IMPACT STUDY

Lancaster County Convention Center

LANCASTER, PA

SUBMITTED TO:

Mr. Mark Moosic
Interstate Hotels & Resorts
25 South Queen Street
Lancaster, Pennsylvania, 17603
mark.moosic@ihrco.com
+1 (717) 207-4004

PREPARED BY:

HVS Convention, Sports & Entertainment
Facilities Consulting
205 West Randolph
Suite 1650
Chicago, Illinois 60606
+1 (312) 587-9900

HVS
Convention, Sports & Entertainment
Facilities Consulting
Chicago, Illinois

205 West Randolph
Suite 1650
Chicago, Illinois 60606
+1 312-587-9900
+1 312-488-3631 FAX
www.hvs.com

Atlanta
Boston
Boulder
Chicago
Dallas
Denver
Las Vegas
Mexico City
Miami
Nassau
New York
Newport
San Francisco
Toronto
Vancouver
Washington
Athens
Buenos Aires
Dubai
Hong Kong
Lima
London
Madrid
Mumbai
New Delhi
Sao Paulo
Shanghai
Singapore

December 18, 2018

Mr. Mark Moosic
Interstate Hotels & Resorts
25 South Queen Street
Lancaster, Pennsylvania, 17603
mark.moosic@ihrco.com

Re: Lancaster County Convention Center
Lancaster, PA

Dear Mr. Moosic:

Attached you will find our Impact Study of the Lancaster County Convention Center in Lancaster, PA.

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

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

Sincerely,
HVS Convention, Sports & Entertainment
Facilities Consulting

Thomas A Hazinski, MPP
Managing Director

Convention, Sports & Entertainment
Facilities Consulting
Chicago, Illinois

Table of Contents

1. Introduction and Executive Summary

Nature of the Assignment

The Lancaster County Convention Center ("LCCC") engaged HVS Convention, Sports & Entertainment Facilities Consulting ("HVS") to conduct an Economic and Fiscal Impact Study of the LCCC in Lancaster, PA.

Public investment in the LCCC reflects the important role that the convention center plays in the state and local economy. The venue provides an essential forum for the exchange of products and information in the Lancaster area and allows for unique events to contribute to the city's culture. Zenkaikon, the annually occurring anime and science-fiction convention, serves as a great example of this unique identity.

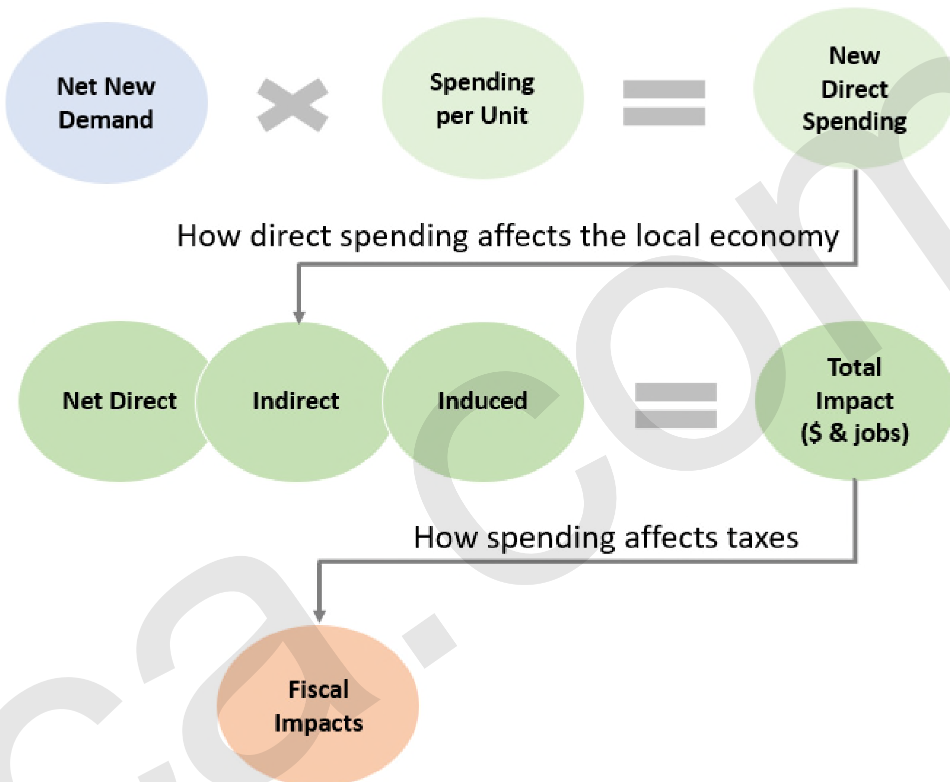
Conventions attract out-of-town delegates and exhibitors to Lancaster County. Attendee and exhibitor spending supports hotels, restaurants, retail establishments and many other local businesses. The meeting and group visitors produce room nights in local hotels that supplement corporate and leisure business, smoothing occupancy cycles and supporting demand during low and shoulder seasons. Exhibiting companies provide temporary and permanent jobs to many area residents.

The purpose of this study is to quantify the different impacts of the LCCC on Lancaster and the surrounding area. HVS estimated the annual spending impacts for the years 2014 through 2017. We also quantified the fiscal impacts, or new tax revenue, going to state and local government. Finally, we provide estimates of the full-time equivalent jobs associated with LCCC events.

Economic Impact Methodology

HVS quantified spending, fiscal impacts, and employment that occurred in the City of Lancaster, Lancaster County, and the State of Pennsylvania due to the operations of the LCCC. The figure below depicts the study process.

FIGURE 1-1



HVS conducted the following steps:

- Gathered detailed information on historical LCCC events.
- Conducted an online survey to determine accurate, up-to-date, and local spending parameters for LCCC event attendees.
- Conducted a survey of local Lancaster merchants to better understand some of the intangible benefits of the LCCC, as well as how they feel the convention center affects their business.
- Quantified historical demand for attendees and exhibitors.
- Estimated the percent of visitors that originate from outside the market area (net new demand).
- Estimated spending per visitor or attendee to estimate gross direct spending or income imported into the market.

- Used an input-output model of the economy (IMPLAN) to generate estimates of total net spending, indirect spending, and induced spending.
- Used IMPLAN to estimate the increase in employment associated with the total net spending.
- Identified sources of net new spending that would generate tax revenues and applied the appropriate effective tax rates generate fiscal impact estimates.

HVS staff collected and analyzed all information contained in this report. HVS sought out reliable sources and deemed information obtained from third parties to be accurate. We obtained some spending data from third-party sources under strict confidentiality agreements. Although we relied on such data to formulate spending estimates, it is not disclosed in this report.

Event Demand Analysis

The LCCC provided HVS with detailed event data on historical events from 2014 through 2017. The following figure shows event and attendance trends for each year by type of event.

FIGURE 1-2
LCCC EVENT SUMMARY

Event Type	2014	2015	2016	2017
Events				
Conventions & Conferences	24	31	28	31
Banquets	11	8	13	15
Consumer Shows	14	10	9	7
Sports/Competitions	9	11	9	9
Assemblies	10	6	9	10
Social	2	3	0	0
Concerts & Entertainment	6	5	4	5
Total	76	74	72	77
Total Attendance				
Conventions & Conferences	32,950	33,820	36,823	56,204
Assemblies	23,200	20,645	39,179	51,500
Banquets	11,420	18,241	29,130	11,735
Sports/Competitions	19,800	31,971	30,599	34,419
Social	2,700	2,909	0	0
Concerts & Entertainment	13,600	16,423	14,367	10,950
Total	155,346	162,974	185,818	211,113

Source: LCCC

From 2014 to 2017, the number of events at the LCCC was roughly flat, but saw a 35% growth in attendance.

Spending Impacts

HVS estimated the total spending of event attendees, event organizers, and exhibitors. For event attendees, we used the results of our detailed spending survey. This survey included responses from attendees at American Quilters Society QuiltWeek, the Eastern Winery Exposition, the Voice of the Prophets assembly, and smaller banquets and events. We divided respondents into overnight visitors and day-trip visitors and calculated their average spending as shown in the figure below.

