Beloit Conference Center and Hotel Analysis

January 24, 2019

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Key Questions

The Hunden Strategic Partners Team (HSP) was engaged by Visit Beloit to perform a market and financial feasibility study for a potential conference center. The key questions the HSP team was tasked to answer were:

- What are the needs of Beloit's community? What is the met/unmet market for meeting spaces, events, and hospitality in Beloit? With a new facility, would more events be likely? What is most feasible?
- What is the existing supply of meeting and event spaces in the local market? What are the hotel and event space needs of the Beloit business community?
- Is a development recommended? If so, what is the recommended package that will optimize the potential conference center performance? How is the recommended conference center projected to perform?
- What is the recommended/ideal site to be developed on? What are the pro's and con's of each site?
- What is the projected economic, fiscal and employment impact of the recommended development?

Headlines

- Beloit's history and economy have generally been tied to the industrial sector, but the community is increasingly diversifying, especially downtown. The investments of Hendricks Holdings and others in the downtown area have injected new industries and a quality of life that previously did not exist. Downtown Beloit today, and all of Beloit, has much to be proud of. Walkable shops, restaurants and boutique hotels, as well as new residential development and a revitalized riverfront are emblematic of this transformation. Investments in higher education are also coming to fruition.
- Despite these investments and desire of people to "be" in Beloit, especially downtown, there are very few places for people to actually come together. The hospitality and meeting options, while of high quality, are small and limited.
- In HSP's investigation of the situation, there is some demand for meeting and event space, as well as a hotel with a large enough room block to host a smaller conference.
- Many private companies in Beloit have grown and are expected to continue to grow in the following years, helping to spur additional demand for meeting and event space. The Ironworks Campus currently has 800 employees and is expected to double in size over the next 18 months.

Headlines

- It is difficult for Beloit to accommodate medium-sized (+/- 50 attendees) meetings and events due to the lack of quality event space in the local market. No facility in the market offers true breakout space.
- The Beloit market does not currently have a flexible meeting and event space conducive to hosting larger scale corporate meetings or conferences.
- Eclipse Center hosts large banquets and events well but pricing can be very high for smaller events ($4,000 on weekends and $2,000 to $3,000 on weekdays). The facility offers a large 15,000-square foot ballroom but does not currently offer any breakout space.
- The Beloit hotel market now includes two high-quality downtown properties (Ironworks Hotel and Hotel Goodwin). In terms of scale, both hotels are not large, totaling only 88 rooms between the two hotels. Both properties have allowed other properties in the market to push hotel rates higher.

Headlines

- Although the Beloit Mall has seen significant redevelopment in recent years, HSP does not recommend that a new conference and hotel development occur at the mall for room-night generating business. Eclipse could easily expand its banquet business to other forms if it added breakout meeting rooms -- and this may be the lowest hanging fruit. However, this is not the long-term tourism-producing product that HSP recommends.
- The Ho-Chunk Casino Project will likely present a larger competitor locally, so the downtown project recommended will be sized and sited appropriately within the marketplace so both can coexist and thrive for the benefit of the local community.

Recommendations

Based on the market analysis, HSP recommends the following conference center and hotel for Beloit:

Conference Center & Hotel Recommendations	
Rooms	140 Keys
Ballroom	5,000 SF Divisible
Meeting	5 meeting rooms @ 1,000 SF
F&B	3-meal restaurant and catering kitchen for the event space

Recommendations

Room Count. A "select-service on steroids" branded hotel with 140 rooms is recommended.

Amenities. Services like complimentary Wi-Fi, a business center, and a fitness center will help attract the business travelers that regularly visit Beloit. These amenities have come to be expected by travelers.

Food and Beverage: HSP recommends that the hotel feature a three-meal restaurant, as well as a catering kitchen for the event spaces.

Function Space. Unlike the existing hotels, which typically have just one or two meeting rooms, the proposed hotel should include a 5,000-square foot ballroom and offer 5 breakout meeting rooms (at 1,000 SF each)

Location. Within easy walking distance (up to 1,500-foot radius) of the two downtown hotels.

Chapter 1

Economic, Demographic and Tourism Analysis

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Regional Map

Beloit is located on the border of Illinois and Wisconsin just off Interstate 90. Beloit is approximately one hour south of Madison and approximately two hours northeast of Chicago.

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Regional Access

Highway Access

- Beloit is part of a populated north-south band of mid-sized cities straddling the Wisconsin and Illinois border at the Rock River. From north to south, the primary cities include Janesville, Beloit, and Rockford. Between Beloit and Rockford are a series of suburban communities that tie Beloit to Rockford in a connected chain of developed land along the Rock River.
- The combination of these cities results in a population of about 450,000, and acts as a crossroads in the region. East-west traffic through Beloit is significantly less than the north-south traffic, however.
- Interstate 90 and 39, in particular, is a much busier highway than the local population would normally be responsible for, due largely to the volume of travelers between Chicago and the Twin Cities of Minneapolis and St. Paul, and to some extent, traffic between central Illinois and northern Wisconsin.
- Downtown Beloit is situated north of the Illinois state line and lies on U.S. Highway 51, which mostly handles local traffic. The primary long-distance highway in the area is Interstate 90 and 39, a single roadway that is co-signed, which parallels U.S. 51 (Illinois Highway 251 south of Beloit) through downtown Beloit.

Airport Access

Beloit visitors and residents have a large number of airports from which to choose, all of which are generally between 60 and 90 minutes away in normal traffic.

- Chicago-Rockford International is about 25 miles from Beloit, but offers non-stop flights to only five cities and serves 100,000 annual visitors which is a small number relative to other metro areas of this size. Its usefulness is very limited.
- Dane County Regional Airport in Madison is about 55 miles north, offers non-stop flights to 18 destinations and just under 1,000,000 annual passengers.
- Milwaukee's General Mitchell International Airport is about 72 miles northeast of Beloit, offers non-stop flight to about 41 cities, and handles 7,800,000 annual passengers.
- Chicago's O'Hare Airport is 83 miles southeast of Beloit on I-90, the world's sixth busiest airport, is one of only four in the U.S. to serve non-stop flights to over 200 destinations. It features about 2,000 daily departures through nine concourses in five terminals. The airport processes about 80,000,000 passengers annually. The sheer size and crowds can render this airport one to avoid rather than seek out but it remains Beloit's best option for connectivity.

Colleges and Universities

Beloit Area Colleges & Universities

Institution	Location	Distance from DT (miles)	Highest Degree Offered	Enrollment
Beloit College	Beloit, Wisconsin	0	Undergraduate	1,394
Blackhawk Technical College	Janesville, Wisconsin	5	Undergraduate	2,034
Rock Valley College	Rockford, Illinois	15	Undergraduate	7,699
Rockford College	Rockford, Illinois	17	Graduate	1,287
University of Wisconsin Whitewater	Whitewater, Wisconsin	26	Graduate	12,657
Grand Total				**58,641**

Source: National Center for Education Statistics

There are five colleges and universities within 26 miles of Beloit. Combined, these colleges and universities have an enrollment of more than 25,000. The largest is University of Wisconsin Whitewater with more than 12,000 students enrolled. Beloit College is located adjacent to Downtown Beloit and drives significant hotel room demand during major functions (Homecoming, move-in, move-out, reunions, etc.)

Largest Employers

Beloit's 12 largest employers each have more than over 300 employees. Many large private employers (Kerry, Frito-Lay and Hendricks Holdings) create significant hotel and meeting/event demand in the local market.

Beloit Major Employers

Company	**Industry**	**Employees**
Beloit Health System	Medical Services	1,550
Wal-Mart/ Sam's Club	Retail	804*
Beloit School District	Education	775*
Kerry Americas	Food Products	690
Frito-Lay	Snack Foods	685
Hendricks Holdings (ABC et al.)	Construction, Electronics, etc.	623*
Woodman's Food Market, Inc.	Supermarkets	524
Beloit College	Education	413
Fairbanks Morse Engines	Diesel Engines	373
City of Beloit	Government	354
Menard's	Retail	300*
Regal Corporation	Power Trans. Equipment	300
Total	**--**	**7,391**

*Multiple Locations

Source: Employer Survey, 2015

Beloit Snappers Stadium

The Class A minor league baseball team, the Snappers which is an an affiliate of MLB's Oakland Athletics, play in Beloit at Pohlman Field.

On August 31, 2018, the team signed a Memorandum of Understanding with two investor groups. This document outlined plans for a new stadium to be constructed in downtown Beloit with a target opening date of the 2020 baseball season. MLB's agreement with MiLB is due for renewal in 2020 and will make Pohlman Field ineligible.

In 2017, the Snappers played 67 games at home. Total attendance for these games were 64,236 with an average of 959 per game. The team's current stadium was built in 1982 has a capacity of 3,501. The picture to the right shows the entrance of the current stadium.

Ho-Chunk Gaming Wisconsin

The Ho-Chunk Nation has submitted a proposal to build a $405 million dollar casino in Beloit on the west side of Interstate 90/39 near Willowbrook and Colley Roads. Construction on the casino could begin as early as 2020.

The development would include a 300-room hotel, 5 restaurants, convention center, and indoor water park. City officials expect the casino to employ 1,985 people. If the Ho-Chunk casino is developed in Beloit, the viability for a conference center development would look dramatically different.

Beloit College

Founded in 1846, Beloit College is the oldest continuously operated college in Wisconsin. This private liberal arts college currently has an undergraduate enrollment of approximately 1,300 students. Beloit College is a NCAA Division III school, member of the Midwest Conference, and has 19 varsity teams.

Beloit College is currently renovating the decommissioned Blackhawk Generating Station into a 120,000-square foot student center named the "Powerhouse." The Powerhouse will include approximately 4,500 square feet of space for meetings and events. The students will get first priority on the event space but university officials indicated that they are also interested in renting out the space for meetings or special events for ancillary revenue.

Geronimo Hospitality Group

Geronimo Hospitality Group, a subsidiary of Hendricks Commercial Properties, owns and manages the two highest-quality hotel properties in Beloit: the Ironworks Hotel and the Hotel Goodwin.

The Ironworks Hotel was the first investment, opening in 2001 and saw great success in the market (average annual occupancy ~95 percent).

Due to the success of the Ironworks Hotel, Geronimo decided to build and open the 34-room Hotel Goodwin in September of 2018. The Hotel Goodwin includes the Velvet Buffalo Café restaurant and bar.

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Irontek

Irontek is a co-working space, business incubator, and tech-hub located in downtown Beloit. The location is mostly used by entrepreneurs and small businesses. There are designated areas that can be rented out by non-members for meeting and small conference space. These areas can seat up to 25 people.

Prices of spaces range from:

- Daily Desk - $30/Day
- Dedicated Desk – $100/Month
- Private Office – $300-$500/ Month

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Chapter 2

Conference, Meetings and Event Industry Trends

Conference, Meetings and Event Industry Trends

It is important for stakeholders in Beloit to understand the forces shaping the convention and meetings business. While the industry is ever-changing, the expectations for ease, convenience and affordability have increased, while the demand for authenticity and large blocks of generic/branded hotel rooms and attached high-quality flexible spaces has also increased.

Often, a single event will use many different types of spaces, including exhibit halls, banquet facilities and breakout meeting rooms increasing the need for well-designed multi-purpose facilities. The following table summarizes the key attributes of various types of meetings, including facility requirements.

Facility Types & Requirements for Various Event Types

Event Type	Conventions with Exhibits	Conventions	Tradeshows	Consumer Shows	Assemblies	Sports Events	Conferences	Meetings	Trainings	Banquets
Attendance Range	150 - 50,000	150 - 15,000	250 - 50,000	8,000 - 1,000,000	5,000 - 50,000	500 - 100,000	50 - 2,000	10 - 300	10 - 300	50 - 2,000
Primary Purpose	Info Exchange & Sales	Info Exchange	Sales	Advertising & Sales	Info Exchange	Sports	Info Exchange	Info Exchange	Training	Social, Business & Charity
Facility Requirements	Exhibit Halls, Ballroom, Meeting Rooms, Hotel Block	Ballroom, Meeting Rooms, Hotel Block	Exhibit Halls, Hotel Block	Exhibit Halls	Arena or Exhibit Halls, Hotel Block	Arena, Stadium or Exhibit Halls, Hotel Block	Ballroom, Meeting Rooms, Hotel Block	Meeting Rooms, Hotel Block	Meeting Rooms, Hotel Block	Ballroom
Typical Facility Used	Convention Center & Large Hotels	Convention Center & Large Hotels	Expo Facilities & Convention Centers	Expo Facilities & Convention Centers	Arenas or Convention Centers	Arena, Stadiums, Convention Centers	Convention/ Conference Centers and Hotels	Convention/ Conference Centers and Hotels	Convention/ Conference Centers and Hotels	Convention/ Conference Centers and Hotels

Source: HSP

Conference, Meetings and Event Industry Trends

The various types of convention and conference center events include:

- **Conventions** are high-impact events economically because a large percentage of attendees originate from outside the local area and typically stay several nights in the host city and spend money on accommodations, food, transportation, retail goods, and entertainment. Spouses, family, or companions typically accompany a significant number of attendees. Associations, professional groups and other membership organizations hold conventions, with attendance generally ranging from 150 to 50,000 attendees. The larger meetings take place in convention centers with large exhibit halls, but the majority of events require less than 50,000 square feet.
- **Trade shows** offer a forum for exchanging industry ideas. They are more product- and sales-oriented than conventions. Trade shows typically attract a large number of attendees, who often originate from outside the host city, but tend to have a shorter average stay.
- **Consumer Shows** are public, ticketed events featuring exhibitions of merchandise for sale or display. Consumer shows range in size from small local and specialized shows with a few hundred attendees to large shows with thousands of attendees. The larger consumer shows may occur in convention centers, shopping malls, fairgrounds and other public-assembly facilities with large exhibition areas. The majority of attendees are local, but exhibitors often come from out of town.

Conference, Meetings and Event Industry Trends

- **Conferences** – Conferences are meetings typically held by associations, professional groups, and other membership organizations. Educational institutions also host conferences. These events do not usually require exhibit space, but otherwise the facility demands are similar to those of conventions—such as meeting space for general sessions, food service facilities and breakout rooms. Hotels and conference centers typically serve as venues for conferences.
- **Corporate, Training and Other Meetings** – Corporate meetings include training seminars, professional and technical conferences, business/job fairs, incentive trips and management meetings. Corporate meeting planners and attendees demand high-quality facilities. High-quality and flexible technology capabilities are essential elements that corporate and business users require when selecting meeting facilities.
- **Assemblies** – Assembly events are social, military, educational, religious, and fraternal (SMERF) events. They can attract large numbers of people and require seating arrangements to support all the visitors. Larger assemblies are held in arenas or stadiums while smaller assemblies are held in venues such as school auditoriums, churches and community centers. Similar to conventions, many attendees originate from outside the host city, but, unlike conventions, these events do not usually require large amounts of exhibit and meeting room space.
- **Banquets** – Banquets are typically locally-generated events, from social and wedding events to an annual Chamber of Commerce event, which can be the largest of its kind in a given city. A mainstay of hotels and convention centers, banquets provide significant catering income and provide the community with its largest dining room, in most cases.

Conference, Meetings and Event Industry Trends

Once a destination is selected, planners must then choose a hotel. The table to the right shows that availability of the right spaces and the costs for those spaces are primary driving factors.

