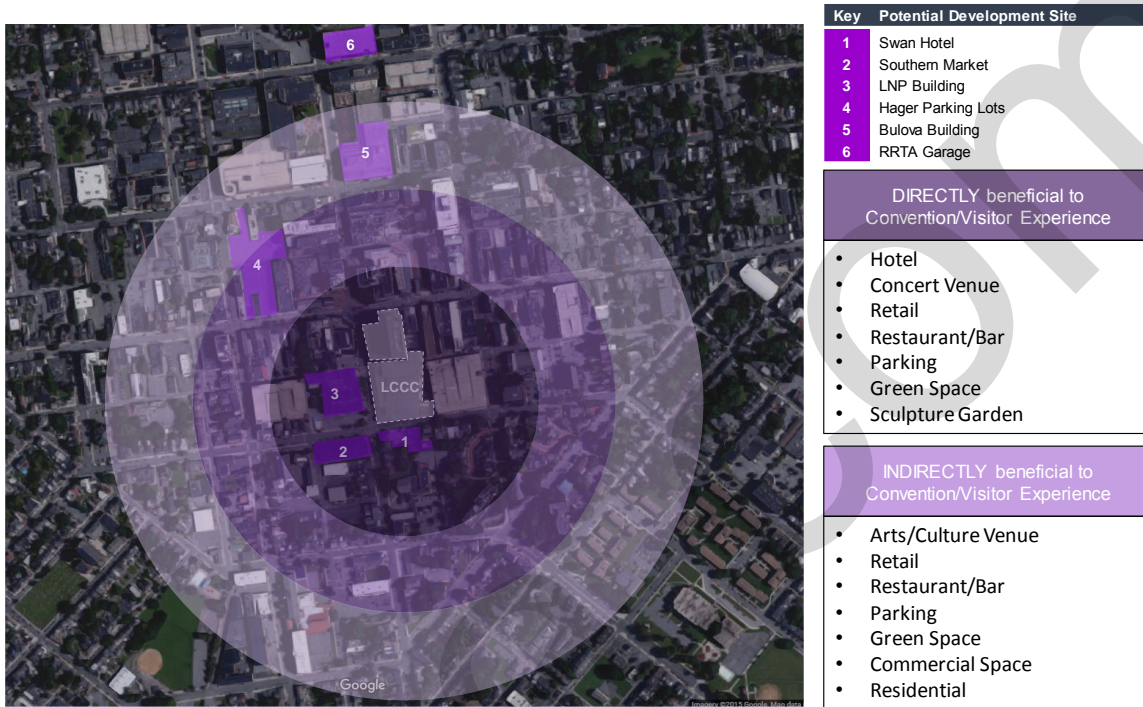
As noted above, the region closest to the LCCC provides prime opportunities for hospitality related development *directly* beneficial to the convention and visitor industry. At the same time, there may be cases where certain parcels are highly suited for office or residential, even within close proximity to the LCCC. The LNP parcel may represent an example of a site best suited to office or residential given the large floor plate, and the lack of numerous other redevelopment opportunities of this type in the entire downtown area.

The secondary region has the potential to accommodate both directly and indirectly beneficial development for the convention and visitor industry. When evaluating the viability of specific development projects such as a hotel, it will be important to consider the quality of the walk from the site to the LCCC. A one to two block walk can seem minimal if the intervening area is densely developed with restaurants, retail and other businesses; or daunting if the area includes vacant parcels and poor landscaping/signage.

The third region is somewhat distant from the LCCC, and would generally be more suitable for development that is indirectly beneficial to the convention and visitor industry, such as residential, office or other commercial space.

Finally, we have overlaid the six potential development sites identified previously in this report onto the aerial image highlighting the three development regions, as summarized in the following exhibit.

Exhibit 8 Categorization of Development Relative to the Convention & Visitor Industry



As noted above, the Swan Hotel, Southern Market and LNP Building all fall within the first region surrounding the LCCC, indicating an importance for hospitality focused development on these sites. This could include hotel, restaurant, retail, entertainment or other type of visitor-supporting project.

As the LCCCA controls the Swan Hotel site, we recommend that future development options on the site be preserved until market forces support a viable hospitality project. The site could be developed into housing, however this may forever eliminate the ability to develop a newly constructed hospitality-oriented project directly adjacent to the LCCC.

The City currently has the Southern Market site up for sale. It may be very challenging for a developer to purchase and redevelop the site into some form of entertainment use that is beneficial to the LCCC. In fact, it may be difficult to secure any type of development (requiring site purchase and redevelopment investment) on this site that provides a suitable ROI for a private developer. We also note that the site is historic, and lends itself towards the “unique and authentic” elements important to the visitor industry.

Consideration could therefore be given to partnering with a developer in the entertainment sector to create a flat-floor music and art venue suitable for performances, and potentially inclusive of

artist work space. A linkage between art and locally historic industrial design could be facilitated on the site, potentially in partnership with the Pennsylvania College of Art & Design.

Any type of development along these lines may require contribution of the site to the project on the part of the City. A “return” on this contribution may be realized through the benefits of enhanced economic development in the area.

The LNP site is privately owned, and may be best suited for office and potentially residential development. The relatively large floor plate is uniquely suited to assist in attracting a greater corporate presence in the downtown area.

The Hager parking lot site is the only one located in the second region surrounding the LCCC. This parcel, while not directly adjacent to the LCCC, may be sufficiently proximate to allow for some type of directly beneficial hospitality development. Alternatively, the site may also be suitable for future development of indirectly beneficial development such as office or residential. Given the current market characteristics in the downtown area, development of new office space may not be viable, and with the on-going addition of new hotel inventory in the downtown, near term development of this type on the site may be difficult to support. Any development on the site is therefore considered a long term prospect.

Finally, there are two sites located in the third region surrounding the LCCC, the Bulova Building and the RRTA parking garage air rights. The Bulova Building (as with the LNP building) offers large floor plates suitable for office or other commercial space. This type of project is indirectly beneficial to the convention and visitor industry and should be pursued. The RRTA site is somewhat distant from the LCCC, with no need for a focus on development directly beneficial to the convention and visitor industry.

The findings presented above are to be considered directional in nature, and should provide local officials with guidance as they engage in economic development planning. Our findings emphasize the notion that the real estate directly adjacent to or very near the LCCC is highly finite, and if these parcels are all used for non-hospitality projects, there are no alternative locations for development that can directly support the convention and visitor industry.