FIGURE 1-3
LCCC ATTENDEE SPENDING SUMMARY

Spending Item	Overnight Trip	Day-Trip
Hotel Expenses	$90.87	$0.00
Restaurant meals	32.42	9.23
Auto Fuel	9.46	5.27
Auto Rental	9.34	0.24
Retail Purchases	6.87	2.19
Parking	3.54	3.81
Entertainment and Recreation	1.31	0.55
Public Transportation Fare	0.57	0.00
Other	5.97	0.43
Total	$160.36	$21.71

For exhibitors and organizers, HVS used Destinations International ("DI") data to estimate spending.

With the event demand and spending parameters, HVS estimated the gross direct spending of all the LCCC attendees in the past four years. We then used these as inputs for the IMPLAN input-output model. This allows us to determine the associated business spending ("Indirect Spending") and related personal income ("Induced Spending"). With these spending estimates, HVS also calculated the number of full-time equivalent jobs in City of Lancaster, Lancaster County, and the State of Pennsylvania supported by the LCCC. See the figure below for the estimates of increased net spending related to LCCC events from 2014 to 2017.

FIGURE 1-4
NET SPENDING ESTIMATES ($MILLIONS, IN 2018 DOLLARS)

	2014	2015	2016	2017	Total
City of Lancaster					
Direct	$16.2	$15.4	$16.1	$21.5	$69.2
Indirect	4.6	$4.3	$4.5	$6.1	$19.5
Induced	5.3	$5.1	$5.3	$7.0	$22.7
Total	**$26.1**	**$24.8**	**$25.9**	**$34.6**	**$111.5**
Lancaster County					
Direct	$12.2	$11.1	$11.9	$16.3	$51.6
Indirect	$3.4	$3.1	$3.3	$4.5	$14.2
Induced	$4.6	$4.2	$4.5	$6.1	$19.5
Total	**$20.2**	**$18.4**	**$19.7**	**$26.9**	**$85.2**
State of Pennsylvania					
Direct	$2.0	$2.0	$2.1	$2.4	$8.5
Indirect	$0.7	$0.7	$0.8	$1.4	$3.7
Induced	$1.2	$1.2	$1.2	$4.7	$8.3
Total	**$3.9**	**$3.9**	**$4.2**	**$8.6**	**$20.5**

*Impacts between the City, County, and State are not additive.

Source: IMPLAN

The impacts for each jurisdiction (City, County, and State) overlap and are not additive. The level of net direct spending varies within each jurisdiction depending on 1) the percentage of visitors that come from outside the geographic area, and 2) the share of direct spending that flows to entities within the jurisdiction. The City of Lancaster's net direct spending is higher than the State of Pennsylvania's because a higher percentage of visitors to LCCC come from outside Lancaster than from outside Pennsylvania. Indirect impacts (new business income) and induced impacts (new personal income) occur as the net direct spending reverberates through the economy.

From 2014 to 2017, LCCC generated over $111 million in current-year dollars to the City of Lancaster.

Fiscal Impacts

Net direct, induced, and indirect spending serves as the basis for estimating fiscal impacts. HVS identified eight applicable taxes in the City of Lancaster, Lancaster County, and the State of Pennsylvania that would generate new revenue. The figure below summarizes the estimated fiscal impact for the past four fiscal years.

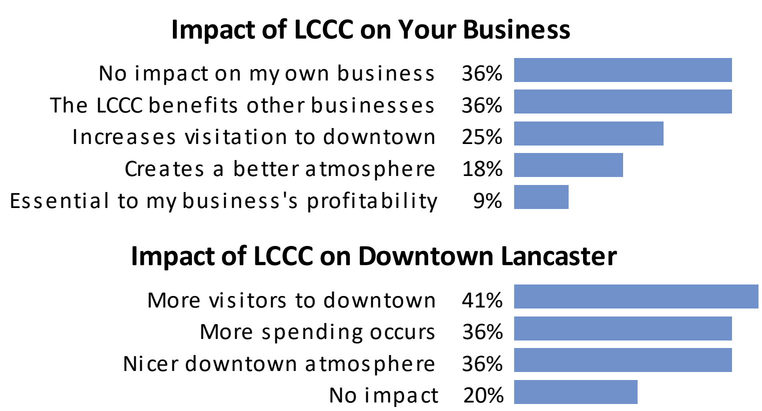
FIGURE 1-5
FISCAL IMPACTS (2018 DOLLARS)

	2014	2015	2016	2017	Total
City of Lancaster					
Income Tax	**$106,500**	**$101,600**	**$105,600**	**$141,200**	**$454,900**
County of Lancaster					
Hotel Room Rental Tax	$150,900	$143,100	$160,300	$215,100	$669,400
Hotel Excise Tax	$42,600	$40,400	$45,200	$60,700	$188,900
Total	**$193,500**	**$183,500**	**$205,500**	**$275,800**	**$858,300**
State of Pennsylvania					
Sales, Use, Hotel Occupancy Tax	$187,900	$186,900	$201,600	$228,700	$805,100
Individual Income Tax	$44,200	$43,900	$47,300	$54,100	$189,500
Corporate Income Tax	$16,900	$19,900	$17,500	$19,300	$73,600
Vehicle Rental Tax	$1,300	$1,300	$1,400	$1,600	$5,600
Liquid Fuel Tax	$1,600	$2,500	$2,500	$2,700	$9,300
Total	**$251,900**	**$254,500**	**$270,300**	**$306,400**	**$1,083,100**

Impacts on Local Business

With the help of the Lancaster City Alliance, HVS conducted a survey of Lancaster merchants. We sought a more qualitative understanding of the impact of the LCCC on their businesses and the local community. The figure below summarizes their responses to questions about the impact of the LCCC on their business and downtown Lancaster.

FIGURE 1-6
MERCHANT SURVEY OPEN-ENDED RESULTS



While a significant number of business owners stated that the LCCC does not help their profitability, many respondents pointed out that they support the LCCC. For some, they referred to it as a significant reason for the new “energy” and “vibrant” atmosphere downtown. Others pointed out that their business does not get increased visitation during convention events due to their long distance from the venue, but see other businesses benefitting greatly and are pleased with how it has generated growth in the local market.

Conclusion

The following figure summarizes the economic, employment, and fiscal impacts to the City, County, and State for each of the past four fiscal years.

FIGURE 1-7
SUMMARY OF IMPACTS (2018 DOLLARS)

	2014	2015	2016	2017	Total
City of Lancaster					
Economic Impact (Millions)	$26.1	$24.8	$25.9	$34.6	$111.5
Fiscal Impact (Thousands)	106.5	101.6	105.6	141.2	454.9
Full-time Equivalent Jobs	219	214	224	297	-
Lancaster County					
Economic Impact (Millions)	$20.2	$18.4	$19.7	$26.9	$85.2
Fiscal Impact (Thousands)	193.5	183.5	205.5	275.8	858.3
Full-time Equivalent Jobs	162	148	160	219	-
State of Pennsylvania					
Economic Impact (Millions)	$3.9	$3.9	$4.2	$8.6	$20.5
Fiscal Impact (Thousands)	251.9	254.5	270.3	306.4	1083.1
Full-time Equivalent Jobs	28	29	31	35	-

2. Event Demand Analysis

History of the Lancaster Convention Center

In September of 1999, the Lancaster County Convention Center Authority was established and charged with developing a convention venue in Lancaster County. The convention center was one of seventeen strategies to revitalize downtown Lancaster. In January of 2000, Lancaster County passed a 3.9% hotel tax to fund the construction and marketing of the convention center. Delayed by lawsuits, construction did not begin until 2006

The Lancaster County Convention Center ("LCCC") opened in the summer of 2009. Since then, the county-owned facility has held numerous conventions, consumer shows, tradeshows, and assemblies. The LCCC hosts an American Quilters Society QuiltWeek that attracts over 15,000 people per year. For the past eight years, it has held the Zenkaikon anime and science fiction convention and the Lancaster Roots and Blues festival.