The table to the right reflects changes in the event and meeting planners' events. Event and meeting planners are utilizing their leverage, being in a buyer's market, to negotiate better deals. Their events are requiring more telecom/internet bandwidth and higher-quality food and beverage. Even though 68 percent of events and shows are being booked closer to the event date compared to only eight percent being booked further in advance, 32 percent of events and shows are requiring attendance promotion assistance, which puts more pressure on convention centers.

Important Factors when Selecting a U.S. Meeting Destination

	Convention	Association Meeting	Corporate Meeting
Number, Size and Quality of Meeting Rooms	93%	69%	81%
Negotiable Food, Beverage, and Room Rates	87%	80%	79%
Cost of Hotel Meeting Facility	82%	80%	80%
Number, Size and Quality of Sleeping Rooms	79%	54%	72%
Quality of Food Service.	70%	63%	70%

Source: Meetings Market Report

Changes in Event & Meeting Planner's Events and Shows

Changes	Percentage
Increased Negotiations	72%
Requiring more telecom/internet bandwidth and related services	72%
Shorter booking windows, they are booking closer to the event dates	68%
Requiring higher-quality food and beverage	52%
Event attendance is growing	40%
Events are getting larger in terms of space requirements	40%
Requiring attendance promotion assistance	32%
Short Events in terms of total number of days	28%
Events attendance is declining	20%
Events are getting smaller in terms of space requirements	20%
Asking for more Public Relations assistance and outreach to city and regional leaders	16%
Shorter event day periods	12%
Focusing more on event design and ambiance	12%
Longer event day periods	8%
Longer booking windows, they are booking further from the event dates	8%
Other	4%

Source: R7M Research & Consulting

The adjacent table depicts the importance of proximate amenities. On-site or nearby parking availability is a critical issue for most public-consumer shows. Another critical issue is highway access. Event and meeting planners want attendees to have easy and convenient access to the facility with plenty of available parking once they arrive. Hotels are another important amenity for exhibitors and attendees.

Event Site-Selection Trends - Areas and Amenities

Areas & Amenities	Very Important	Moderately Important	Not Important
On-Site or Near-by Parking	100%	0%	0%
Highway access	75%	25%	0%
Hotels	64%	18%	18%
Proximity to restaurants and bars	36%	45%	18%
Proximity to mass transit access	33%	50%	17%
Suburban areas	25%	50%	25%
Entertainment areas	18%	45%	36%
Downtown business district	17%	50%	33%
Proximity to tourism, cultural attractions	8%	58%	33%
Airport	8%	33%	58%
Sports facilities	8%	17%	75%
Universities/Colleges	8%	17%	75%
Ocean beachfront areas	8%	8%	83%
Proximity to recreational activities	0%	58%	42%
Manufacturing bases	0%	25%	75%
Resorts	0%	25%	75%
Casino/Gaming Destination	0%	8%	92%

Source: R7M Research & Consulting

Chapter 3

Local and Regional Meetings Market Analysis

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Regionally Competitive Meeting Supply

The regional competitive supply was identified as many of the larger convention and conference facilities primarily across Wisconsin and Northern Illinois. Many of these facilities are not currently competitive to Beloit but could become competitive with a potential conference or convention development in Beloit.

Regional Conference & Convention Facilites

Facility	Location	Total SF	Exhibit / Arena Space (SF)	Ballroom Space (SF)	Meeting Space (SF)	Meeting Rooms	Walkable Hotel Rooms
Donald E Stephens Convention Center	Rosemont, IL	874,863	787,000	87,863	4,137	8	2,813
Wisconsin Center	Milwaukee, WI	265,841	188,695	37,506	39,640	6	1,186
Milwaukee Convention Center	Milwaukee, WI	265,565	37,506	188,695	39,364	28	2,303
Alliant Energy Center	Madison, WI	255,000	100,000	–	150,000	n/a	140
Navy Pier Festival Hall	Chicago, IL	234,090	170,100	18,150	45,840	35	–
Chula Vista Resort**	Wisconsin Dells, WI	200,000	90,000	28,000	0	25	620
Schaumburg Convention Center	Schaumburg, IL	145,244	97,200	39,892	8,152	12	757
Hyatt Regency O'Hare	Rosemont, IL	93,615	–	53,251	40,364	38	1,096
La Crosse Center	La Crosse, WI	86,400	77,000	6,700	2,700	8	627
KI Convention Center	Green Bay, WI	82,749	26,946	42,852	12,951	26	416
Pheasant Run Resorts	St. Charles, IL	76,199	38,250	19,670	18,279	19	293
Tinley Park Convention Center	Tinley Park, IL	74,420	39,900	23,660	10,860	17	202
Monona Terrace Conference Center	Madison, WI	62,900	37,200	20,400	5,300	18	619
Grand River Center	Dubuque, IA	56,486	30,000	12,416	14,070	10	193
Potawatomi Hotel & Casino	Milwaukee, WI	52,249	32,000	9,000	11,249	8	381
Grand Geneva Resort and Spa	Lake Geneva, WI	51,645	13,770	25,420	12,455	20	355
Central Wisconsin Convention and Expo Center	Rothschild, WI	49,783	25,623	24,160	–	18	476
Rochester Mayo Civic Center	Rochester, MN	44,900	25,200	4,200	15,500	18	869
Madison Marriott West	Middleton, WI	42,266	28,608	9,800	3,858	6	292
Westin Lombard Yorktown Center	Lombard, IL	38,681	–	27,276	11,405	13	500
Holiday Inn Stevens Point	Stevens, Point, WI	38,000	16,020	7,680	7,680	12	215
Q Center*	St Charles, IL	36,335	7,600	25,544	3,191	5	1,042
Crown Plaza Chicago O'Hare Hotel & Conference Center	Rosemont, IL	35,970	–	25,333	10,637	19	503
Best Western Premier Waterfront Hotel & Convention Center	Oshkosh, WI	35,500	15,500	14,000	6,000	9	215
Waukesha County Expo Center	Waukesha, WI	33,000	33,000	–	n/a	3	0
The Abbey Resort & Avani Spa	Lake Geneva, WI	32,724	–	12,650	20,074	18	334
Glacier Canyon Lodge - Wilderness Resort	Wisconsin Dells, WI	32,560	–	26,035	6,525	n/a	945
Fox Cities Exhibition Center	Appleton, WI	30,000	n/a	n/a	n/a	n/a	475
Ho-Chunk Gaming Wisconsin Dells	Baraboo, WI	29,914	–	26,598	3,316	5	302
Hyatt Regency Schaumburg, Chicago	Schaumburg, IL	26,600	–	14,254	12,346	8	595
Lake Lawn Resort	Delavan, WI	23,979	–	7,330	16,649	12	270
Average		**182,851**	**125,128**	**41,721**	**26,583**	**18**	**827**

*Q Center Exhibit / Arena Space Includes Amphitheater Space

**Includes a large domed structure used for sports and meetings

Source: Cvent, Various Facilities

Regional Meeting Supply

The competitive regional facilities with under 52,000 SF of total space are more directly competitive with a potential development in Beloit.

Regional Conference & Convention Facilites

Facility	Location	Total SF	Exhibit / Arena Space (SF)	Ballroom Space (SF)	Meeting Space (SF)	Meeting Rooms	Walkable Hotel Rooms
Grand Geneva Resort and Spa	Lake Geneva, WI	51,645	13,770	25,420	12,455	20	355
Rochester Mayo Civic Center	Rochester, MN	44,900	25,200	4,200	15,500	18	869
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Best Western Premier Waterfront Hotel & Convention Center	Oshkosh, WI	35,500	15,500	14,000	6,000	9	215
Waukesha County Expo Center	Waukesha, WI	33,000	33,000	–	n/a	3	0
The Abbey Resort & Avani Spa	Lake Geneva, WI	32,724	–	12,650	20,074	18	334
Fox Cities Exhibition Center	Appleton, WI	30,000	n/a	n/a	n/a	n/a	475
Ho-Chunk Gaming Wisconsin Dells	Baraboo, WI	29,914	–	26,598	3,316	5	302
Hyatt Regency Schaumburg, Chicago	Schaumburg, IL	26,600	–	14,254	12,346	8	595
Lake Lawn Resort	Delavan, WI	23,979	–	7,330	16,649	12	270
Average		**36,580**	**19,957**	**17,523**	**9,678**	**11**	**426**

*Q Center Exhibit / Arena Space Includes Amphitheater Space

Source: Cvent, Various Facilities

Regional Meeting Supply Map

Beloit is located in between three heavily populated cities in Milwaukee, Chicago and Madison. There is a lot of competition for large-scale conference or convention center development regionally. Although many of the facilities listed on the adjacent map will not be competitive with a potential development in Beloit, it is important to understand the competitive regional facilities.

Beloit Local Meeting Supply

The majority of the meeting and event supply in Beloit is small, dated or not conducive to conferences / large corporate meetings. The large ballroom spaces are primarily geared towards hosting weddings or special events. The Eclipse Center, a converted food court, offers the largest ballroom space in the market but does not offer flexible space that many meetings are seeking.

Beloit Local Meetings Market Supply

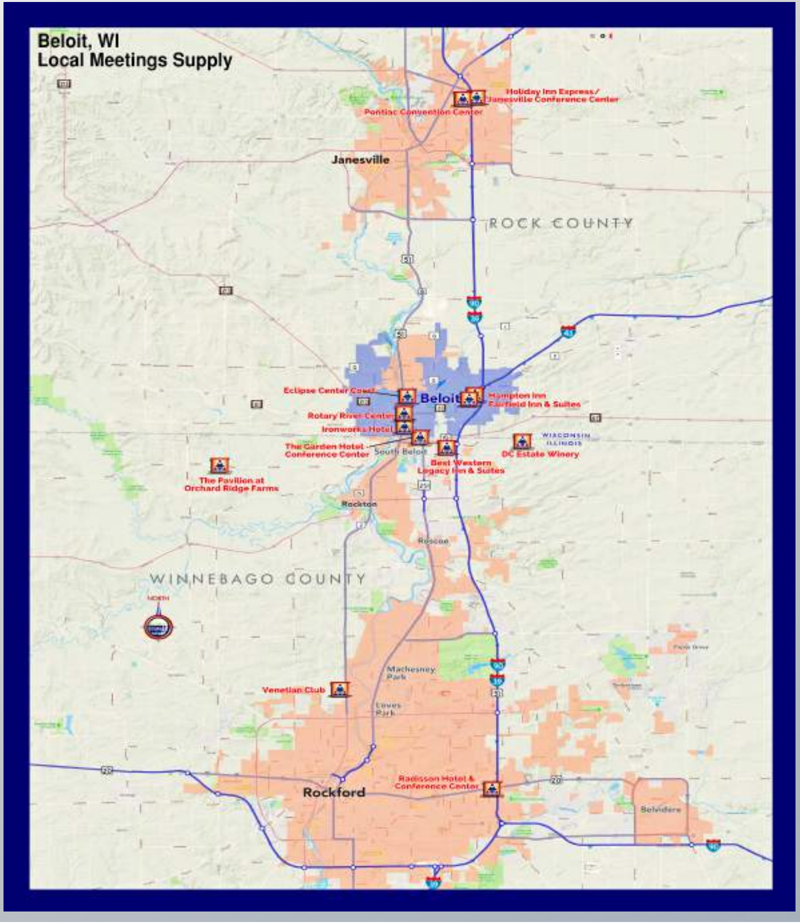
Facility	City	Miles From Downtown	Total Function Space (SF)	Ballroom Space (SF)	Meeting Space (SF)	Breakout Rooms
Eclipse Center	Beloit	1.9	15,000	15,000*	--	1
The Garden Hotel and Conference Center	South Beloit	1.2	11,100	9,000*	2,100*	10
The Pavilion at Orchard Ridge Farms	Rockton	8.8	10,000	10,000	--	1
Holiday Inn Express / Janesville Conference Center	Janesville	17.0	9,990	9,990	--	6
Radisson Hotel and Conference Center	Rockford	19.3	9,700	7,200	2,500*	5
Pontiac Convention Center	Janesville	17.2	8,436	7,700	736	2
The Venetian Club	Rockford	13.5	4,500	4,500*	--	1
DC Estate Winery	South Beloit	5.6	3,750	3,750*	--	1
Ironworks Hotel	Beloit	0.2	3,300	3,300	--	2
Rotary River Center	Beloit	0.9	3,000	3,000	--	1
Beloit Club	Beloit	2.0	1,500	1,500*	--	1
Best Western Legacy Inn & Suites	South Beloit	2.1	800	--	800	1
Hampton Inn Beloit	Beloit	3.3	736	--	736	1
Fairfield Inn and Suites Beloit	Beloit	3.6	704	--	704	1
Average		**6.9**	**5,894**	**6,813**	**1,263**	**2**

*Square footages were estimated based on seating capacity

Source: Cvent; Various Sources; Hunden Strategic Partners

Beloit Local Meeting Supply

HSP considered both Janesville and Rockford as "local" as conversations indicated that Beloit loses meeting and event demand to the cities.



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Eclipse Center

Located: 3 Eclipse Center, Beloit, WI

Function Space:

- Primary Ballroom – ~15,000 SF (Can accommodate groups up to 1,000)

Notable Events:

- Wedding Receptions
- Special Events
- Meetings
- Corporate Functions

Key Takeaways:

- Largest Ballroom space in Beloit but does not offer any breakout meeting room space and has columns.
- Space was originally a food court in an old mall. Not designed to host large meetings and events but does due to lack of supply.

The Garden Hotel and Conference Center

Located: 200 Dearborn Ave, South Beloit

Function Space:

- Primary Ballroom – 9,000 SF
- Meeting Rooms – 2,100 SF (6 rooms)

Notable Events:

- Wedding Receptions
- Special Events
- Meetings
- Corporate Functions

Key Takeaways:

- Although recently renovated, very old hotel with subpar technological fixtures in meeting rooms.
- Hotel caters to families or sports groups, not fit for large conferences.

Holiday Inn Express / Janesville Conference Center

Located: 3100 Wellington Place, Janesville, WI

Function Space:
- Primary Ballroom – 9,990 SF
- Able to be split into 6 different rooms

Notable Events:
- Wedding Receptions
- Special Events
- Meetings
- Corporate Functions

Key Takeaways:
- Space is versatile and is able to accommodate different variations of events.

Radisson Hotel and Conference Center

Located: 200 S Bell School Rd, Rockford, IL

Function Space:
- Primary Ballroom – 7,200 SF
- Meeting Rooms – 2,500 SF (Split between 5 rooms)

Notable Events:
- Wedding Receptions
- Special Events
- Meetings
- Corporate Functions

Key Takeaways:
- Quality ballroom space but hotel accommodations are subpar.

DC Estate Winery

Located: 8877 State Line Rd, South Beloit, IL

Function Space:
- Primary Ballroom – 3,750 SF

Notable Events:
- Wedding Receptions
- Special Events

Key Takeaways:
- Primarily caters to weddings. Able to host outdoor and indoor events.

- Great aesthetics, but not convenient to downtown and does not have breakout rooms for corporate functions.

Ironworks Hotel

Located: 500 S Pleasant St, Beloit, WI

Function Space:

- Primary Ballroom – 3,300 SF

Notable Events:

- Wedding Receptions
- Special Events
- Meetings
- Corporate Functions

Key Takeaways:

- The Ironworks Hotel currently offers the newest and most convenient meeting and event space to Downtown Beloit.

- Space is very limited. Able to primarily accommodate small corporate meetings and small weddings

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Hotel Goodwin

Located: 500 Public Avenue, Beloit, WI

Function Space:
- Enclosed Rooftop Space – ~675 SF (Can accommodate 40 – 50 guests)

Notable Events:
- Special Events
- Meetings
- Corporate Functions

Key Takeaways:
- The 34-room Hotel Goodwin opened its doors in September 2018. Although the hotel does not offer significant function space, the space is brand new, high quality and unique.

New Development – Brookfield Conference Center

The Brookfield Conference Center in Brookfield, Wisconsin is slated to open in early 2020 and will include an 18,000 square foot grand ballroom and 8,000 junior ballroom. The Center will be attached to a 168-room Hilton Garden Inn. Brookfield is located approximately 67 miles northeast of Beloit, just west of Milwaukee.

New Development – Rockford Embassy Suites

Gorman and Company broke ground on a $87.5 million Embassy Suites Hotel and Convention Center in Rockford, Illinois. The development will include a total of 20,000 square feet. The facility will have a 10,000-square foot conference room and 5,000 square feet of versatile meeting space. The project is expected to be complete in the spring of 2020.

Lost Business

Nearly all of Beloit's lost business (11 of the 14 events) were due to the lack of space (Breakout, Ballroom or Exhibit). A new development in Beloit would likely be able to capture many of the events that Beloit has lost.

Beloit Potential Lost Business

Event Name	Date	Unmet Need
ITMC Fall 2018	Oct-18	Not Enough Space - Breakout / Ballroom
Landmark Sales Training	Sep-18	Not Enough Space - Breakout / Ballroom
WI Dept. of Corrections	Sep-18	Hotel Rooms
Heart of Quilting	Aug-18	Not Enough Space - Breakout / Ballroom
GIPAW Conference	TBD - 2018	Hotel Rooms & Exhibit Space
WACVB Fall Tourism Conference	Nov-19	Hotel Rooms & Ballroom Space
UMCVB Conference	TBD - 2019	Not Enough Space - Breakout / Ballroom
IMG Annual Strategic Meeting	Aug-20	Not Enough Space - Breakout / Ballroom
GrassWorks Grazing Conference	May-20	Not Enough Space - Breakout / Ballroom
Brickworld	2017 - 2020	Exhibit Space
US Dog Agility Association	Annual	Not Enough Space - Breakout / Ballroom
WAKO (Kickboxing)	Annual	Not Enough Space - Breakout / Ballroom
WI Dept. of Transportation	Annual	N/A
NHPA World Tournament	Annual	Not Enough Space - Breakout / Ballroom

Source: Visit Beloit

Local Stakeholder Feedback

The HSP team gathered market feedback from various local stakeholders including Beloit tourism representatives, elected officials, and economic development officials. Key takeaways from those conversations included the following:

- Beloit's history and economy have generally been tied to the industrial sector, but it is increasingly diversifying, especially downtown. The investments of Hendricks Holdings and others in the downtown area have injected new industries and a quality of life that previously did not exist. Downtown Beloit today, and all of Beloit, has much to be proud of. Walkable shops, restaurants and boutique hotels, as well as new residential development and a revitalized riverfront are emblematic of this transformation. Investments in higher education are also coming to fruition.
- Beloit has now become an icon for other small communities whose economies were reliant on industrial products.
- Although demand for conference space is not overwhelmingly strong currently, private company growth is expected to increase dramatically in the following years spurring additional demand for meeting and event space.
- The Beloit market does not currently have a flexible meeting and event space capable of hosting larger scale corporate meetings or conferences.

Local Stakeholder Feedback

Irontek Beloit (Coworking Space)

- Irontek has a small conference room on-site but does not accommodate large groups (30—person capacity)
- Participate in multiple technology and "start-up" conferences annually but without conference center, Beloit is unable to bid on hosting events. Conferences generally require 4-5 breakout rooms, which is not offered at any Beloit venue.
- Currently, refer large meeting / event request to Eclipse Center but it is not a compelling space.
- Downtown development of hotel and conference center would help continue the momentum that is already occurring. Generating critical mass near Ironworks, Irontek and Hotel Goodwin will be crucial to the successful future of Downtown Beloit.

Local Stakeholder Feedback

Kerry

- Kerry is badly in need of meeting space in the local market. Currently, hosting events and meetings at least once per week.
- Two large events that could be hosted in Beloit include annual HR summit (~120 attendees) and commercial leadership conference (~150 attendees). Average room block would be approximately 80 rooms.
- Almost always cater breakfast or lunch for meetings. Like to to have top-notch catering options and never want to run out of food. Not worried about the cost of catering options.
- Ideal facility would include 5-6 breakout rooms and large ballroom space. Need updated audio visual equipment to compliment ballroom space. Have looked into hosting events at casinos but many guests are turned off by the ability to smoke indoors.
- Looking for upscale lodging accommodations for executives and out of town guests.

Local Stakeholder Feedback

Beloit College

- Powerhouse development will be a $38 million investment that will renovate the decommissioned Blackhawk Generating Station on the Rock River to be used as a student center for the college.

- Powerhouse will include 4,500 SF of meeting and event space capable of hosting 270 attendees. College will have first access to the space but do intend on making an effort to make more spaces available to the public. Rate structure is not currently set up.

- Beloit College is a generator of hotel rooms. Hotel rooms are primarily needed for homecoming, reunions and move-in and move-out.

- Have the potential of bringing conferences to Beloit if space was available. Every professor in their respective fields attends conferences annually. Conferences range dramatically in size depending on subject matter (300 to 3,000 attendees).

Local Stakeholder Feedback

Beliot Health System

- In total, Beloit Health System includes 1,600 employees but cannot get everyone together at one point.
- More interested in Beloit getting an upscale hospitality offering. Beloit Health System would likely have limited use of a conference center.
- In favor of continued downtown development. More concentration of hotel rooms downtown the better.
- Would use smaller space for executive committee meetings.

Comply365

- Host a large biennial conference. Held in Beloit in 2016 and was held in 2018 (150-200 attendees from around the country and globe). Guests indicated that they loved the “unique” Beloit conference experience.
- Hosted at Beloit College in 2018, but would prefer to host at a downtown venue for proximate amenities.
- Ideal space would include 5-6 breakout rooms capable of hosting 20-30 in addition to a large ballroom space.
- Would love to keep guests all at one hotel for simplicity in booking.

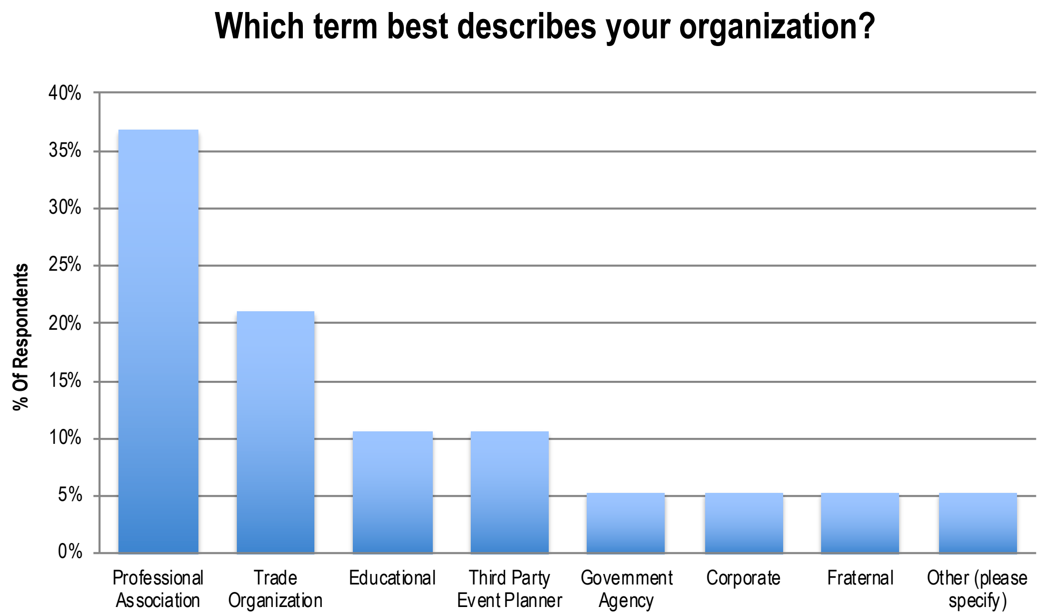
Chapter 4

Statewide Meeting Planner Survey

Statewide Meeting Planner Survey

In addition to local corporate demand, understanding the potential demand from meeting planners is critical to gauge the opportunity for a conference center development in Beloit. Professional associations and trade organizations accounted for the majority of the respondents, as shown in the adjacent table. The survey garnered 20 responses.

A vast majority of the meeting planners surveyed are based in Wisconsin.



Source: Hunden Strategic Partners

Headlines:

- The vast majority of respondents have not held an event in Beloit, but some have considered the option. This is in large part due to the lack of quality supply.
- For most Wisconsin meeting planners, hosting events at any corner of the state is a challenge. Many meeting planners like to host events in cities that are easily accessible for all attendees. This is part of what makes the Wisconsin Dells a top destination for meeting and events in the state.
- The average number of total attendees for events that the meeting planners hosted was between 101-150. The events most commonly lasted for three days.
- Two thirds of events need a ballroom under 6,000 square feet. Nearly half of the respondents indicated the need for three to four breakout rooms. Several respondents also indicated the need for more than ten breakout rooms.
- Hotel rooms generated from events range from 50 to 500 and the space requirements generally align with the amount of meeting space at each facility. Over 70 percent of the respondents indicated the preference for a connected hotel.
- Average daily rate for meetings and events ranged from $109 - $219.

Chapter 5

Hotel Market Analysis

National Trends

The latest recession, beginning in 2008, was the most severe recorded in the hotel industry post-depression. In the years following the recession, occupancy peaked to an all-time industry high of 66.7 percent in 2016. This was consistently increasing on an annual basis starting in 2009 with an occupancy of 54.5 percent. Performance in 2016 was a 1.7 percent increase over 2015. Additionally, ADR followed a similar trend, continuously increasing year over year from $98.08 in 2010 to $126.29 in 2017. ADR has continued to increase in 2018 to $127.90.

National Lodging Industry Annual Summary

Year	Occupancy	Change	Average Daily Rate	Change	Revenue per Available Room	Change
1992	61.9%	–	$59.62	–	$36.90	–
1993	63.1%	1.9%	$61.30	2.8%	$38.68	4.8%
1994	64.7%	2.5%	$64.24	4.8%	$41.56	7.4%
1995	65.1%	0.6%	$67.17	4.6%	$43.73	5.2%
1996	65.0%	-0.2%	$70.81	5.4%	$46.03	5.3%
1997	64.5%	-0.8%	$75.31	6.4%	$48.57	5.5%
1998	63.8%	-1.1%	$78.15	3.8%	$49.86	2.7%
1999	63.1%	-1.1%	$81.29	4.0%	$51.29	2.9%
2000	63.5%	0.6%	$85.24	4.9%	$54.13	5.5%
2001	59.8%	-5.8%	$84.45	-0.9%	$50.50	-6.7%
2002	59.0%	-1.3%	$83.20	-1.5%	$49.09	-2.8%
2003	59.2%	0.3%	$83.28	0.1%	$49.30	0.4%
2004	61.3%	3.5%	$86.70	4.1%	$53.15	7.8%
2005	63.1%	2.9%	$91.29	5.3%	$57.61	8.4%
2006	64.2%	1.7%	$96.77	6.0%	$62.13	7.8%
2007	64.1%	-0.2%	$102.38	5.8%	$65.63	5.6%
2008	60.4%	-5.8%	$106.55	4.1%	$65.61	0.0%
2009	54.5%	-9.8%	$98.20	-7.8%	$53.55	-18.4%
2010	57.6%	5.7%	$98.08	-0.1%	$56.47	5.5%
2011	60.1%	4.3%	$101.64	3.6%	$61.06	8.1%
2012	61.4%	2.2%	$106.10	4.4%	$65.17	6.7%
2013	62.3%	1.5%	$110.35	4.0%	$68.69	5.4%
2014	65.0%	4.3%	$115.26	4.4%	$75.66	10.1%
2015	65.6%	0.9%	$120.01	4.1%	$78.67	4.0%
2016	66.7%	1.7%	$124.00	3.3%	$83.00	5.5%
2017	65.9%	-1.1%	$126.29	1.8%	$83.48	0.6%
2018 YTD (April)	63.2%	-4.2%	$127.90	1.3%	$80.98	-3.0%
Avg. Annual Growth Rate		***0.3%***		***3.1%***		***3.5%***

Source: Smith Travel Research, HSP

National Trends

Since 2009, credit has loosened for hotels and beginning in 2012, more loans were made for the hospitality sector. The market is currently strong and funding (both equity and debt) is more widely available. Demand outpaced supply during the recession, and has continued to outpace supply growth such that new hotel development continues to be feasible in many markets.

The loan-to-value ratio (LTV) is an important measure of the amount of risk that banks are willing to undertake for real estate investments. Historically, hotels have exhibited a higher risk level in the eyes of lenders, and have therefore required a substantial equity investment. However, "cookie-cutter" branded, franchised prototype projects at interstate locations, which are very predictable to bankers in terms of safety and profitability, have achieved loan-to-value rates of up to 90 percent.

As the performance of hotels has improved, banks have become more comfortable approving higher loan amounts relative to the value of the project. At its peak in 2005, the LTV was nearly 70.6 percent on average. It decreased to 60 percent in 2008 and has been slowly recovering since that time, reaching closer to 70 to 75 percent in 2018.

National Trends

Costs per room vary drastically depending on the chain scale, from a budgeted average of $115,000 for midscale properties up to $1,515,000 for luxury properties. For most developments, the question is whether or not the ADR is greater than the cost per room to build.

A standard rule in the hotel industry is that the ADR multiplied by 1,000 will give a developer a sense of what hotel cost/room the market will support. For example, a hotel expected to perform at $125 per night on average could be developed for approximately $125,000 per room.

2016 - 2017 Hotel Development Cost Survey Per-Room Averages

	Land	Hard Costs	Soft Costs	Pre-Opening & Working Capital	FF&E	Development Fee	Total
Midscale Hotels							
Average from Budgets	$20,000	$79,000	$16,000	$100	$10,000	$7,000	$115,000
Allocation	16%	71%	11%	1%	9%	6%	
Upper Midscale Hotels							
Average from Budgets	$20,000	$94,000	$12,000	$3,000	$16,000	$6,000	$145,000
Allocation	13%	66%	8%	2%	12%	4%	
Upscale Hotels							
Average from Budgets	$32,000	$133,000	$16,000	$5,000	$20,000	$9,000	$207,000
Allocation	13%	65%	7%	2%	11%	4%	
Upper Upscale Hotels							
Average from Budgets	$82,000	$232,000	$46,000	$6,000	$32,000	$11,000	$388,000
Allocation	18%	61%	11%	1%	9%	3%	
Luxury Hotels							
Average from Budgets	$240,000	$805,000	$308,000	$20,000	$101,000	$57,000	$1,515,000
Allocation	9%	58%	20%	1%	8%	3%	

Source: Cushman & Wakefield Global Hospitality

Lodging Summary

The adjacent tables shows the lodging summary for the entire Beloit market. For purposes of this analysis, HSP included South Beloit hotels in the Beloit hotel market. Nearly 65 percent of the market is comprised of Upper Midscale and Independent properties.