The 301-room Lancaster Marriott at Penn Square directly connects to the LCCC.

Historical Events and Attendance

LCCC staff provided HVS with detailed event and attendance data from 2014 through 2017. Appendix A of this report provides a complete list of events. HVS classified these events based on attendance, function space used, and if overnight rooms were required. The following figure presents a summary of event demand at the LCCC over the four-year period.

FIGURE 2-1
SUMMARY OF EVENT DEMAND

Event Type	2014	2015	2016	2017
Events				
Conventions & Conferences	24	31	28	31
Consumer Shows	14	10	9	7
Assemblies	10	6	9	10
Banquets	11	8	13	15
Sports/Competitions	9	11	9	9
Social	2	3	0	0
Concerts & Entertainment	6	5	4	5
Total	76	74	72	77
Total Attendance				
Conventions & Conferences	32,950	33,820	36,823	56,204
Consumer Shows	51,676	38,965	35,720	46,305
Assemblies	23,200	20,645	39,179	51,500
Banquets	11,420	18,241	29,130	11,735
Sports/Competitions	19,800	31,971	30,599	34,419
Social	2,700	2,909	0	0
Concerts & Entertainment	13,600	16,423	14,367	10,950
Total	155,346	162,974	185,818	211,113
Average Attendance				
Conventions & Conferences	1,373	1,091	1,315	1,813
Consumer Shows	3,691	3,897	3,969	6,615
Assemblies	2,320	3,441	4,353	5,722
Banquets	1,038	2,280	2,241	782
Sports/Competitions	2,200	2,906	3,400	3,824
Social	1,350	970	0	0
Concerts & Entertainment	2,267	3,285	3,592	2,190

Source: LCCC

From 2014 to 2017, the number of events at the LCCC ranged from 72 to 77 events. The number of consumer shows and social events at the LCCC decreased after 2014, but the loss of those events is offset by an increase in the number of conventions and conferences, banquets, and concerts.

The total attendance at the LCCC grew by 35% between 2014 and 2017. This increase was due to the assembly event attendance more than doubling and convention and conference attendance increasing by 70%. The only event types that saw a decrease in attendance were consumer shows and concerts, which decreased by 3% and 19% respectively.

Consumer shows draw the most people per event, and their average attendance grew by 80% from 2016 to 2017. Assemblies are the second largest events and the average attendance has more than doubled from 2014 to 2017.

Event Duration

Taking the event data provided to HVS by LCCC staff, HVS analyzed the length of events and the amount of time needed for the event organizers to move in and set up. The figure below presents the average length of events and the average amount of time it takes to move into the LCCC from 2014 to 2017.

FIGURE 2-2
AVERAGE EVENT DURATION AND MOVE IN (DAYS)

Event Type	2014	2015	2016	2017	Average
Average Event Length					
Conventions & Conferences	3.1	2.8	3.0	3.0	3.0
Banquets	1.5	1.6	2.1	1.5	1.7
Consumer Shows	2.9	3.8	3.8	3.9	3.6
Sports/Competitions	2.9	2.7	2.8	3.0	2.8
Assemblies	3.0	2.8	3.3	2.9	3.0
Social	1.0	1.3	0.0	0.0	0.6
Concerts & Entertainment	1.3	1.8	2.3	1.0	1.6
Average Move In Days					
Conventions & Conferences	1.0	0.9	0.8	1.0	0.9
Banquets	1.9	1.2	0.8	0.5	1.1
Consumer Shows	1.0	1.5	1.7	1.3	1.4
Sports/Competitions	0.9	1.0	1.1	1.1	1.0
Assemblies	1.1	0.8	1.2	0.8	1.0
Social	0.5	0.3	0.0	0.0	0.2
Concerts & Entertainment	0.2	0.4	0.5	0.2	0.3

Sources: LCCC

For the most part, events have stayed the same length from 2014 to 2017. Conventions and consumer shows are multi-day events that require a day of set-up, while social events and entertainment events require little set-up and are generally only one day long.

Room Nights

Our economic impact analysis in Section 3 describes how we use survey data to estimate the meeting & group lodging demand in the rest of the local hotel market.

The figure below shows the average room nights generated by each type of event from 2014 to 2017 for events that required overnight rooms.

FIGURE 2-3
AVERAGE ROOM NIGHTS FOR EVENTS THAT REQUIRED OVERNIGHT ROOMS

Event Type	2014	2015	2016	2017	Average
Conventions & Conferences	365	409	364	371	377
Banquets	98	171	482	155	226
Consumer Shows	279	272	387	585	381
Sports/Competitions	125	158	183	204	168
Assemblies	377	441	776	377	493
Social	12	179	0	0	48
Concerts & Entertainment	138	95	97	0	82

Sources: LCCC

Assemblies increased from 264 average room nights to 493 room nights when the assemblies that didn't require overnight rooms were dropped. This shows that while most assemblies, such as high school and college graduations, do not require any room nights, large assemblies require correspondingly large blocks of rooms. Consumer shows see a similar boost in average room nights, passing conventions and conferences.

Conclusion

The number of events at the LCCC has remained consistent over the four-year period, but total attendance and the quantity of conventions and conferences has rapidly grown in that time. Sports competitions and association events are the most reliable events for requiring overnight rooms in Lancaster, followed by consumer shows. The LCCC has shown it can attract over 200,000 visitors per year to Lancaster County.

3. Survey Findings

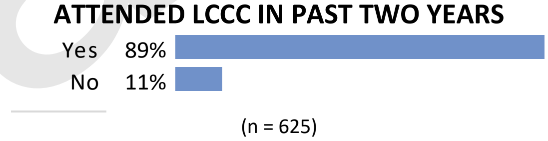
Overview

The economic impact of the Lancaster County Convention Center ("LCCC") depends in part on the spending of event attendees during their stay in Lancaster. Many impact analyses use national visitor surveys, but these respondents primarily visit large cities that feature different attractions from a smaller destination like Lancaster. To most accurately capture the spending profile of an LCCC visitor, HVS created and distributed a spending survey to event attendees that visited during the first quarter of 2018. Our surveys included respondents from American Quilters Society's QuiltWeek, the Eastern Winery Exposition, the Voice of the Prophets Global Awakening assembly, and local meetings and banquets. Their responses provide spending data that allows for accurate economic impact calculations. HVS evaluated 649 unique responses, of which 472 were complete. The following summary of responses highlights key results.

Visitor Demographics

To ensure we only gathered data from people who attended an LCCC event, we asked respondents if they had attended an event in Lancaster in the past two years.

FIGURE 3-1
ATTENDED LCCC IN PAST TWO YEARS



HVS then categorized those who had attended an event into those who stayed overnight and those who made day-trips to Lancaster. Of the overnight visitors, we asked for their length of stay, as shown in the figures below.

FIGURE 3-2
DAY-TRIP VS. OVERNIGHT TRIP

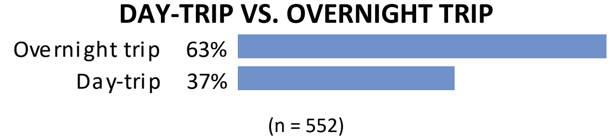
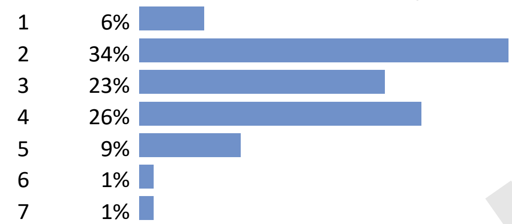


FIGURE 3-3
OVERNIGHT VISITOR LENGTH OF STAY (NIGHTS)