In most markets, the economy/independent segment is generally considered the lowest quality properties in the market but this is not entirely the case in Beloit. In Beloit, both the Ironworks Hotel and the Hotel Goodwin (which is included in the hotel supply) are arguably the two nicest properties in the market but are not branded hotels so fall into the independent segment.

Lodging Summary: Beloit

Chain Scale	Rooms	% of Total Rooms	Hotels	Rooms per Hotel	Avg. Opening Year	Avg. Age in Years
Upscale	–	–	–	–	–	–
Upper Midscale	292	32%	3	97	Apr-09	9
Midscale	180	20%	3	60	Dec-94	24
Independent	289	32%	4	72	Feb-91	27
Economy	150	16%	2	75	Dec-89	29
Total / Average	**911**	**100%**	**12**	**76**	**Jan-94**	**24**

Source: Smith Travel Research, Hunden Strategic Partners

Competitive Hotel Set

The competitive set hotels selected are generally considered the highest quality properties in the local market. The Ironworks Hotel offers the largest meeting space of the competitive set.

Beloit Competitive Set Hotels

Name	Distance From Downtown	Rooms	Chainscale	Open Date
Ironworks Hotel	0.1	54	Indep	Jan-01
Best Western Legacy Inn & Suites Beloit South Beloit	1.8	67	Midscale	Jul-07
Hampton Inn Beloit	2.9	96	Upper Midscale	Aug-12
Fairfield Inn & Suites Beloit	3.0	94	Upper Midscale	May-96
Total / Average	**2.0**	**311**	**--**	**May-04**

Source: Smith Travel Research

Hotel Pipeline

The 34-room boutique Hotel Goodwin recently opened their doors (September 10th). Although the property does not add significant hotel rooms downtown, the property offers a destination worthy experience.

The 102-room Home2 Suites opened in November and the 124-room Holiday Inn Express is expected to open in April 2019. Both properties will be located on Milwaukee Road near Interstate 90. The Home2 Suites is also includes a conference room that is able to seat approximately 100 guests.

Beloit Hotel Pipeline

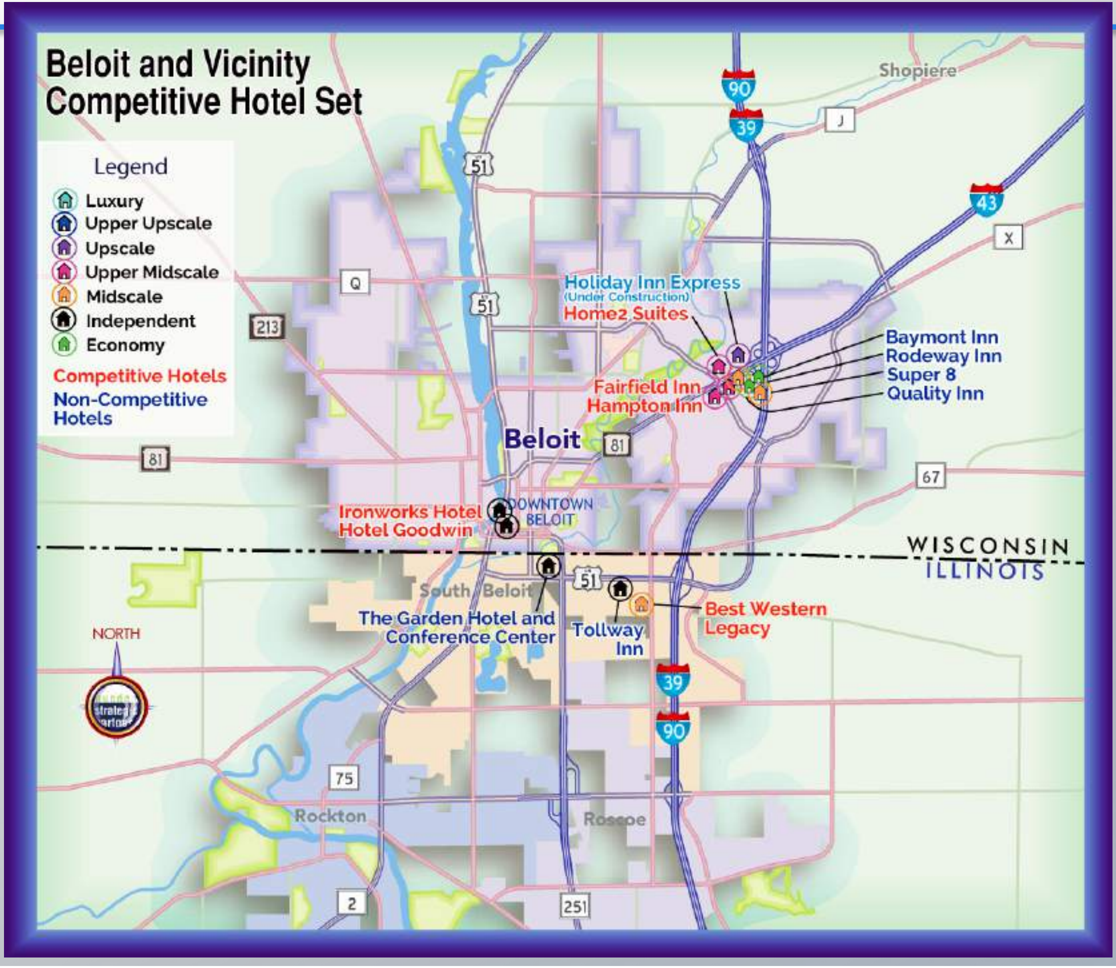
Name	Keys	Open Date
Hotel Goodwin	34	Sep-18
Home2 Suites	102	Nov-18
Holiday Inn Express	124	Apr-19
Total	**260**	**--**

Source: Hunden Strategic Partners

Beloit Hotel Map

The majority of hotels in Beloit are located at the Interstate 39/90 and Interstate 43 interchange.

Both the Hotel Goodwin and the Home2 Suites are competitive to a new hotel and conference center development. The two hotels opened after HSP ordered the competitive set trend from Smith Travel Research shown on slide 55. Although not included in the hotel market analysis tables (Chapter 5), the impact from the two new properties is factored into HSP's financial projections (Chapter 9).



Hotel Performance

The competitive set performance indicates that room nights sold and occupancy have increased significantly over the last four years. Occupancy and rooms sold, which represent demand, have increased by a CAGR of 5.3% during this period.

Average daily rate has shown positive percentage change over the last four years as well, increasing by nearly $27 from 2013 through 2017.

Historical Supply, Demand, Occupancy, ADR, and RevPar for Competitive Hotels

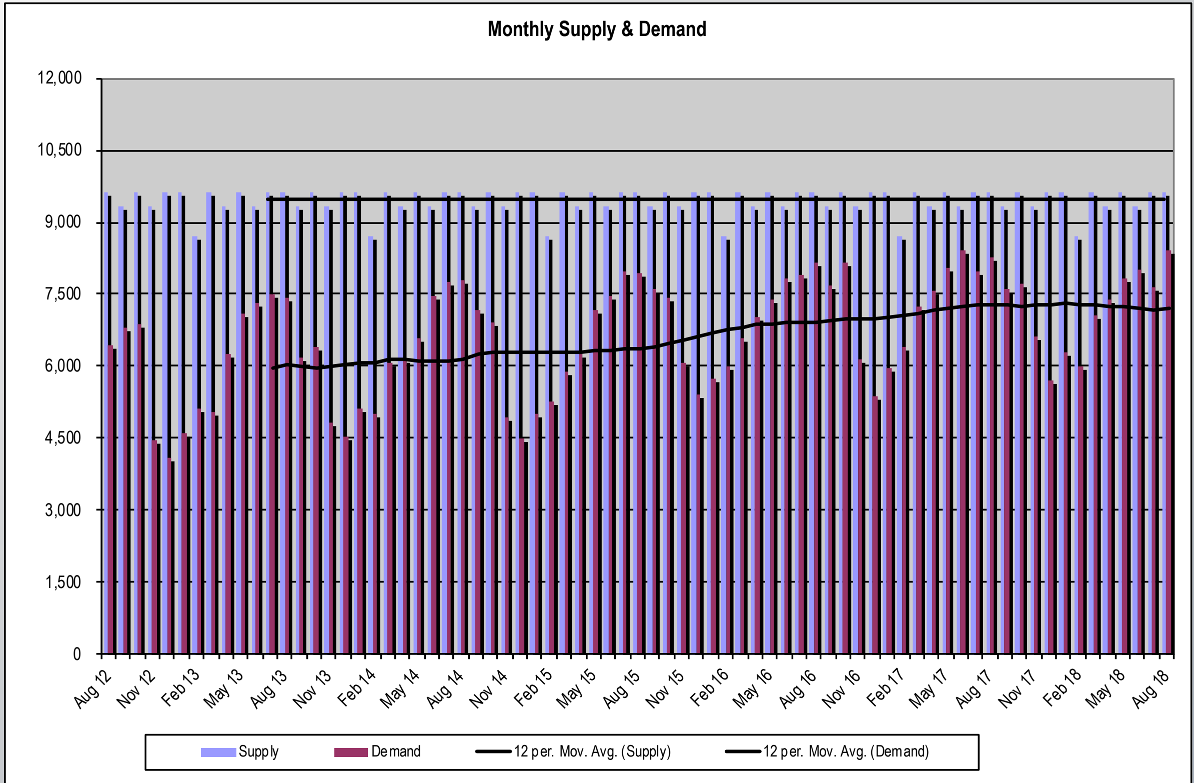
Year	Annual Avg. Available Rooms	Available Room Nights	% Change	Room Nights Sold	% Change	% Occ.	% Change	ADR	% Change	RevPar	% Change
2013	–	113,515	–	72,266	–	63.7	–	$89.62	–	$57.05	–
2014	311	113,515	0.0%	75,468	4.4%	66.5	4.4%	$94.46	5.4%	$62.80	10.1%
2015	311	113,515	0.0%	79,525	5.4%	70.1	5.4%	$100.89	6.8%	$70.68	12.6%
2016	311	113,515	0.0%	84,017	5.6%	74.0	5.6%	$108.19	7.2%	$80.07	13.3%
2017	311	113,515	0.0%	87,570	4.2%	77.1	4.2%	$116.33	7.5%	$89.74	12.1%
2018 YTD (August)	311	75,573	0.0%	58,662	-2.1%	77.6	-2.1%	$121.15	4.4%	$94.04	2.2%
CAGR* (2014-2017)	–	0.0%	–	5.3%	–	5.3%	–	7.5%	–	14.3%	–

*Compound Annual Growth Rate

Sources: Smith Travel Research, Hunden Strategic Partners

Supply and Demand

The trend lines show almost no change in hotel supply over the last five years. Over the same period, demand has increased very minimally. Demand consistently peaks during the summer months of each year, which is consistent for hotels in the northern region of the U.S.

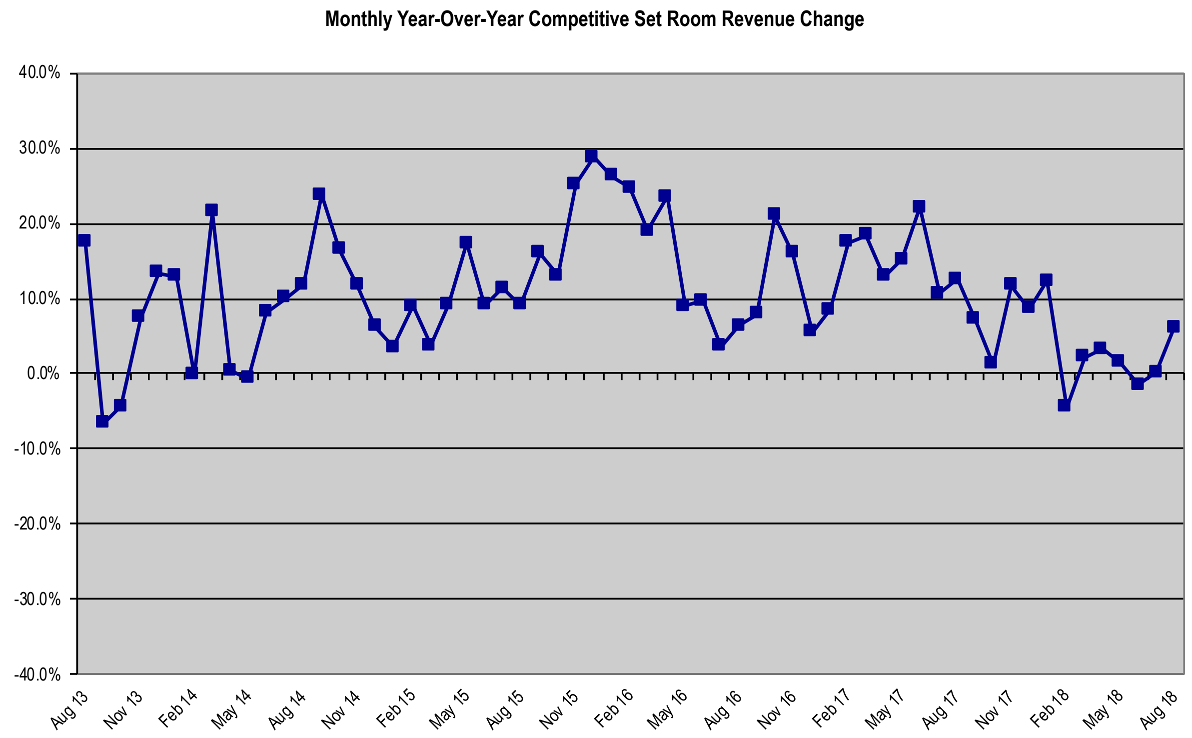


Source: Smith Travel Research, Hunden Strategic Partners

Room Revenue Change

Points above the x-axis in the adjacent chart represent year-over-year room revenue growth, while points below the line means room revenue decay.

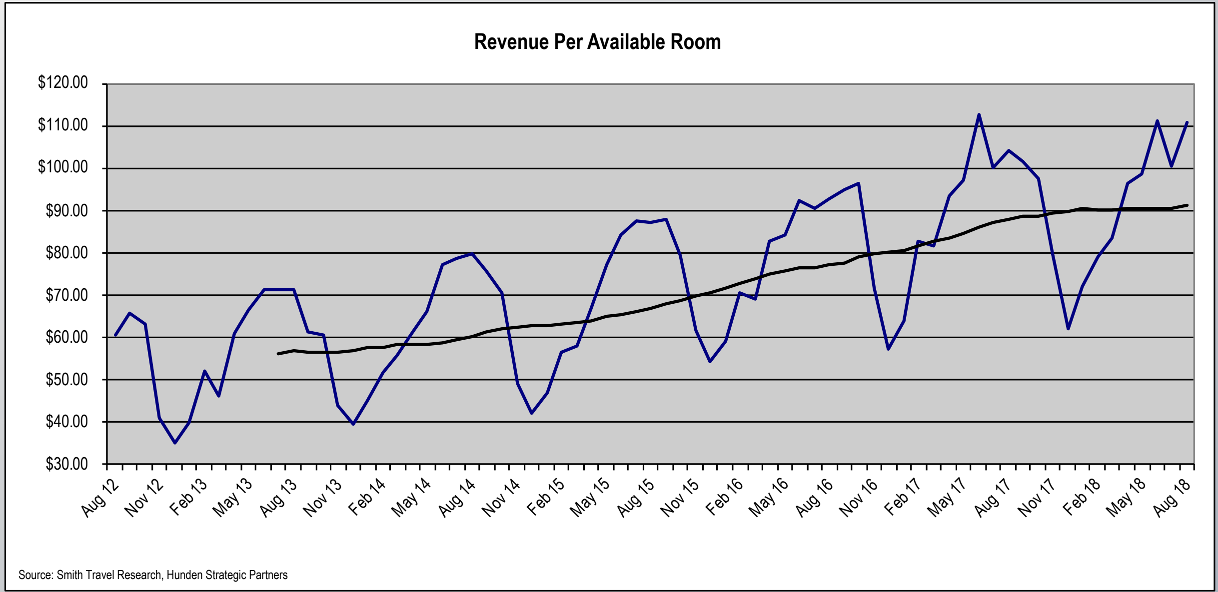
The largest room revenue growth occurred in December of 2015. Overall, trends have remained primarily positive over the last four years.



Source: Smith Travel Research, Hunden Strategic Partners

Revenue Per Available Room

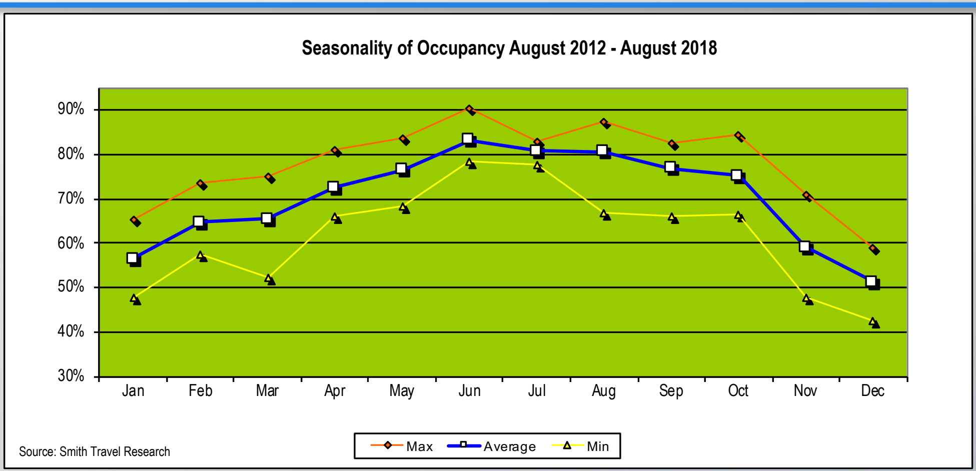
The trend line shows that RevPAR, which is the product of occupancy and rate, recorded over a $30 increase since 2013.

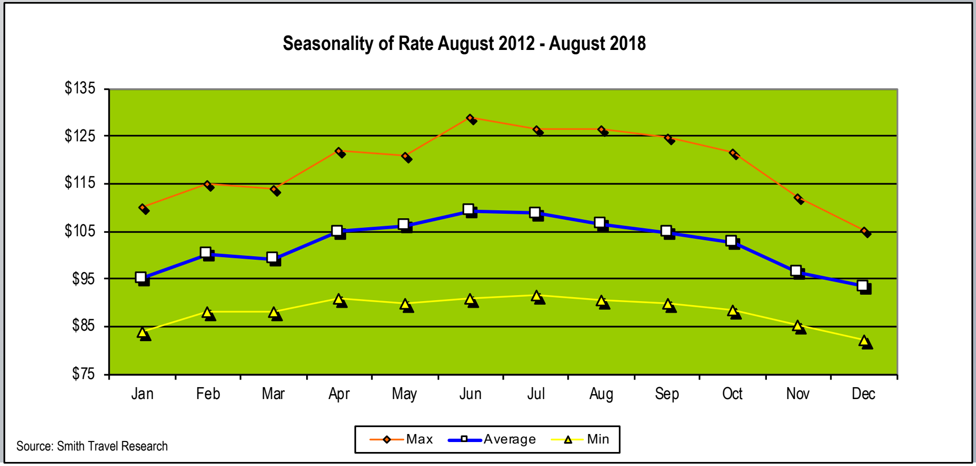


Seasonality – Occupancy and ADR

Due to leisure travel, the summer months are the strongest in the local hotel market with an average occupancy remaining above 80 percent from June through August.

Rate remains very consistent throughout the year due the heavy corporate presence.





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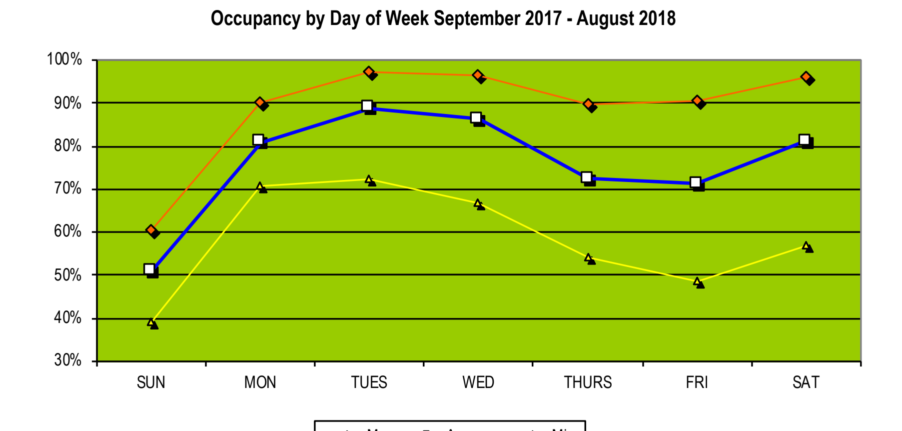
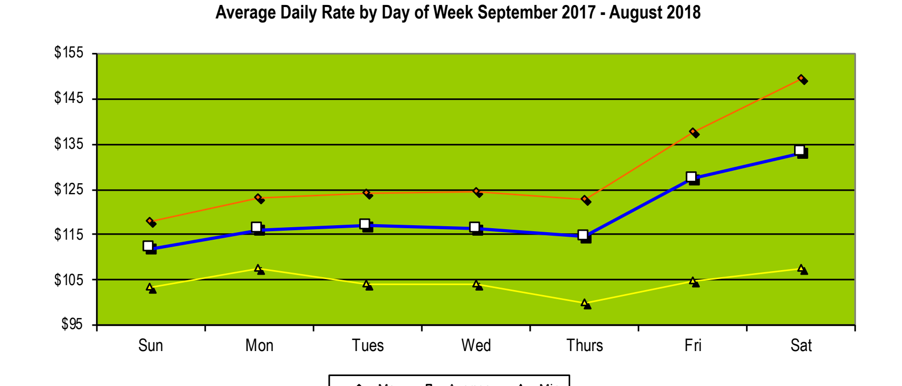
Day of Week – Occupancy and ADR

The adjacent figures show the day of week performance of the competitive hotel set from September 2017 through August 2018. Occupancy peaks on Tuesday before dropping on Thursday and Friday. Occupancy picks back up on Saturday indicating that demand is strong from both the corporate and the leisure segments. Rates remain very consistent throughout the year but can vary dramatically on weekends depending on the season.



Source: Smith Travel Research



Source: Smith Travel Research

Heat Charts

The adjacent heat charts summarize the day of week performance of the hotel market over the last calendar year. Occupancy is extremely high during the week throughout the year, with occupancy averaging over 86 percent on Tuesdays and Wednesdays. This suggests significant unaccommodated demand that is leaving the market.

	75-80
	80-90
	> 90

Occupancy Percent by Day of Week by Month - September 2017 - August 2018

	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Avg
Sep - 17	57.3%	73.4%	90.5%	92.9%	78.0%	79.3%	95.9%	81.5%
Oct - 17	53.8%	85.0%	88.7%	90.9%	72.9%	79.4%	93.4%	80.1%
Nov - 17	46.7%	77.5%	85.5%	78.2%	69.3%	65.8%	73.7%	71.1%
Dec - 17	42.6%	70.8%	72.4%	66.9%	54.0%	55.0%	56.8%	59.0%
Jan - 18	39.2%	71.5%	81.3%	80.4%	66.6%	51.2%	56.8%	65.2%
Feb - 18	45.6%	84.0%	90.8%	86.8%	66.3%	48.5%	60.0%	68.9%
Mar - 18	54.3%	85.5%	92.5%	85.5%	68.7%	61.0%	70.2%	73.3%
Apr - 18	46.6%	89.0%	95.3%	91.2%	71.4%	76.0%	89.1%	79.0%
May - 18	60.6%	78.7%	92.9%	92.3%	73.1%	76.0%	92.7%	81.4%
Jun - 18	50.8%	86.3%	97.4%	94.1%	89.9%	85.3%	96.0%	86.0%
Jul - 18	56.3%	80.5%	83.1%	80.9%	77.3%	87.7%	93.9%	79.3%
Aug - 18	60.1%	90.0%	96.5%	96.3%	81.2%	90.4%	95.7%	87.4%
Average	**51.1%**	**81.0%**	**88.7%**	**86.4%**	**72.4%**	**71.6%**	**81.1%**	

Sources: Smith Travel Research

	115-125
	125-135
	> 135

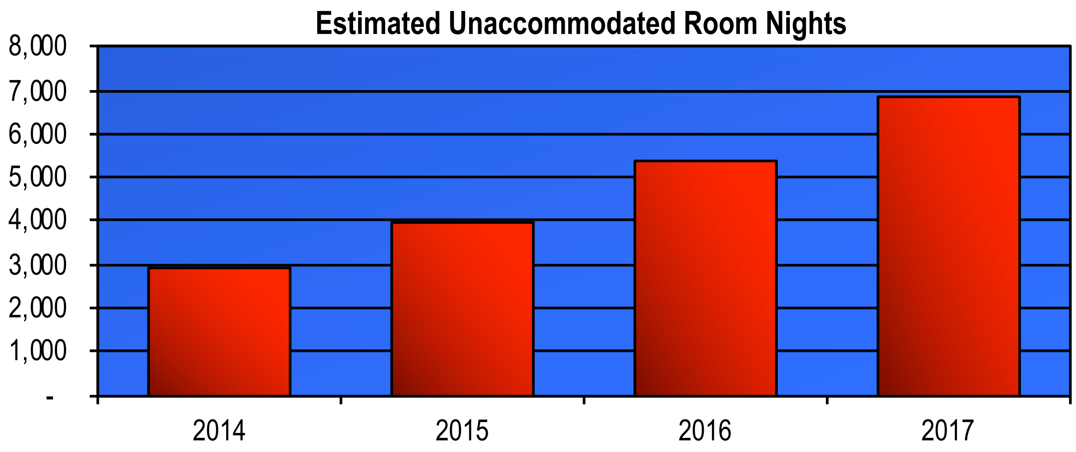
ADR by Day of Week by Month - September 2017 - August 2018

	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Avg
Sep - 17	116.73	119.22	121.62	118.16	116.35	129.79	140.42	124.69
Oct - 17	116.42	116.83	117.52	118.60	115.55	128.22	138.11	121.67
Nov - 17	103.32	111.23	116.56	109.07	108.19	113.32	121.87	112.23
Dec - 17	107.56	107.54	104.09	104.12	99.84	104.82	109.06	105.41
Jan - 18	103.67	110.66	109.55	114.76	110.26	110.04	107.50	110.24
Feb - 18	108.92	114.75	115.58	111.97	108.59	128.44	118.72	114.88
Mar - 18	104.93	115.14	117.94	114.06	112.99	118.82	110.15	113.86
Apr - 18	112.65	116.25	115.44	113.89	115.24	136.13	143.09	121.87
May - 18	117.79	111.98	115.53	117.28	117.63	130.45	138.68	121.13
Jun - 18	112.92	122.96	124.35	122.64	118.51	137.62	149.62	129.10
Jul - 18	115.37	123.11	120.96	120.22	120.19	136.69	146.55	126.63
Aug - 18	115.54	120.51	121.12	124.52	122.86	134.48	142.75	126.69
Average	**111.94**	**116.13**	**116.92**	**116.24**	**114.57**	**127.32**	**133.15**	

Sources: Smith Travel Research

Unaccommodated Room Nights

HSP estimates that there were nearly 7,000 unaccommodated room nights in the Beloit market in 2017.



Source: Hunden Strategic Partners

Market Feedback

Hampton Inn:

- Majority of the weddings in the summer are hosted at the Pavilion at Orchard Ridge Farms, DC Estate Winery and Ironworks Hotel. Hampton Inn does not host weddings but does see an increase in business from the weddings.

- The Hampton Inn considers the Fairfield Inn, Ironworks Hotel and Best Western in its competitive set. The Hampton is the newest property in the competitive set.

- The Hampton Inn's average daily rate is approximately $150 but does not have the same potential that the Ironworks has to garner $300 rates.

- Estimated segmentation at the property is as follows:
    - 70% Corporate
    - 20% Leisure
    - 10% Group

Hendricks Commercial Properties

- Much of the growth seen in Beloit can be attributed to the new tech companies.
- Labor market is ripe for large industrial properties. Ebates employs ~175 but is looking to grow to ~400 over the next 3 years. Kerry will bring in ~150 from around the globe and Acculynx is looking to expand 100 technology jobs.
- Beloit residents are yearning to live close to downtown. Adding 70 apartment units downtown. Phoenix building includes 27 units and is completely occupied.
- Ironworks hotel operates at ~96% occupancy annually, which created vision for the Hotel Goodwin.
- Have invested significant money into the Eclipse Center but without a true vision. The facility has trouble accommodating smaller groups due to its vastness. Ideal facility would include large ballroom with multiple breakout rooms.

Local Stakeholder Feedback

Hendricks Commercial Properties

- Beloit doesn't follow typical market formula for supply and demand. HCP has taken a "If you build it, they will come" approach but has seen success. Ironworks Hotel was a large investment but has turned out extremely well. Beloit community doesn't give themselves enough credit. Believes that if conference center built, demand would be spurred.

- ~10,000 people leave the community everyday for work and ~10,000 come into the community. Primarily, blue collar (industrial) workers leave and white collar employees commute to Beloit for work. White collar jobs include engineers, software and accounting.

- Majority of those commuting to Beloit live in Janesville, Rockford and Lake Geneva. School District of Beloit is one of the deterrents for families.

- When manufacturing left Beloit, the city's economy struggled which led to the decline of the school district.

Chapter 6

Implications and Recommendations

Implications

A SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis was conducted. A SWOT analysis identifies critical factors that will impact the Project's overall performance. It also suggests implications for the sizing and quality of the project given the current environment. Strengths and weaknesses are current factors impacting the potential project as well as items inherent in the project or market, while opportunities and threats are potential and external factors impacting the success of the Project.

This section also provides recommendations on the size and quality of the Project based on HSP's review of the market and other factors. In addition, HSP's experience with similar projects and how they have performed played a role in our recommendations and projections.

STRENGTHS

- **Hotel Seasonality** – The Beloit market has both strong corporate weekday drivers and strong weekend leisure demand. This has created a very strong environment for hotels in the local area. Occupancy averages over 80 percent during the week and on Saturday's, which is uncommon for northern hotel markets in smaller communities. Beloit sees consistent hotel demand from many corporations (most notably Kerry, Hendricks Holdings and Frito-Lay) and Beloit College.

STRENGTHS (cont'd)

- **Quality of Downtown Hotels**– With the recent opening of the Hotel Goodwin, Beloit now offers two very high quality lodging options downtown. The properties are both unique, non-branded properties that give guests an experience that is connected to the history of the city. Future development downtown should match the level of quality that has been exhibited downtown.