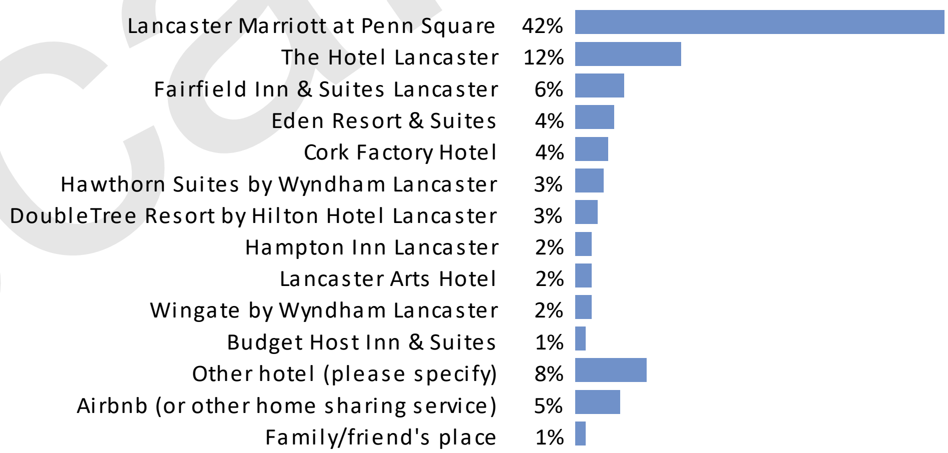


(n = 370)

Almost two-thirds of respondents are overnight visitors, and the average length of stay was 2.95 days. The distribution of responses show that some attendees do not stay for the entire event, and others spend additional time in Lancaster either before or after the event.

We asked overnight visitors to list where they stayed overnight. See the figure below.

FIGURE 3-4
HOTEL STAYED AT IN LANCASTER



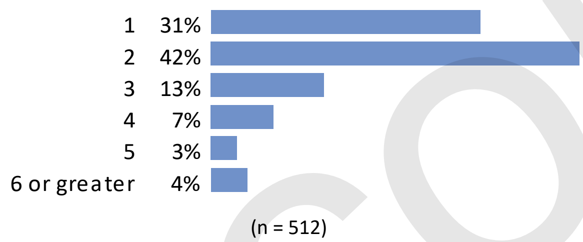
(n = 366)

Respondents most frequently stayed at the 301-room Lancaster Marriott at Penn Square, as it directly connects to the LCCC and downtown Lancaster. The Hotel Lancaster was the second most frequent response. It is currently undergoing a renovation that involves the addition of 100 rooms and a rebranding as a Holiday Inn. Eight percent of respondents specified a hotel that was not in the list above. The most common hotels specified include the Days Inn and the Red Roof Inn.

Visitor Spending in Lancaster

HVS asked respondents to estimate their spending on various items in Lancaster during their trip. We first asked them to describe the size of their travelling party to the event. See the figure below.

FIGURE 3-5
SIZE OF PARTY



Almost 75% of respondents either came alone or with a single other person. This indicates that most people who attend these events do so alone or with a spouse or friend.

Almost two thirds of respondents came to Lancaster for an event and spent at least one night. People on overnight trips typically spend more than day trippers because overnight trip attendees pay for lodging and for more than one meal. They potentially also pay for some form of entertainment or recreation, have more time to explore Lancaster, and more opportunities to spend money in stores and shops.

Due to the differences in spending habits between attendees coming to the event in Lancaster for the day and those who spend the night in Lancaster, HVS categorized respondents into day-trippers and overnight visitors. We converted total group spending on categories during the trip into the spending on each category listed per person, per day. See the figure below.

FIGURE 3-6
AVERAGE SPENDING IN LANCASTER CITY PER PERSON PER DAY

Spending Item	Overnight Trip	Day-Trip
Hotel Expenses	$90.87	$0.00
Restaurant meals	$32.42	$9.23
Auto Fuel	$9.46	$5.27
Auto Rental	$9.34	$0.24
Retail Purchases	$6.87	$2.19
Parking	$3.54	$3.81
Entertainment and Recreation	$1.31	$0.55
Public Transportation Fare	$0.57	$0.00
Other	$5.97	$0.43
Total	$160.36	$21.71

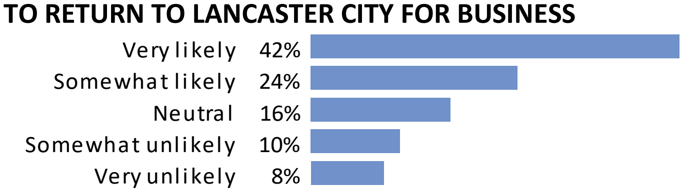
(n = 472)

The average day-tripper attending the LCCC spends approximately $20 per day. Most of that spending comes from food and gas. Overnight visitors spend slightly over $160 a day, and their spending is made up of mostly lodging and food. They also spend on auto rental and fuel, but spend three times as much as day-trippers on retail purchases.

Likelihood to Return to Lancaster

Finally, HVS asked respondents how likely they would be to return to Lancaster for business and for pleasure. The results are shown in the figures below.

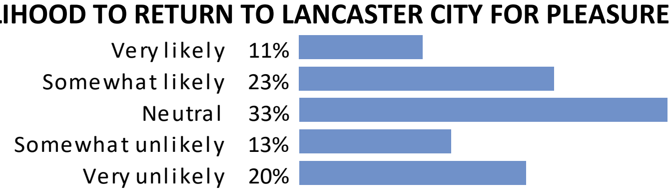
FIGURE 3-7
LIKELIHOOD TO RETURN TO LANCASTER CITY FOR BUSINESS



(n = 119)

Two thirds of respondents would be either somewhat likely or very likely to return to Lancaster on business. Only 15% were neutral and only 18% of respondents said they were unlikely to return to Lancaster for business.

FIGURE 3-8
LIKELIHOOD TO RETURN TO LANCASTER CITY FOR PLEASURE



(n = 119)

People were generally more likely to return to Lancaster for business than they were for pleasure. One-third of respondents were likely to return to Lancaster.

Spending Survey Conclusions

Survey respondents provide a good sample of LCCC event attendees. Most of them attend association events, corporate conventions, and consumer shows. Almost two-thirds of visitors to major LCCC events stay overnight. Our event demand analysis from Section 2 indicates that the smaller events have a lower percentage of overnight visitors. With a breakdown of spending by type of visitor, we can appropriately assess how much impact each event brings to Lancaster.

Of those that stay overnight, 42% stay at the Lancaster Marriott at Penn Square. However, respondents named over 15 properties, showing that over half the hotel room night spending goes to other properties in the local market. The convention center's events benefit all hotels in the area.

4. Economic Impact

Based on the demand projections presented in this report, HVS identified the new spending that would occur in the local economy due to the ongoing operation of the Lancaster County Convention Center ("LCCC"). HVS estimated the amounts of income and employment that new visitors, event organizers, and exhibitors would generate in the City of Lancaster, Lancaster County, and the State of Pennsylvania.

Direct, Indirect, and Induced Spending

Spending falls into three categories:

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

To generate direct spending estimates, HVS applied assumptions about the amounts of new spending generated by LCCC events. HVS used the IMPLAN input-output model of the local economy to estimate indirect and induced spending. The sum of direct, indirect, and induced spending estimates make up the total estimated spending impact of LCCC events.

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

Sources of Direct Spending

HVS identified four sources of new direct spending impact:

- **Overnight Guests**: Visitors to the City of Lancaster who require overnight lodging, including convention delegates, meeting attendees, and attendees at other LCCC events. Overnight delegate spending includes the spending on meals, shopping, local transportation, recreation and entertainment, and other goods and services while in town.
- **Daytrip Attendees**: Visitors to the LCCC who do not require paid lodging. In most markets, day-trippers typically spend money on meals, shopping, local transportation, recreation and entertainment, and other goods and services while in town.
- **Event Organizers**: Individuals, associations, or other organizations that plan, sponsor, organize, and coordinate events that take place at LCCC facilities. In addition to facility spending, event organizers also spend on lodging, meals, local transportation, facility rentals, equipment rentals, and other goods and services required to plan and organize a successful event.
- **Exhibitors**: Individuals or companies that rent exhibition space, typically from event organizers, to display information or products at events. In addition to spending at the facility, exhibitors purchase lodging, meals, local transportation, vendor services, meeting room rentals, equipment rentals, and other goods and services.

New Visitors

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

- Overnight Guests – HVS assumes that 95% of overnight guests are new to Lancaster County. Some overnight guests may stay with friends and family or outside the market. We determined the new overnight visitation to the State of Pennsylvania by determining which events could occur at other venues in the State, and which could only occur in Lancaster.
- Day-Trips – HVS determined the percentage of new day-trips to the City of Lancaster and Lancaster County by comparing their populations to the one-hour drivetime population. We assume that events draw few day-trip visitors from outside the State.
- Exhibitor/Organizer spending on Attendees/Delegates – HVS based the percentage of new exhibitor and organizer spending from the percentage of new attendees.

The figure below summarizes the net new percentages of attendance by type.

FIGURE 4-1
PERCENT NEW VISITORS BY REGION AND EVENT TYPE

Geographic Area/Visitor Type	Overnight Guests	Day-Trips	Exhibitor Attendees	Event Organizers
City of Lancaster				
Conventions & Conferences	95%	97%	65%	97%
Consumer Shows	95%	97%	65%	97%
Assemblies	95%	10%	0%	0%
Banquets	95%	10%	0%	0%
Sports/Competitions	95%	97%	0%	97%
Social	95%	10%	0%	0%
Concerts & Entertainment	95%	97%	0%	97%
Lancaster County				
Conventions & Conferences	95%	74%	49%	74%
Consumer Shows	95%	74%	49%	74%
Assemblies	95%	10%	0%	0%
Banquets	95%	10%	0%	0%
Sports/Competitions	95%	0%	0%	0%
Social	95%	10%	0%	0%
Concerts & Entertainment	95%	0%	0%	0%
State of Pennsylvania				
Conventions & Conferences	3%	10%	7%	10%
Consumer Shows	35%	10%	7%	10%
Assemblies	0%	5%	0%	0%
Banquets	100%	5%	0%	0%
Sports/Competitions	30%	10%	0%	10%
Social	0%	5%	0%	0%
Concerts & Entertainment	41%	10%	0%	10%

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

Total Overnight Guests X Percent New = New Overnight Stays

Total Day Trips X Percent New = New Day Trips

Total Delegate Days X Percent New = New Delegate Days

The figure below shows the number of visitors to the LCCC by event type.

FIGURE 4-2
SUMMARY OF VISITATION BY EVENT TYPE

	2014	2015	2016	2017
Overnight Visitors				
Conventions & Conferences	17,500	17,900	19,500	29,700
Consumer Shows	6,800	5,100	4,700	6,100
Assemblies	4,700	4,200	8,000	10,500
Banquets	1,200	2,000	3,100	1,300
Sports/Competitions	1,600	2,600	2,500	2,800
Social	0	0	0	0
Concerts & Entertainment	300	400	400	300
Total	32,100	32,200	38,200	50,700
Day-Trip Visitors				
Conventions & Conferences	48,400	49,800	54,100	82,800
Consumer Shows	44,900	33,900	31,000	40,200
Assemblies	55,500	49,300	93,500	123,000
Banquets	14,800	23,600	37,900	15,200
Sports/Competitions	52,300	84,400	80,800	90,900
Social	2,700	2,900	0	0
Concerts & Entertainment	13,300	16,000	14,000	10,700
Total	231,900	259,900	311,300	362,800
Attendee Days*				
Conventions & Conferences	103,100	105,700	115,100	175,600
Consumer Shows	151,100	113,900	104,400	135,400
Assemblies	69,600	61,900	117,500	154,500
Banquets	16,600	26,500	42,400	17,100
Sports/Competitions	56,900	91,900	88,000	99,000
Social	2,700	2,900	0	0
Concerts & Entertainment	18,100	21,900	19,200	14,600
Total	418,100	424,700	486,600	596,200

*Used to estimate exhibitor and organizer spending

These numbers are then multiplied by the net new percentages shown in Figure 4-1 to get the net new visitation by event type. The figure below summarizes the visitation by type of visitor and geographic region.

FIGURE 4-3
NET NEW VISITATION BY GEOGRAPHIC AREA

	2014	2015	2016	2017
City of Lancaster				
Overnight Visits	30,500	30,600	36,300	48,200
Day-trips	161,500	186,200	187,700	231,800
Exhibitor Attendee Days	60,400	54,100	55,100	79,600
Organizer Attendee Days	154,200	178,700	174,600	218,000
Lancaster County				
Overnight Visits	30,500	30,600	36,300	48,200
Day-trips	161,500	186,200	187,700	231,800
Exhibitor Attendee Days	45,800	41,100	41,800	60,400
Organizer Attendee Days	68,700	61,600	62,600	90,500
State of Pennsylvania				
Overnight Visits	4,800	5,300	6,300	5,400
Day-trips	19,500	22,200	24,600	29,400
Exhibitor Attendee Days	6,200	5,600	5,700	8,200
Organizer Attendee Days	15,900	18,400	18,000	22,500

Spending Parameters

HVS used spending survey data from Section 3 to construct the overnight visitor and day-trip visitor spending parameters. The figure on the following page shows the data adjusted for inflation for each year of events.

FIGURE 4-4
OVERNIGHT AND DAY-TRIP SPENDING PARAMETERS PER VISITOR PER DAY

	2014	2015	2016	2017
Deflation Factor	**0.947**	**0.948**	**0.960**	**0.976**
Overnight Visitor Spending				
Hotel Expenses	$86.05	$86.16	$87.24	$88.65
Restaurant meals	30.71	30.74	31.13	31.63
Auto Fuel	8.96	8.97	9.08	9.23
Auto Rental	8.84	8.85	8.97	9.11
Retail Purchases	6.51	6.52	6.60	6.71
Parking	3.35	3.35	3.39	3.45
Entertainment and Recreation	1.24	1.25	1.26	1.28
Public Transportation Fare	0.54	0.54	0.55	0.56
Other	5.66	5.66	5.74	5.83
Total	**$151.86**	**$152.04**	**$153.96**	**$156.45**
Day-Trip Spending				
Restaurant meals	$8.74	$8.75	$8.86	$9.01
Auto Fuel	4.99	4.99	5.06	5.14
Auto Rental	0.23	0.23	0.23	0.23
Retail Purchases	2.07	2.08	2.10	2.14
Parking	3.60	3.61	3.65	3.71
Entertainment and Recreation	0.52	0.52	0.53	0.54
Public Transportation Fare	0.00	0.00	0.00	0.00
Other	0.41	0.41	0.41	0.42
Total	**$20.56**	**$20.59**	**$20.85**	**$21.19**

Source: HVS

For exhibitor and organizer spending, HVS used adjusted Destinations International ("DI") data, which provides estimates of their spending per attendee day. We use this data set to reflect the venue spending and the LCCC's event-related revenues from facility rentals, services, catering, and other accommodations. See the figure below.

FIGURE 4-5
OVERNIGHT AND DAY-TRIP VISITOR SPENDING PARAMETERS

	2014	2015	2016	2017
Inflation Factor	**1.253**	**1.255**	**1.270**	**1.291**
Exhibitor Spending				
Food & Beverage	$17.34	$17.36	$17.58	$17.87
Catering	12.71	12.72	12.88	13.09
Lodging	7.36	7.37	7.46	7.58
Advertising Services	3.35	3.35	3.39	3.45
Recreation	3.30	3.30	3.34	3.40
Auto Rental	2.58	2.58	2.62	2.66
Equipment Rental	1.83	1.83	1.85	1.88
Retail Purchases	1.43	1.43	1.45	1.47
Public Transportation Fare	1.07	1.07	1.08	1.10
Auto Fuel	0.50	0.50	0.51	0.52
Other Transportation Cost	0.16	0.16	0.17	0.17
Total	**$50.95**	**$51.01**	**$51.66**	**$52.49**
Organizer Spending				
Retail Purchases	$1.29	$1.29	$1.31	$1.33
Advertising Services	1.00	1.00	1.02	1.03
Lodging	0.54	0.54	0.55	0.56
Other Hotel Expenses	0.11	0.11	0.11	0.11
Auto Rental	0.05	0.05	0.05	0.05
Public Transportation Fare	0.04	0.04	0.04	0.04
Other Transportation Cost	0.02	0.02	0.02	0.02
Food & Beverage	0.00	0.00	0.00	0.00
Total	**$3.04**	**$3.05**	**$3.09**	**$3.14**

Sources: DI and Corporate Travel Index

Gross Direct Spending

HVS multiplied the previous visitation numbers by the appropriate spending parameters to estimate gross direct spending for a stabilized year. See the figure on the following page.