WEAKNESSES

- **Hotel Seasonality and Dependency on Corporations** – Hotels within the local market struggle slightly during the offseason winter and spring months on weekends. During peak season throughout the summer, hotel demand is generated by sports groups, SMERF (Social; Military; Education; Religious; Fraternal) groups and supplemented by the corporate transient demand. During the winter and spring months, the market is forced to rely upon corporate transient and group business.

- **Room Count Downtown –** Although the two downtown hotel products are of high-quality, the Hotel Goodwin and Ironworks Hotel only offer a total of 88 hotel rooms. If a potential conference development was to occur downtown, there would be a need for additional hotel rooms downtown.

SWOT

Weaknesses (cont'd)

- **Rate** – Occupancy of the local hotel market has remained extremely strong throughout the last twelve months (~77 percent), but the Average Daily Rate of the existing Beloit hotels is slightly below the level that will fully support the desired quality and pricing of a full-service conference center and hotel. ADR has increased by nearly eight percent from 2013 to 2017 which is a very positive sign for future development.

OPPORTUNITIES

- **Meetings and Events** – Beloit is forced to turn away larger, more impactful events due to lack of an available, high-quality event facility. Local corporations are forced to host events outside of Beloit due to the lack of an appropriate facility in the local market. Currently, the highest quality venues in the market do not offer the size and flexibility of function space that the market is calling for. A new conference center will allow local businesses, and other groups, to host higher-rated corporate meetings, conferences, banquets, and social events within the Beloit city limits.

Opportunities (cont'd)

- **Catalytic Development** – The proposed conference center and hotel can serve as a catalytic development to retain and attract businesses, groups and visitors to Beloit. Development is often a "Catch-22" situation, where an investment such as a conference center and hotel is not necessarily feasible without other amenities and demand generators. Yet the other amenities and demand generators may not occur as quickly without the conference center and hotel. To start the development trend, public entities can spur development by investing in this area now, helping to bridge the risk gap that has kept other developers at bay. Businesses and entrepreneurs notice when the city is aggressive and takes and active role in improving itself via public-private partnerships, key public investments and other quality of life enhancements. These create an environment where others are then more willing to invest time, money, talent and effort into a new business in Beloit, move there as residents or visit with their group. *Downtown is already thriving in many ways and so much of the destination appeal work has been started. This is a plus!*

THREATS

- **Ho-Chunk Casino** – The potential Ho-Chunk Casino Development greatly affects conference and hotel opportunity in Beloit.

- **Hotel Pipeline** – The addition of new hotel rooms (34 rooms at the Hotel Goodwin, 102-room Home2 Suites in Nov-2018 and the 124-room Holiday Inn Express in April-19) in the market may decrease the feasibility of a large scale hotel development.

Recommendations

Based on the market analysis, HSP recommends the following for Beloit:

Room Count. A "select-service on steroids" branded hotel with 140 rooms is recommended. The development can be slightly larger or smaller (15 to 20 percent), but the hotel should be large enough to accommodate large out of town groups.

Amenities. Services that cater to the business traveler like complimentary Wi-Fi, a business center, a pool, and a fitness center will help attract the business travelers that regularly visit Beloit. These amenities have come to be expected by modern travelers.

Location. Within easy walking distance (up to 1,500-foot radius) of the two downtown hotels.

Recommendations

Food and Beverage. HSP recommends that the hotel feature a ground-floor three meal restaurant, as well as a catering kitchen for the event spaces.

Function Space. Unlike the existing hotels, which typically have just one or two meeting rooms, the proposed hotel should include a 5,000-square foot ballroom and offer 5 breakout rooms (at 1,000 SF each). This will allow for larger meetings onsite and should attract more group business to Beloit. If the meeting and function space were built adjacent to the proposed hotel, instead of connected directly to it, additional challenges would arise. Due to the weather and the catering requirements for events, even if separated by a short distance, walking between facilities would be a hindrance in attracting guests and in efficiently run operations. Guests with limited mobility or handicaps could see the short distance between the facilities as a reason to book their events with another hotel in the market.

Chapter 7

Comparable Developments

Comparable Facilities

HSP has been involved with, or studied, a number of comparable developments throughout the country. These projects provide examples of viable conference center hotel developments in growing communities like Beloit. Once a development establishes itself, the markets are able to generate a better reputation for hosting events, which can then lead to to a larger purpose-built convention style facility. Examples of these select-service “plus” conference center hotel complexes are shown in the table below.

Beloit Comparable Facilities

Facility	Location	Opened	Rooms	Ballroom Space (SF)	Meeting Space (SF)	# of Meeting Rooms
Hilton Garden Inn Louisville Airport	Louisville, KY	2003	208	7,148	6,120	6
Hilton Garden Inn + Bancorp Conferene Center and Arena*	Tupelo, MS	2006	158	10,230	17,303	14
Aloft Newport on the Levee	Newport, KY	2017	144	--	2,250	3
Hilton Garden Inn Manhattan	Manhattan, KS	2011	135	14,512	16,382	11
Hilton Garden Inn / Johnny's Italian Steakhouse	Sun Prarie, WI	n/a	124	--	7,315	2
Average		**2009**	**154**	**10,630**	**9,874**	**7**

*The hotel and convention center are adjacent, but not connected

Source: Cvent; Various Sources; Hunden Strategic Partners

Hilton Garden Inn + BancorpSouth Conference Center and Arena – Tupelo, MS

Opened: November 2006

Rooms: 158

Owned by: Peachtree Hotel Group
Operated by: Peachtree Hotel Group Management

City of Tupelo Population (2016): 38,842
Lee County Population (2015): 85,300

Ballroom space (Adjacent, not connected) – 10,000 SF; breaks into 9 meeting rooms
Bancorp South – 5,600 SF and breaks into 5-meeting rooms
Arena Space – 55,000 SF

Renovated in August 2014, the 158-room hotel is located in downtown Tupelo in close proximity to a plethora of retail options and Elvis' birthplace.

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Aloft Newport on the Levee – Newport, KY

Opened: January 2017

Rooms: 144

Owned by: Musselman Hotels
Operated by: Musselman Hotels Management

City of Newport Population (2016): 15,241
County Population (2015): 92,066

Meeting Space – 2,250 SF and can be divided into 3 rooms

The Aloft Newport on the Levee is just a mile walk across the river from Downtown Cincinnati, Bengals and Reds games, and the Duke Energy Convention Center. One of the hotel's key partners is the famous German beer hall, Hofbrauhaus. The hotel is part of a larger $80 million mixed use development.

Hilton Garden Inn Manhattan – Manhattan, KS

Opened: November 2011

Rooms: 135

Owned by: n/a
Operated by: n/a

City of Manhattan Population (2016): 54,983
County Population (2015): 75,247

Ballroom – 15,000 SF
Meeting Space – 16,000 between 11 rooms (rooms range in size from 426 SF to 3,558 SF)

The venue is located conveniently off of Interstate I-70 from Kansas State and the hotel provides shuttle services to and from the Manhattan, KS Regional Airport.

Hilton Garden Inn / Johnny's Italian Steakhouse – Sun Prairie, WI

Opened: U/C 2018 (August Open Date)

Rooms: 124

Owned by: Heart of America Group
Operated by: Heart of America Group

City of Sun Prairie Population (2016): 32,820
Dane County Population (2015): 523,643

The 124-room proposed Sun Prairie project broke ground in July of 2017. In addition to a Johnny's Italian Steakhouse, the hotel will offer meeting room space. The budget is between $22 and $24 million which includes $5 million in incentives. The project is expected to generate nearly $25 million in tax increment using the current 4% hotel occupancy tax. The developers have recommended that the City of Sun Prairie increase their pillow tax to 7% or 8%.

Hilton Garden Inn – Kokomo, IN

Opened: Announced – No Time Frame

Rooms: 123

Owned by: Dora Hotel Company
Operated by: Dora Hotel Company

City of Kokomo Population (2016): 57,799
Howard County Population (2015): 82,556

The 123-room proposed Kokomo has not broken ground but were confirmed publicly in July 2018. The $26 million development will include the Hilton Garden Inn, conference center capable of accommodating 560 people and auto museum. Kokomo has played an active role in preparing the land for the project by purchasing properties and demolishing them to clear the area. The CVB reduced its operating budget by 50 percent starting in 2015 to raise over $1.5 million for project funding.

Source: Indiana Public Media

Chapter 8

Site Analysis

Site Analysis

HSP had conversations with Visit Beloit to start the discussion of potential sites for a conference center and hotel development. None of the property owners have been officially approached (including the City of Beloit) nor have any of the conceptual sites been verified to be zoned appropriately for the proposed use and/or are compliant with the Comprehensive Plan. HSP put together the adjacent map as a legend for potential sites to be considered.

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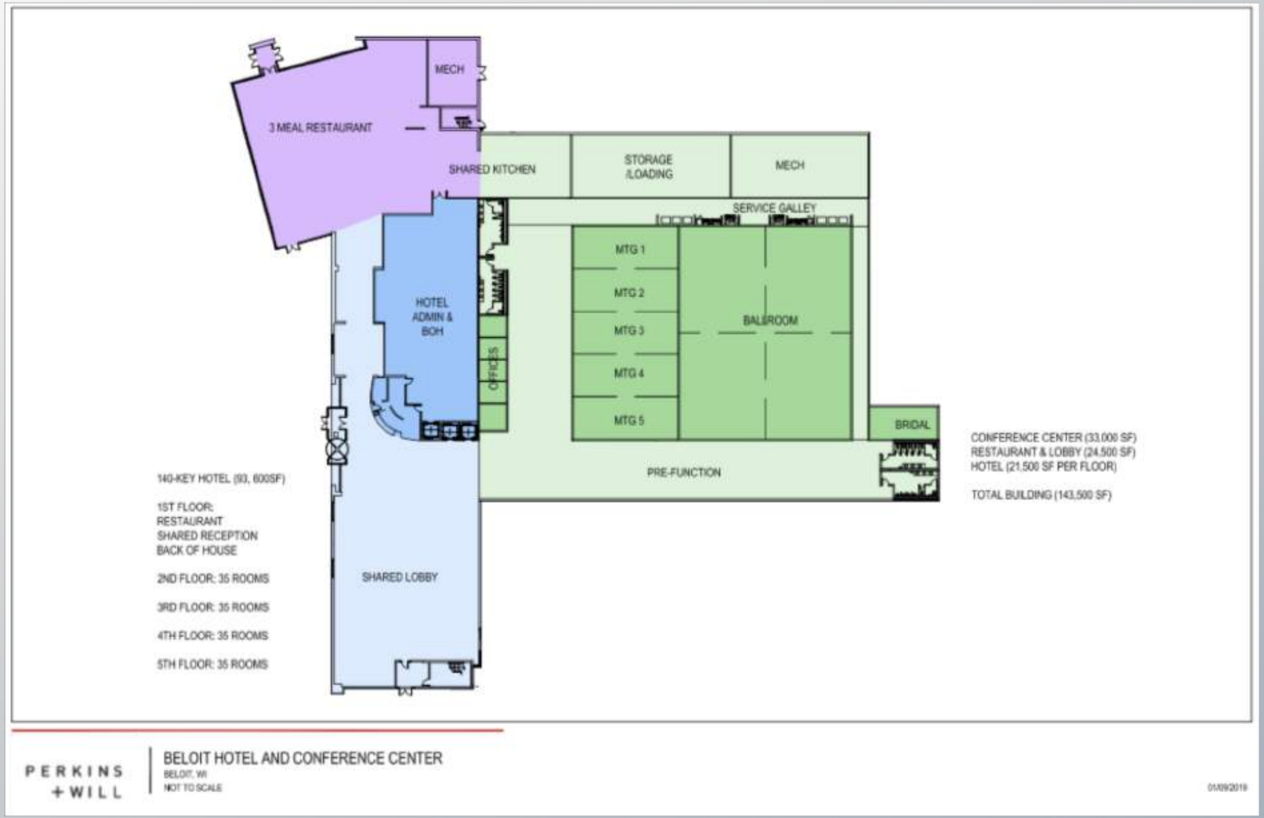
Potential Layout – Test Fit

Perkins and Will created concept test fit designs for the physical program that HSP recommended. The test fit program is shown in the adjacent figure.



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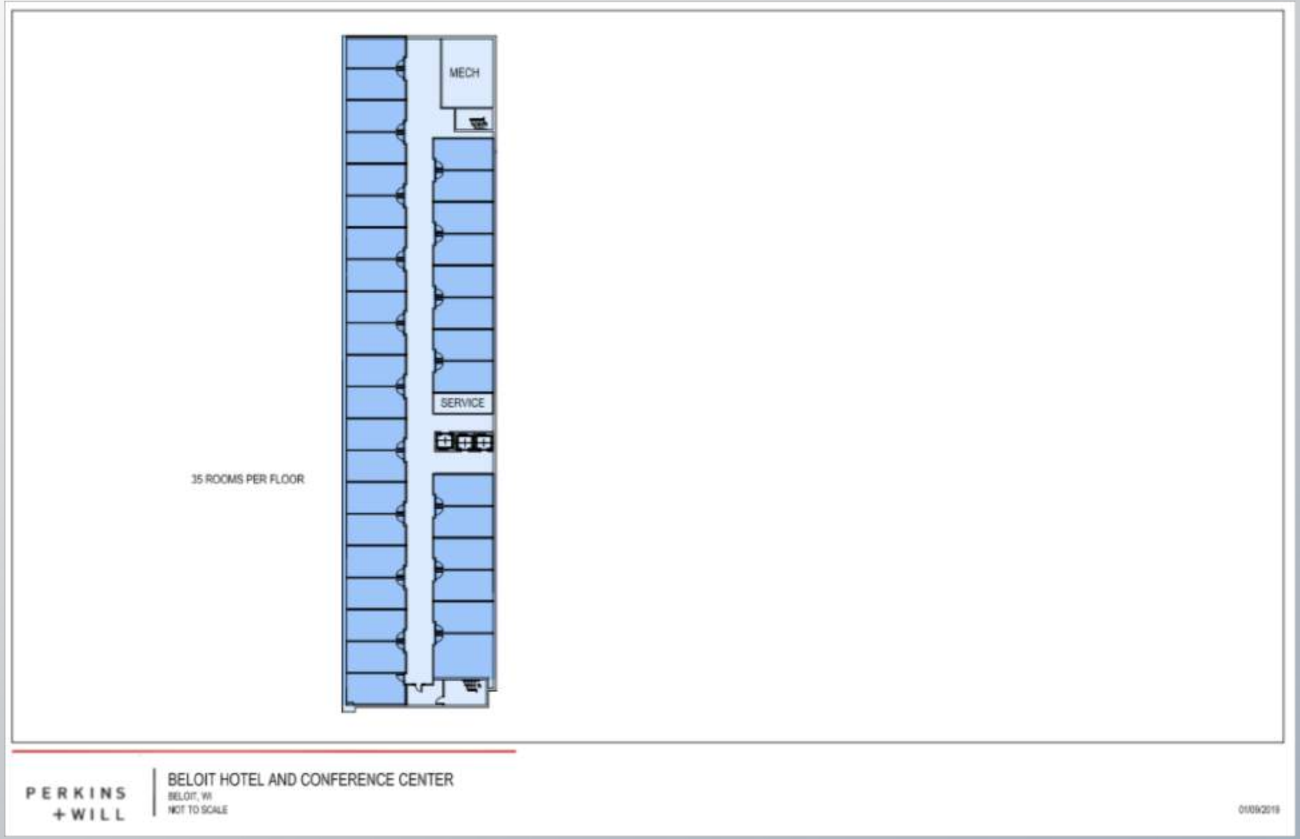
Potential Layout – Test Fit

The adjacent figure shows a typical hotel floor layout.



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Chapter 9

Hotel Demand and Financial Projections

Demand and Financial Projections

Estimated Competitive Set Demand Growth by Segment

Year	Corporate Transient	% Change	Group	% Change	Leisure	% Change	Total Demand	% Change	Total Supply	% Change	Total Rooms	Occupancy
2017	53,227	—	13,551	—	20,792	—	87,570	—	113,515	—	311	77.1%
2018	57,640	8.3%	14,675	8.3%	22,516	8.3%	94,830	8.3%	126,959	11.8%	348	74.7%
2019	76,746	33.1%	21,971	49.7%	31,223	38.7%	129,940	37.0%	197,100	55.2%	540	65.9%
2020	81,834	6.6%	24,156	9.9%	34,846	11.6%	140,836	8.4%	208,415	5.7%	571	67.6%
2021	93,872	14.7%	30,671	27.0%	37,982	9.0%	162,525	15.4%	259,515	24.5%	711	62.6%
2022	102,158	8.8%	33,980	10.8%	39,349	3.6%	175,487	8.0%	259,515	0.0%	711	67.6%
2023	107,568	5.3%	35,446	4.3%	39,916	1.4%	182,931	4.2%	259,515	0.0%	711	70.5%
2024	110,987	3.2%	36,058	1.7%	40,146	0.6%	187,190	2.3%	259,515	0.0%	711	72.1%
2025	110,987	0.0%	36,058	0.0%	40,146	0.0%	187,190	0.0%	259,515	0.0%	711	72.1%
2026	110,987	0.0%	36,058	0.0%	40,146	0.0%	187,190	0.0%	259,515	0.0%	711	72.1%
2027	110,987	0.0%	36,058	0.0%	40,146	0.0%	187,190	0.0%	259,515	0.0%	711	72.1%
2028	110,987	0.0%	36,058	0.0%	40,146	0.0%	187,190	0.0%	259,515	0.0%	711	72.1%
2029	110,987	0.0%	36,058	0.0%	40,146	0.0%	187,190	0.0%	259,515	0.0%	711	72.1%
2030	110,987	0.0%	36,058	0.0%	40,146	0.0%	187,190	0.0%	259,515	0.0%	711	72.1%

Source: Hunden Strategic Partners

The table above shows the estimated growth of each market segment from 2017 through 2030 for Beloit hotels assuming the recommended 140-room hotel opens in 2021. Approximately 260 rooms will open in Beloit from 2018 to 2020, resulting in temporary minor decreases in occupancy. Following the opening of the recommended hotel, the supply of the competitive set will once again increase, resulting in a decrease in occupancy. HSP projects a significant increase in both group and corporate demand as a result of the new conference hotel development. HSP projects the occupancy of the Beloit hotels to stabilize at 72.1 percent in 2024. HSP calculates the total supply of hotel rooms by multiplying the total number of rooms by days in the year (365). If a hotel is opened mid-year, HSP only allocates the number of hotel room nights added that were added that calendar year.

Demand and Financial Projections

The adjacent table shows the estimated demand, by segment, for the recommended 140-key hotel based on the penetration rates established on the previous slide.

Consistent with the Beloit hotel market, the majority of the business at the recommended hotel is expected to be generated by the corporate segment. Given that the hotel will be connected to the proposed conference center and the lack of quality hotel rooms downtown, HSP projects that the project will induce significant group demand as well.

Projected Demand for Proposed Hotel

Year	Corporate Transient	% Change	Group	% Change	Leisure	% Change	Total Demand	% Change	Total Supply	Total Rooms	Occupancy
2021	18,484	–	7,549	–	2,992	–	29,025	–	51,100	140	57%
2022	20,518	11.0%	9,033	19.7%	3,487	16.6%	33,037	13.8%	51,100	140	65%
2023	22,240	8.4%	10,469	15.9%	3,930	12.7%	36,639	10.9%	51,100	140	72%
2024	22,947	3.2%	10,650	1.7%	3,952	0.6%	37,549	2.5%	51,100	140	73%
2025	22,947	0.0%	10,650	0.0%	3,952	0.0%	37,549	0.0%	51,100	140	73%
2026	22,947	0.0%	10,650	0.0%	3,952	0.0%	37,549	0.0%	51,100	140	73%
2027	22,947	0.0%	10,650	0.0%	3,952	0.0%	37,549	0.0%	51,100	140	73%
2028	22,947	0.0%	10,650	0.0%	3,952	0.0%	37,549	0.0%	51,100	140	73%
2029	22,947	0.0%	10,650	0.0%	3,952	0.0%	37,549	0.0%	51,100	140	73%
2030	22,947	0.0%	10,650	0.0%	3,952	0.0%	37,549	0.0%	51,100	140	73%

Source: Hunden Strategic Partners

Demand and Financial Projections

The adjacent table shows the estimated market segmentation for the recommended hotel.

The 140-room hotel is expected to have a higher group mix than the competitive set, due to the high amount of function space.

Projected
Stabilized Demand Mix vs. Comp Set

Segment	Hotel at Stabilization	Comp Set
Corporate	61%	59%
Group	28%	19%
Leisure	11%	21%
Total	100%	100%

Source: Hunden Strategic Partners

Demand and Financial Projections

The adjacent table shows the average daily room rate projections for the recommended hotel.

As shown, rates in the competitive set increased from $84 to $116 from 2014 to 2017. HSP expects those rates to increase slowly over the coming years and reach $124 by 2019, with 2.5 percent average growth after 2019. ADR growth nationally has generally increased at a slightly higher rate as inflation, although with much variability as shown from the recent past. The new hotel's penetration rate is expected to stabilize at 114 percent, and an ADR beginning at $149.

Average Daily Room Rate Projections

Year	Comp. Set ADR	Annual Increase	Hotel Rate Penetration	Projected Hotel Rate	Annual Increase
2013	$84	–	–	–	–
2014	$94	5.4%	–	–	–
2015	$101	6.8%	–	–	–
2016	$108	7.2%	–	–	–
2017	$116	7.5%	–	–	–
2018	$121	4.4%	–	–	–
2019	$124	2.5%	–	–	–
2020	$128	2.5%	–	–	–
2021	$131	2.5%	114%	$149	–
2022	$134	2.5%	114%	$153	2.1%
2023	$137	2.5%	113%	$156	2.1%
2024	$141	2.5%	114%	$160	2.7%
2025	$144	2.5%	114%	$164	2.5%
2026	$148	2.5%	114%	$168	2.5%
2027	$152	2.5%	114%	$172	2.5%
2028	$155	2.5%	114%	$177	2.5%
2029	$159	2.5%	114%	$181	2.5%
2030	$163	2.5%	114%	$185	2.5%

Source: Hunden Strategic Partners

Demand and Financial Projections

The adjacent shows the projected performance of the recommended 140-room hotel.

The property is projected to generate a total of $7.28 million in gross revenue in Year 1, increasing to $10.43 million in the fifth year. Approximately $1.46 million would be available to satisfy debt requirements in the first year, increasing to more than $2.60 million in Year 5.

Projection of Income & Expense (in $000, inflated) - 140 Rooms

	Year 1				Year 2		Year 3		Year 4		Year 5		Year 10
Room Count	140				140		140		140		140		140
Available Room Nights	51,100				51,100		51,100		51,100		51,100		51,100
Occupancy Rates	57%				65%		72%		73%		73%		73%
Occupied Room Nights	29,025				33,037		36,639		37,549		37,549		37,549
Average Daily Rate	$149				$153		$156		$160		$164		$185
RevPAR	$85				$99		$112		$118		$120		$136
Percent of Change from Prior Year	--				16.2%		13.3%		5.2%		2.5%		2.5%
	$	%	PAR	POR	$	%	$	%	$	%	$	%	
REVENUE													
Rooms	$4,337	59.6%	$30,982	$149	$5,039	59.4%	$5,708	59.2%	$6,005	59.0%	$6,155	59.0%	$6,963
Hotel Food and Beverage	2,620	36.0%	$18,714	$90	3,054	36.0%	3,471	36.0%	3,664	36.0%	3,755	36.0%	4,249
Other Operated Departments	218	3.0%	$1,559	$8	255	3.0%	289	3.0%	305	3.0%	313	3.0%	354
Miscellaneous Income	146	2.0%	$1,040	$5	170	2.0%	193	2.0%	204	2.0%	209	2.0%	304
Total Revenue	$7,278	100.0%	$51,983	$251	$8,483	100.0%	$9,641	100.0%	$10,177	100.0%	$10,432	100.0%	$11,871
DEPARTMENTAL EXPENSES													
Rooms	$1,167	26.9%	$8,334	$40	$1,255	24.9%	$1,370	24.0%	$1,441	24.0%	$1,477	24.0%	$1,671
Hotel Food and Beverage	1,624	62.0%	$11,603	$56	1,863	61.0%	2,117	61.0%	2,198	60.0%	2,253	60.0%	2,549
Other Operated Departments	52	24.0%	$374	$2	59	23.0%	67	23.0%	70	23.0%	72	23.0%	81
Rent and Other Income	9	6.0%	$62	$0	8	5.0%	10	5.0%	10	5.0%	10	5.0%	15
Total Departmental Expenses	$2,852	39.2%	$20,373	$98	$3,185	37.5%	$3,563	37.0%	$3,720	36.6%	$3,813	36.6%	$4,317
Gross Operating Income	$4,425	60.8%	$31,610	$152	$5,299	62.5%	$6,078	63.0%	$6,457	63.5%	$6,619	63.5%	$7,553
UNDISTRIBUTED OPERATING EXPENSES													
Administrative and General	$611	8.4%	$4,367	$21	$670	7.9%	$713	7.4%	$743	7.3%	$762	7.3%	$867
Marketing	$524	7.2%	$3,743	$18	$568	6.7%	$617	6.4%	$641	6.3%	$657	6.3%	$748
Infotech	$138	1.9%	$988	$5	$119	1.4%	$106	1.1%	$102	1.0%	$104	1.0%	$119
Utility Costs	$364	5.0%	$2,599	$13	$382	4.5%	$405	4.2%	$427	4.2%	$438	4.2%	$499
Property Operations and Maintenance	$378	5.2%	$2,703	$13	$399	4.7%	$424	4.4%	$448	4.4%	$459	4.4%	$522
Total Undistributed Expenses	$2,016	27.7%	$14,399	$69	$2,138	25.2%	$2,266	23.5%	$2,361	23.2%	$2,420	23.2%	$2,754
Gross Operating Profit	$2,409	33.1%	$17,210	$83	$3,161	37.3%	$3,812	39.5%	$4,096	40.3%	$4,199	40.3%	$4,799
Franchise Fees	$382	5.3%	$2,730	$13	$445	5.3%	$506	5.3%	$534	5.3%	$548	5.3%	$623
FIXED EXPENSES													
Property Taxes	$ 180	2.5%	$1,283	$6	239	2.8%	252	2.6%	257	2.5%	262	2.5%	289
Insurance	95	1.3%	$676	$3	102	1.2%	106	1.1%	112	1.1%	115	1.1%	131
Management Fee	218	3.0%	$1,559	$8	255	3.0%	289	3.0%	305	3.0%	313	3.0%	356
Reserve for Replacement	$73	1.0%	$520	$3	$127	1.5%	$241	2.5%	$356	3.5%	$365	3.5%	$415
Total Fixed Expenses	$565	7.8%	$4,038	$19	$723	8.5%	$888	9.2%	$1,031	10.1%	$1,055	10.1%	$1,192
Cash Flow from Operations	$1,462	20.1%	$10,443	$50	$1,992	23.5%	$2,418	25.1%	$2,531	24.9%	$2,596	24.9%	$2,984

Source: Hunden Strategic Partners

Demand and Financial Projections

The adjacent table shows the supportable equity and debt, as well as the projected financing gap, for the recommended hotel.

Assuming a 18 percent average return on equity over ten years, 1.40 debt service coverage beginning in Year 2, refinance after stabilization, and a project cost of $220,000 per key, HSP projects that a 140-key hotel project would require a public subsidy or grant of approximately $9.80 million.

Supportable Equity & Debt

	Constr. Yr1	Constr. Yr2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Net Operating Income	$0	$0	$1,462	$1,992	$2,418	$2,531	$2,596	$2,702	$2,770	$2,840	$2,911	$2,984
Interest and Debt Reserve W/D	$308	$924	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	$308	$924	$1,462	$1,992	$2,418	$2,531	$2,596	$2,702	$2,770	$2,840	$2,911	$2,984
Debt Service Payment	($308)	($924)	($1,417)	($1,417)	($1,417)	($1,302)	($1,302)	($1,302)	($1,302)	($1,302)	($1,302)	($1,302)
Net Income to Repay Equity	$0	$0	$45	$576	$1,001	$1,229	$1,294	$1,400	$1,468	$1,538	$1,609	$1,682
Princ. Amount***	$3,625	$10,875	$14,500	$14,316	$14,116	$13,900	$13,710	$13,505	$13,283	$13,043	$12,785	$12,505
Interest	$308	$924	$1,233	$1,217	$1,200	$1,112	$1,097	$1,080	$1,063	$1,043	$1,023	$1,000
Less Payment	($308)	($924)	($1,417)	($1,417)	($1,417)	($1,302)	($1,302)	($1,302)	($1,302)	($1,302)	($1,302)	($1,302)
Loan Balance	$3,625	$10,875	$14,316	$14,116	$13,899	$13,710	$13,505	$13,283	$13,043	$12,785	$12,505	$12,203
Assumptions						**Refi**						
Loan Amount ($000's)	$14,500					$13,900						
Amortization Period (Years)	25					25						
Loan Interest Rate	8.50%					8.00%						
Annual Debt Service Payment ($000's)	($1,417)					($1,302)						
Equity:												
Developer's Equity ($000's)	$6,500	21%										
Private Debt	$14,500	47%										
Total Supportable Private Financing	$21,000	68%	$150,000	per room								
Gap/Subsidy/Grants	$9,800	32%	$70,000	per room								
Project Amount ($000's)	$30,800	100%	$220,000	per room								
Debt (Private) Coverage Ratio			1.03	1.41	1.71	1.94	1.99	2.08	2.13	2.18	2.24	2.29
Return on Private Equity*			0.7%	8.9%	15.4%	18.9%	19.9%	21.5%	22.6%	23.7%	24.8%	25.9%
Return on Assets**			4.7%	6.5%	7.8%	8.2%	8.4%	8.8%	9.0%	9.2%	9.5%	9.7%

**On developer's equity only.*

***On project cost.*

****Assumes 50% draw in Construction Year 1; 75% average during Construction Year 2*

Source: Hunden Strategic Partners

Chapter 10

Economic, Fiscal and Employment Impact Analysis

Economic, Fiscal, and Employment Impact

The incremental impact of the new spending from new and recaptured visitors will increase economic activity and will result in higher fiscal activity, income and employment for the Beloit economy. HSP uses the IMPLAN input-output multiplier model, which determines the level of additional activity in the Beloit economy due to additional inputs. For example, for every dollar of direct new spending in Beloit, the IMPLAN model provides multipliers for the indirect and induced spending that will result. The net new and recaptured direct spending discussed earlier in the chapter is considered to be the **Direct Impact**. From the direct spending figures, further impact analyses will be completed.