FIGURE 4-6
GROSS DIRECT SPENDING ($ MILLIONS)

	2014	2015	2016	2017
City of Lancaster				
Overnight Visits	4.63	4.65	5.59	7.54
Day-trips	3.32	3.83	3.91	4.91
Exhibitor Attendee Days	3.08	2.76	2.85	4.18
Organizer Attendee Days	0.47	0.54	0.54	0.68
Total	11.50	11.78	12.89	17.31
Lancaster County	0.00	0.00	0.00	0.00
Overnight Visits	4.63	4.65	5.59	7.54
Day-trips	3.32	3.83	3.91	4.91
Exhibitor Attendee Days	2.33	2.10	2.16	3.17
Organizer Attendee Days	0.21	0.19	0.19	0.28
Total	10.49	10.77	11.85	15.90
State of Pennsylvania	0.00	0.00	0.00	0.00
Overnight Visits	0.73	0.81	0.97	0.84
Day-trips	0.40	0.46	0.51	0.62
Exhibitor Attendee Days	0.32	0.29	0.29	0.43
Organizer Attendee Days	0.05	0.06	0.06	0.07
Total	1.50	1.62	1.83	1.96

IMPLAN Impact Modeling

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

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

Annual Net Direct Spending

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

Retail Margins

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

Local Purchase Percentage

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

Indirect and Induced Spending

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

The following figures present the output of the IMPLAN model–the net new direct, indirect, and induced economic impacts and that are attributable to the completed ongoing operation of the LCCC. HVS also used IMPLAN to estimate the jobs created based on the direct, indirect, and induced spending estimates.

Annual Net Spending Impacts

The figure below shows the annual net direct, indirect and induced spending generated for the City of Lancaster, Lancaster County, and the State of Pennsylvania. Note that the impacts between geographic areas are not additive.

FIGURE 4-7
ANNUAL ECONOMIC IMPACT ESTIMATES (MILLIONS IN 2018 DOLLARS)

	2014	2015	2016	2017	Total
City of Lancaster					
Direct	$16.2	$15.4	$16.1	$21.5	$69.2
Indirect	4.6	$4.3	$4.5	$6.1	$19.5
Induced	5.3	$5.1	$5.3	$7.0	$22.7
Total	**$26.1**	**$24.8**	**$25.9**	**$34.6**	**$111.5**
Lancaster County					
Direct	$12.2	$11.1	$11.9	$16.3	$51.6
Indirect	$3.4	$3.1	$3.3	$4.5	$14.2
Induced	$4.6	$4.2	$4.5	$6.1	$19.5
Total	**$20.2**	**$18.4**	**$19.7**	**$26.9**	**$85.2**
State of Pennsylvania					
Direct	$2.0	$2.0	$2.1	$2.4	$8.5
Indirect	$0.7	$0.7	$0.8	$1.4	$3.7
Induced	$1.2	$1.2	$1.2	$4.7	$8.3
Total	**$3.9**	**$3.9**	**$4.2**	**$8.6**	**$20.5**

*Impacts between the City, County, and State are not additive.

Employment Impacts

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

FIGURE 4-8
EMPLOYMENT IMPACTS

Full-time Equivalent Jobs	2014	2015	2016	2017	Total
City of Lancaster					
Direct	160	158	166	218	701
Indirect	27	26	27	36	116
Induced	32	31	32	43	137
Total	**219**	**214**	**224**	**297**	**954**
Lancaster County					
Direct	114	105	114	155	489
Indirect	20	18	19	26	83
Induced	28	25	27	37	117
Total	**162**	**148**	**160**	**219**	**689**
State of Pennsylvania					
Direct	19	19	21	23	83
Indirect	3	3	4	4	14
Induced	6	6	6	7	26
Total	**28**	**29**	**31**	**35**	**123**

*Jobs between the City, County, and State are not additive.

Fiscal Impacts

Fiscal impacts represent the public sector share of the economic impacts from tax collections on new spending. The previously discussed spending estimates provide a basis for estimating potential tax revenue.

The IMPLAN analysis results in direct, indirect, and induced spending classified into hundreds of detailed spending categories. HVS evaluated each of these spending categories to determine which taxes would apply to each type of spending output. HVS then used the appropriate tax rates to estimate the amount of tax revenue.

HVS applied these nominal tax rates to a detailed breakdown of spending and income categories that result from direct, indirect, and induced spending through operation of the LCCC. HVS then estimated the potential annual revenue from each tax source. The following figure describes each tax included in the analysis.

FIGURE 4-9
TAX DESCRIPTIONS

Tax	Nominal Rate	Base
CITY OF LANCASTER		
Tax	**Nominal Rate**	**Base**
Personal Income Tax	1.1%	Lancaster levies a 1.1% personal income tax.
LANCASTER COUNTY		
Tax	**Nominal Rate**	**Base**
Hotel Room Rental Tax	3.9%	Hotels and motels in Lancaster County are charged, and the revenues are divided between Discover Lancaster and the LCCC.
Hotel Excise Tax	1.1%	The excise tax applies to all types of accommodations, including bed & breakfast locations.
STATE OF PENNSYLVANIA		
Tax	**Nominal Rate**	**Base**
Sales, Use, Hotel Occupancy Tax	6%	The sales and use tax is imposed on the retail sale, consumption, rental or use of personal property
Individual Income Tax	3.07%	Pennsylvania levies a 3.07% personal income tax
Corporate Net Income Tax	9.99%	Corporations pay 9.99% on federal taxable income

The following figure summarizes the fiscal impact to the City, County, and State based on the tax rates above. For the Corporate Net Income Tax, HVS analyzed the ratio of Individual Income Tax revenues to Corporate Net Income Tax Revenues.

FIGURE 4-10
FISCAL IMPCATS (IN 2018 DOLLARS)

	2014	2015	2016	2017	Total
City of Lancaster					
Income Tax	**$106,500**	**$101,600**	**$105,600**	**$141,200**	**$454,900**
Lancaster County					
Hotel Room Rental Tax	$150,900	$143,100	$160,300	$215,100	$669,400
Hotel Excise Tax	$42,600	$40,400	$45,200	$60,700	$188,900
Total	**$193,500**	**$183,500**	**$205,500**	**$275,800**	**$858,300**
State of Pennsylvania					
Sales, Use, Hotel Occupancy Tax	$187,900	$186,900	$201,600	$228,700	$805,100
Individual Income Tax	$44,200	$43,900	$47,300	$54,100	$189,500
Corporate Income Tax	$16,900	$19,900	$17,500	$19,300	$73,600
Vehicle Rental Tax	$1,300	$1,300	$1,400	$1,600	$5,600
Liquid Fuel Tax	$1,600	$2,500	$2,500	$2,700	$9,300
Total	**$251,900**	**$254,500**	**$270,300**	**$306,400**	**$1,083,100**

The following figure summarizes recurring annual economic and fiscal impacts in a stabilized year.