- **Indirect Impacts** are the supply of goods and services resulting from the initial direct spending. For example, a convention attendee's direct expenditure on a hotel room causes the hotel to purchase linens and other items from suppliers. The portion of these hotel purchases that are within the local economy is considered an indirect economic impact.

- **Induced Impacts** embody the change in local spending due to the personal expenditures by employees whose incomes are affected by direct and indirect spending. For example, a waitress at a restaurant may have more personal income as a result of the convention attendee's visit. The amount of the increased income that the employee spends in the area is considered an induced impact.

Economic, Fiscal, and Employment Impact

- **Fiscal Impacts** represent the incremental tax revenue collected by the community due to the net new economic activity. The fiscal impact represents the government's share of total economic benefit. Fiscal impacts provide an offset to the potential public expenditures required to support the development.

- **Employment Impacts** include the incremental employment provided not only onsite, but due to the spending associated with it. For example, the direct, indirect and induced impacts generate spending, support new and ongoing businesses and ultimately result in ongoing employment for citizens. HSP will show the number of ongoing jobs supported by the project and provide the resulting income and income taxes generated.

Economic, Fiscal, and Employment Impact

The table below shows the 10-year direct net new spending as a result of the recommended Project.

Direct Net New/Recaptured Spending to Beloit (000s)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10
Food & Beverage	$2,530	$2,593	$4,246	$5,216	$5,967	$6,751
Lodging	$3,241	$3,322	$5,441	$6,683	$7,646	$8,651
Retail	$383	$392	$642	$789	$903	$1,021
Transportation	$311	$319	$522	$641	$734	$830
Other	$612	$627	$1,027	$1,262	$1,444	$1,633
Total	***$7,076***	***$7,253***	***$11,878***	***$14,591***	***$16,694***	***$18,887***

Source: Hunden Strategic Partners

Spending on lodging is the largest component of direct new spending in Beloit, followed by food and beverage spending. Over 10 years, the recommended hotel is projected to generate nearly $147 million in direct net new spending within Beloit.

Economic, Fiscal, and Employment Impact

The next table shows the direct, indirect and induced spending from the Project, based on the IMPLAN multipliers.

Direct, Indirect & Induced Net New Spending to Beloit (000s)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10
Net New Spending						
Direct	$7,076	$7,253	$11,878	$14,591	$16,694	$18,887
Indirect	$2,370	$2,429	$3,978	$4,886	$5,591	$6,325
Induced	$2,791	$2,861	$4,685	$5,755	$6,584	$7,449
Total	*$12,237*	*$12,543*	*$20,540*	*$25,232*	*$28,869*	*$32,662*

Source: Hunden Strategic Partners

The direct spending totals nearly $147 million over the 10-year period (as shown in the prior table), while the indirect and induced spending add another $49 million and $58 million, respectively. In total, $255 million in economic impact is projected from new and recaptured spending.

Economic, Fiscal, and Employment Impact

The following table shows the new earnings associated with the new economic activity.

Net New Earnings from Direct, Indirect & Induced Spending (000s)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10
Net New Earnings						
From Direct	$2,203	$2,258	$3,698	$4,542	$5,197	$5,880
From Indirect	$764	$783	$1,282	$1,575	$1,802	$2,039
From Induced	$846	$867	$1,419	$1,744	$1,995	$2,257
Total	*$3,813*	*$3,908*	*$6,399*	*$7,861*	*$8,994*	*$10,176*

Source: Hunden Strategic Partners

By the tenth year of operations, nearly $10.2 million of direct, indirect, and induces earnings are projected, with a total of over $79 million over the 10-year period.

Economic, Fiscal, and Employment Impact

The table below shows the estimated full-time equivalent jobs created by the Project.

Net New Full-Time Equivalent Jobs from Direct, Indirect & Induced Earnings (000s)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10
Net New FTE Jobs						
From Direct	97	97	155	186	208	208
From Indirect	26	26	42	51	56	56
From Induced	25	25	40	48	53	53
Total	*149*	*149*	*237*	*285*	*318*	*318*

Source: Hunden Strategic Partners

New full-time equivalent jobs (FTE's) are projected to vary over the period based on the net new spending and total 318 by the tenth year.

Economic, Fiscal, and Employment Impact

The fiscal impact of the Project is the benefit to the community via taxes generated, essentially through new county occupancy and property. The following table shows the projections of new taxes over the first 10 years of operation.

Fiscal Impact - Tax Impacts from Net New Spending (000s)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Taxes Collected										
City Hotel Tax (8%)	$259	$266	$435	$535	$612	$627	$643	$659	$675	$692
County Sales Tax (0.5%)	$111	$20	$32	$39	$45	$46	$47	$48	$50	$51
Property Tax	$180	$239	$252	$257	$262	$267	$273	$278	$284	$289
Total	***$550***	***$525***	***$719***	***$831***	***$919***	***$941***	***$963***	***$985***	***$1,009***	***$1,032***

Source: Hunden Strategic Partners

In total, local taxes are projected to generate approximately $919,000 million by Year 5, and total nearly $8.5 million over the first 10 years.

Economic, Fiscal, and Employment Impact

The one-time construction of the Project will impact Beloit as spending will occur via the purchase of materials (40 percent of the budget) and the payment of labor and service providers (60 percent of the budget). It is assumed that the total investment will be approximately $30.8 million for the hotel and conference center.

Materials spending in Beloit is estimated to total of $21.26 million in direct, indirect and induced spending. The direct labor spending is approximately $18.48 million and would support nearly 341 job-years (one construction job for one year).

Construction Impact

	Impact
Direct Materials Spending	$ 12,320,000
Indirect Spending	$ 3,450,000
Induced Spending	$ 5,490,000
Total	$ 21,260,000
Direct Labor Spending	$ 18,480,000
Employment (Job Years)	341

Source: Hunden Strategic Partners

Economic, Fiscal, and Employment Impact

The table to the right shows a summary of estimated 10-year impacts for the recommended hotel and conference center.

The net new spending for the Project totals $255 million over the 10-year period, $79 million in new earnings, more than 318 new full-time equivalent jobs and more than $8.5 million in new taxes collected from the ongoing spending over 10 years. The construction impact will be more than $39.8 million on materials and labor, most of which will accrue to the Beloit economy and local workers. The nearly 341 job-years will be a temporary boom for the local economy.

Summary of 10-Year Impacts

Net New Spending	**(millions)**
Direct	$147
Indirect	$49
Induced	$58
Total	**$255**
Net New Earnings	**(millions)**
From Direct	$46
From Indirect	$16
From Induced	$18
Total	**$79**
Net New FTE Jobs	**Actual**
From Direct	208
From Indirect	56
From Induced	53
Total	**318**
Taxes Collected	**(millions)**
City Hotel Tax (8%)	$5.4
County Sales Tax (0.5%)	$0.5
Property Tax	$2.6
Total	**$8.5**
Construction Impact	**(millions)**
New Materials Spending	$21.3
New Labor Spending	$18.5
Job-Years, Actual	**341**

Source: Hunden Strategic Partners

Summary

Summary

The market situation for a hotel and conference center development in Beloit is unique and focused, as the development of the Ho Chunk Casino is likely on the horizon. The Ho Chunk Casino is slated to include very large conference and convention space that will primarily attract large statewide or regional meetings and events. Although the Ho Chunk Casino development will fill a void in the event facility supply in the region, some meeting planners and community stakeholders will not choose to host events in a gaming environment. This leaves an opportunity for other facilities to capture certain events.

The potential Ho Chunk Casino development was factored into HSP's recommendation for a smaller, high-quality hotel and conference center development that would include a 5,000-square foot divisible ballroom, 5 meeting rooms and an attached 140+/-key hotel development. HSP recommends that the smaller, more unique conference space be developed downtown to host meetings and conferences that are looking to have proximate or walkable amenities.

Based on HSP's projections, the recommended hotel and conference center development would create $255 million in direct, indirect and induced net new spending throughout the first ten years of operation. HSP also projects that the city would be able to collect $8.5 million in new taxes as a result of the recommended development, suggesting that there are community and economic benefits from the development of a hotel and conference center.

Appendix Slides

Population and Growth Rates

Population and Growth Rates

	Population				Percent Change
	1990	**2000**	**2010**	**2017 Estimate**	***2010 - 2017***
United States	248,709,873	281,421,906	308,745,538	325, 719,178	5.5%
Wisconsin	4,891,769	5,363,675	5,686,986	5,795,483	2.0%
Rock County	139,510	152,307	160,331	162,309	1.3%
Beloit	35,573	35,775	36,966	36,773	-0.5%
City Pop. As % of County	*25.5%*	*23.5%*	*23.1%*	*22.7%*	–

Source: U.S. Census Bureau

The City of Beloit has experienced a negative growth rate of -0.5 percent since 2010. Over the same time Rock County has grown 1.3 percent, Wisconsin has grown 2.0 percent, and the United States has grown 5.5 percent.

Income, Spending & Other Demographic Data

Income, Spending and Other Demographic Data

Category	United States	Wisconsin	Rock County	City of Beloit
Homeownership rate, 2012-2016	63.6%	67.0%	68.9%	58.6%
Median value of owner-occupied housing units, 2012-2016	$184,700	$167,000	$132,500	$85,000
Persons per household, 2012-2016	2.64	2.43	2.47	2.52
Median household income, 2012-2016	$55,322	$54,610	$50,968	$37,779
Persons below poverty level, percent	12.7%	11.3%	12.9%	24.1%
Total employment, 2016	126,752,238	2,524,329	57,883	–
Total employment, percent change, 2015-2016	2.1%	0.8%	2.2%	–
Retail sales per capita, 2012	$13,443	$13,656	$13,809	$13,080

Source: US Census Bureau

Beloit has a median home value of $85,000. This is significantly lower than the rest of Rock County ($132,500), Wisconsin ($167,000), and the United States ($184,700). Nearly double the percentage of people live below the poverty level in Beloit compared to the rest of the United States.

Employment by Industry

Rock County has a fairly diverse employment base, with an emphasis on retail trade and health care and social assistance. Retail trade is the leading industry at 13.1 percent of the total employment, followed by health care and social assistance at 12.7 percent, with manufacturing at 12.0 percent. A diversified economy helps protect a community from economic downturns so that the entire work base is not reliant on one industry.

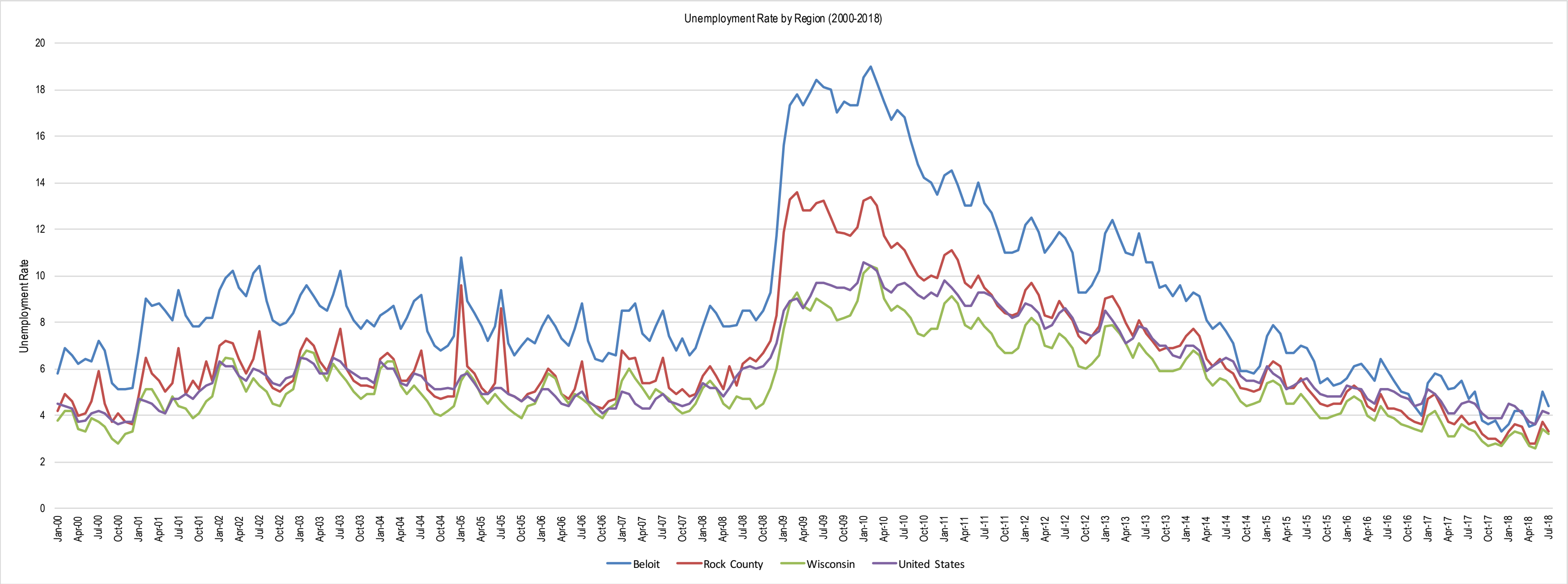
Rock County Employment by Industry - 2016

Description	Employees	Percentage of Total
Total employment	84,704	100%
By industry		
Farm employment	1,788	2.1%
Nonfarm employment	82,916	97.9%
Private nonfarm employment	73,547	**86.8%**
Retail trade	11,136	13.1%
Health care and social assistance	10,770	12.7%
Manufacturing	10,157	12.0%
Accommodation and food services	6,433	7.6%
Other services (except government and government enterprises)	4,734	5.6%
Wholesale trade	4,655	5.5%
Construction	4,283	5.1%
Administrative and support and waste management and remediation services	4,064	4.8%
Professional, scientific, and technical services	2,621	3.1%
Real estate and rental and leasing	2,521	3.0%
Finance and insurance	2,258	2.7%
Information	1,673	2.0%
Management of companies and enterprises	1,641	1.9%
Arts, entertainment, and recreation	1,336	1.6%
Educational services	1,294	1.5%
Forestry, fishing, and related activities	190	0.2%
Mining, quarrying, and oil and gas extraction	169	0.2%
Utilities	(D)	-
Transportation and warehousing	(D)	-
Government and government enterprises	9,369	**11.1%**
State and local	8,656	10.2%
Local government	7,733	9.1%
State government	923	1.1%
Military	419	0.5%
Federal, civilian	294	0.3%

(D) Not shown to avoid disclosure of confidential information, but the estimates for this item are included in the totals

Source: Bureau of Economic Analysis, Hunden Strategic Partners

Unemployment Trends (2000-2018)



Since 2007, Beloit has had an unemployment rate consistently higher than that of the rest of Rock County, Wisconsin and the United States.

Educational Attainment

Educational Attainment - 2016

Population Age 25+	United States	Wisconsin	Rock County	City of Beloit
Did Not Complete High School	13.0%	8.7%	10.6%	18.5%
Completed High School	27.5%	31.7%	36.5%	35.7%
Some College	21.0%	21.0%	21.8%	21.3%
Completed Associate Degree	8.2%	10.3%	10.3%	7.9%
Completed Bachelor Degree	18.8%	18.7%	13.7%	9.7%
Completed Graduate Degree	11.5%	9.6%	7.0%	6.9%

Source: U.S. Census Bureau

The percentage of residents of the City of Beloit older than 25 that did not complete complete high school is higher than that of the rest of Rock County, Wisconsin as well as the United States.