FIGURE 4-11
SUMMARY OF ECONOMIC AND FISCAL IMPACTS

	2014	2015	2016	2017	Total
City of Lancaster					
Economic Impact (millions)	$26.1	$24.8	$25.9	$34.6	$111.5
Fiscal Impact (thousands)	106.5	101.6	105.6	141.2	454.9
Full-time Equivalent Jobs	219	214	224	297	-
Lancaster County					
Economic Impact (millions)	$20.2	$18.4	$19.7	$26.9	$85.2
Fiscal Impact (thousands)	193.5	183.5	205.5	275.8	858.3
Full-time Equivalent Jobs	162	148	160	219	-
State of Pennsylvania					
Economic Impact (millions)	$3.9	$3.9	$4.2	$8.6	$20.5
Fiscal Impact (thousands)	251.9	254.5	270.3	306.4	$1,083.1
Full-time Equivalent Jobs	28	29	31	35	-

These economic and fiscal impact estimates are subject to the assumptions described throughout the report. Numerous assumptions about the circumstances of visitor spending and lodging at hotels outside of the Lancaster Marriott at Penn

Square form the basis for these estimates. Although we consider these assumptions reasonable, actual events and circumstances could have differed from the assumptions in this report, and some of those differences may be material.

5. Impacts on Local Business

Overview

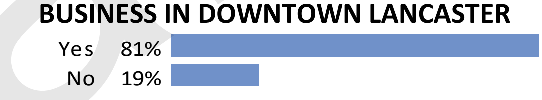
The Lancaster County Convention Center ("LCCC") has introduced many new events to the local area and produced significant economic growth. But, its reach extends beyond attracting more visitors. To evaluate the impact on residents and local businesses, HVS designed and conducted a survey of Lancaster merchants.

With the assistance of the Lancaster City Alliance, the survey was distributed to approximately 200 merchants who manage and/or own businesses in downtown Lancaster. We received 84 responses, of which 57 were complete and 27 were partial. The following summary of responses highlights key results.

Survey Respondents

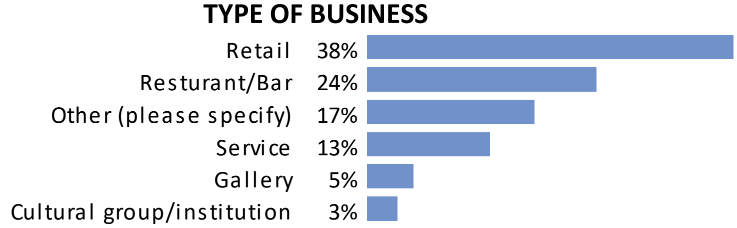
To indicate whether this group of respondents represents a cross section of business owners in Lancaster, HVS asked respondents if they own, operate or manage a business in downtown Lancaster and if they did, what kind of business it is. The figures below show the results.

FIGURE 5-1
BUSINESS IN DOWNTOWN LANCASTER



(n = 78)

FIGURE 5-2
TYPE OF BUSINESS

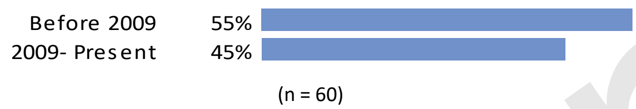


(n = 63)

Respondents who own, operate or manage a business in downtown Lancaster make up over 80% of the sample. Of those respondents, the two most common kinds of businesses are retail stores and restaurants or bars. We received fewer than 10 responses from galleries or cultural institutions. Other kinds of businesses mentioned include museums, hotels and the performing arts.

HVS then asked respondents what year their business opened. The LCCC opened in 2009 as part of a plan to spur redevelopment in downtown Lancaster. The figure below shows how many businesses in the sample opened after 2009, when the LCCC opened, and how many opened before then.

FIGURE 5-3
BUSINESS OPENED

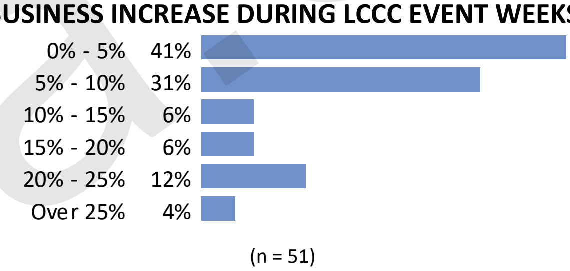


Slightly less than half of the businesses represented in this sample opened in the past nine years, after the LCCC opened. Lancaster has been focused on revitalizing its downtown area for the past 15 years and set up a 130-acre City Revitalization and Improvement Zone (“CRIZ”) downtown to encourage business development.

Impacts on Business Activity

Focusing on how the LCCC has affected businesses in downtown Lancaster, HVS asked respondents to estimate how much business increases during a week when an event occurs at the LCCC compared to weeks when no events take place.

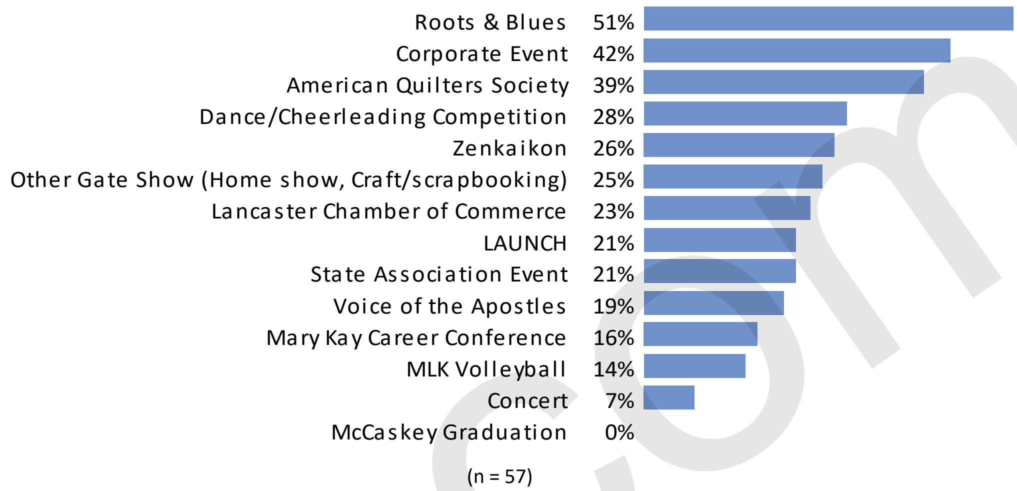
FIGURE 5-4
BUSINESS INCREASE DURING LCCC EVENT WEEKS



While the most frequent response claimed that events caused a zero to five percent increase in business, over half the respondents stated that convention events clearly increase their business. The average response shows an approximately 10 percent increase. Interestingly, we found no significant differences in business increase between business types; restaurants, retail, and cultural events all showed approximately the same average increase. Our analysis of the open-ended questions in the survey shows that the trend is likely related to proximity to the LCCC, as opposed to business type.

HVS then asked respondents to identify four events that have the most impact on their business. See the following figure.

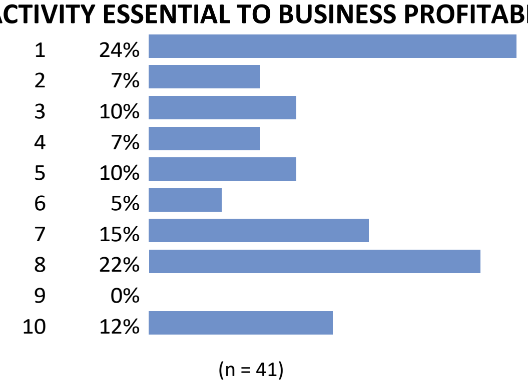
FIGURE 5-5
MOST IMPACTFUL EVENTS



The Roots and Blues Festival was the most common response in the sample. It is a four-day music festival that uses spaces across the City of Lancaster for venue space. This makes it more likely to impact more businesses because it brings people to different areas of Lancaster than the area immediately around the LCCC. Corporate events and the American Quilters Society QuiltWeek are the next most frequently mentioned events.

HVS asked respondents to rate how essential activity from the LCCC is to the profitability of their business, on a scale of one to ten with one meaning not essential and ten meaning incredibly essential. The distribution of responses is shown below.

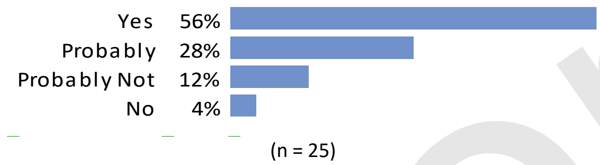
FIGURE 5-6
LCCC ACTIVITY ESSENTIAL TO BUSINESS PROFITABILITY



Slightly under a third of respondents gave the LCCC a score of a one or a two for being essential to their profits. However, 34% of the sample rated the LCCC as an eight or a ten. The average of all responses is 5.75 and the median is 5.

HVS asked respondents who opened their business after 2008 if they would have opened their business without the development of the LCCC. The responses are shown below.

FIGURE 5-7
OPENED BUSINESS WITHOUT LCCC DEVELOPMENT

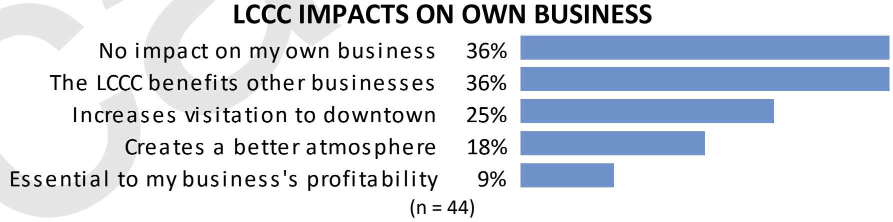


Over half of the respondents in the sample would have opened their business without the development of the LCCC. Only 16% would have not, or probably not have opened their business.

LCCC Intangible Benefits

In an unaided answer, HVS asked respondents to describe their thoughts on the impact of the LCCC on their business and on downtown Lancaster. HVS coded the open-ended responses, and the frequency with which each code appeared is shown in the charts below.

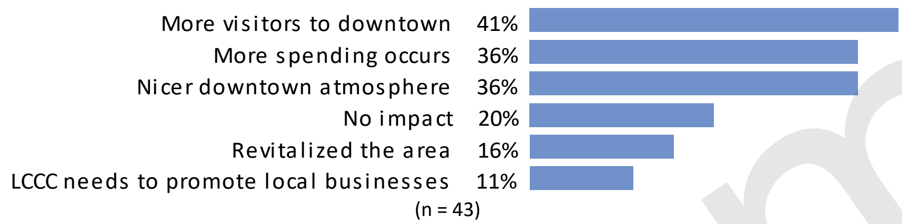
FIGURE 5-8
LCCC IMPACTS ON OWN BUSINESS



Most frequently, respondents noted that their own business does not see a noticeable effect, but other businesses in downtown Lancaster clearly do. Some of them run businesses that are not affected by tourism, such as retailers of items that tourists do not need during their travels. Others clarified that their business is on the edge of downtown Lancaster, and the impact is most noticeable for businesses within a block of the LCCC. Many respondents remarked on the increase in visitation to Lancaster from event attendees and residents alike.

We followed up this question by asking merchants to more generally speak to the impacts that the LCCC has on downtown Lancaster. See the figure on the following page.

FIGURE 5-9
LCCC PERCEIVED IMPACTS ON DOWNTOWN LANCASTER



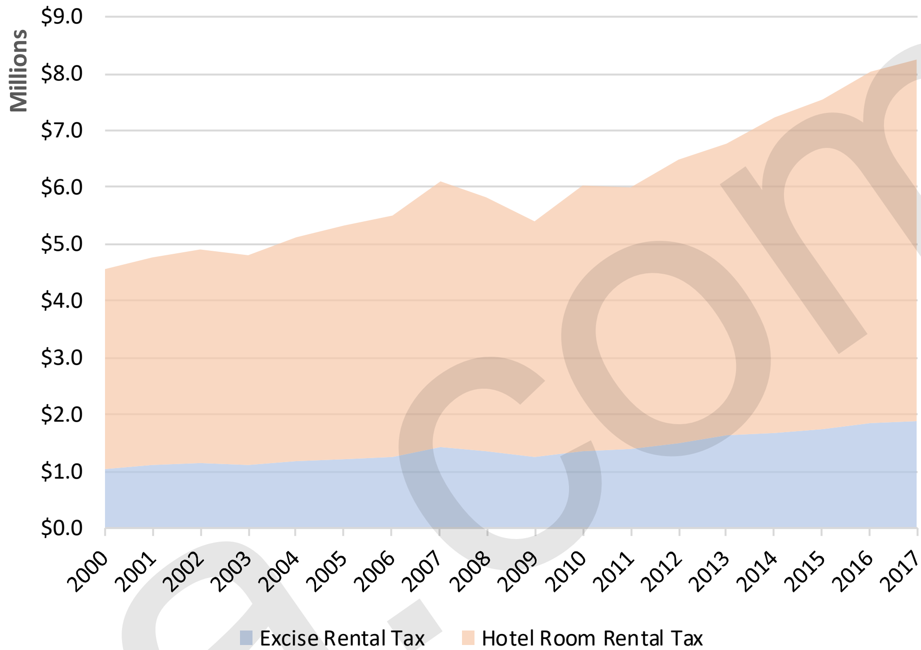
Most frequently, respondents pointed out how downtown Lancaster has seen a significant increase in visitation since the LCCC opened. More spending takes place in the area, and it has greatly improved the city's atmosphere. They describe how some of their customers are pleasantly surprised at how much Lancaster offers for visitors, and how many become repeat visitors after their first visit to a convention event. A couple respondents explained how the LCCC complements the rest of the center of Lancaster, and how it makes the city "vibrant."

Although 20% of respondents felt the convention center is not adding new economic impact to the area and 11% feel the LCCC needs to more frequently promote local businesses, we saw 16% who described the LCCC as the centerpiece of a revitalization to the market area and a tremendous asset.

Lodging Tax Collections

To see how the LCCC has affected the lodging industry in Lancaster, HVS analyzed historical Hotel Room Rental Tax and Excise Rental Tax collections. The Lancaster County Convention Center Authority ("LCCCA") provided HVS with 17 years of historical collections data from Lancaster County Treasurer Reports. See the figure below.

FIGURE 5-10
HOTEL RENTAL TAX REVENUES



Source: Lancaster County Treasurer

From 2000 to 2009, Lancaster County hotel room rental taxes grew at a compound annual growth rate of 2.0%. But, from 2009 to 2017, during the time in which the LCCC has been open, the compound annual growth rate has been 5.3%. The average year-over-year change has been 3.7%. While some of this growth cannot be attributed to the LCCC, convention events serve as a notable reason that visitors travel to the County.

Conclusions

The LCCC is a significant benefit to the local economy. The majority of respondents see an increase in customers when there is a convention in town and one third of respondents believe the LCCC is essential to their business profitability. Outside of direct business impacts, many local merchants have expressed their support for the positive effects that it has on their customer base and the foot traffic around the downtown area.

6. Statement of Assumptions and Limiting Conditions

1. This report is to be used in whole and not in part.
2. No responsibility is assumed for matters of a legal nature.
3. All information, financial operating statements, estimates, and opinions obtained from parties not employed by HVS are assumed to be true and correct. We can assume no liability resulting from misinformation.
4. We are not required to give testimony or attendance in court by reason of this analysis without previous arrangements, and only when our standard per-diem fees and travel costs are paid prior to the appearance.
5. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material presented in this report, it is recommended that the reader contact us.
6. We take no responsibility for any events or circumstances that take place subsequent to the date of our report.
7. The impact analysis presented in this report is based upon assumptions, estimates, and evaluations of the market conditions in the local and national economy, which may be subject to sharp rises and declines. Over the period considered in our analysis, wages and other operating expenses may increase or decrease due to market volatility and economic forces outside the control of the facility's management.
8. Our estimates have been developed on the basis of information obtained during the course of our market research and are intended to reflect reasonable expectations.
9. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers have been rounded. Thus, these figures may be subject to small rounding errors.
10. It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the client, and use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.

11. Although this analysis employs various mathematical calculations, the final estimates are subjective and may be influenced by our experience and other factors not specifically set forth in this report.

12. This report was prepared by HVS Convention, Sports & Entertainment Facilities Consulting. All opinions, recommendations, and conclusions expressed during this assignment are rendered by the staff of this organization, as employees, rather than as individuals.

7. Certification

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

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

Thomas Hazinski
Managing Director