City of Medford

Office of the City Manager

Continuous Improvement ~ Customer Service

MEMORANDUM

TO: Mayor and Council

FROM: Brian Sjothun, City Manager BS

RE: Medford Events Center Study Session of January 26 @ 5:30 p.m.

DATE: January 19, 2017

The City of Medford was awarded a $100,000 grant from the State of Oregon in order to provide consulting services to determine the feasibility of a community conference center in Medford.

Through a Request for Qualifications (RFQ) process, HVS Convention, Sports & Entertainment Facilities Consulting (HVS) was selected and Council approved a contract on June 16, 2016 to perform the scope of work that is attached.

HVS completed Phase One of the scope and presented the Draft Market and Feasibility Study for a Proposed Medford Events Center to staff on October 21, 2016. Staff informed Council of the draft report and provided a press release and link on the City's website for Council and general public review.

Staff met with members of a steering committee on December 2, 2016 to review the draft report and develop the RFQ, score proposals and make a recommendation to Council on the selection of a consultant. Steering Committee members requested the following questions and information be provided as part of completing Phase 1 analysis:

Was input gained from Asante, Providence and other health care providers regarding their need for convention/meeting space?

- What are the possible demands for convention/meeting space for religious groups?
- Was there any discussion with RCC/SOU regarding need for meeting and lecture space?

Other general comments from the group:

- There was a comment that there was going to be a more sophisticated market analysis of three different concepts.

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- Normally there is a pro forma done on these types of facilities
    - Was there ever a thought of attracting a destination resort concept?

A full review of the Phase One scope along with information regarding the steering committee's questions will be provided through a Skype presentation by Tom Hazinski and Alex Moon of HVS for the study session.

Council Options:

We are seeking direction on the following options available to Council:

1. Continue project by moving forward with final phases
2. Request additional information from consultant prior to moving forward
3. Not move forward with additional phases and return remainder of funding to the State of Oregon

I look forward to working with each of you on this item.

Thank you – Brian Sjothun

Brian

EXHIBIT A – SCOPE OF WORK
CONFERENCE CENTER FEASIBILITY STUDY

Phase One

1. Review existing information on the need for and characteristics of prospective users of a Medford/Jackson County conference center. Quantify and characterize the demand for local, statewide and regional conferences in Medford. The analysis would include at least a partial documentation of events by size, location, duration, frequency, and minimum siting criteria. In addition, interviews would be conducted with local businesses and organizations to assess meeting space and facility needs. The demand analysis should take into account conference centers in other communities, which would be competing in the same market, as well as events not captured locally due to a lack of appropriate facilities.

2. Analyze, on a preliminary basis, the potential national, regional and local market demand associated with identified uses and/or use combinations involving conventions, conferences, meetings, exhibitions, and other special events.

3. Prepare seven to ten case studies of conference facilities, including a range of development forms, locations, metro area scales, and linkages with other uses such as hotels, ownership structures, and relationships to local amenities. The cases studies would also provide a summary of other jurisdiction's experience with conference centers, addressing level of use, management alternatives, user rates, construction and long-term financing, facility program, operating finances.

4. Analyze and validate the market feasibility of the selected facility type(s) above resulting from the aforementioned case study analysis, reflecting the national, regional and local sources of demand for the identified user groups.

5. Meet with the project advisory team to review the basic demand characteristics of the area, as well as the case study findings. This meeting would clarify the types of facilities, if any, that would be evaluated in more depth. This is a point in the analysis in which a decision can be made to either proceed with phase two or redirect the effort based on market findings.

Phase Two

6. Develop a recommended program of conference center and associated facilities. Identification of facilities should address such items as size, demand for exhibition space, meeting areas, breakout spaces, ballroom, lobby space, kitchen facilities, and parking requirements. In addition, the program should identify other locational requirements that may be relevant, such as proximate hotel rooms, transportation linkages and other critical amenities.

7. Identify any necessary site characteristics and describe desirable site characteristics. For example, is a privately developed hotel in conjunction with a publicly developed conference center a necessary siting requirement to satisfy the targeted market opportunity? Desirable site characteristics might include proximity to the airport, entertainments venues, or outdoor recreation sites.

8. Working with the client, identify a range of prospective locations based on the program and site requirements. These could either represent specific sites, or represent prototypical site typologies.

9. Meet with the project advisory team to review recommended program characteristics and site location options. The client and advisory group should decide at this meeting the location(s) and programs(s) to proceed with in phase three, if any.

<u>**Phase Three**</u>

10. Develop a project massing study that would work for type of conference center that would serve the identified market opportunity above to include:

    a) Preliminary space massing and stacking studies
    b) 3 conceptual site plans

11. Provide budget level construction cost estimates for the conference center, including land acquisition, hard and soft costs. Up to three alternative parking solution should also be evaluated.

12. Generate a ten-year development and operation/maintenance pro forma for a conference center. The pro forma should be flexible enough to evaluate a range of alternative ownership and partnership structures and facility configurations. In addition, it should be capable of evaluating at least two fee structures, including one that is lower for community users versus scheduled conference users, in addition to a set rate structure for all users. Evaluate and recommend appropriate financing mechanisms for center operation including public subsidies, if necessary. While the consultant would be expected to produce the runs identified within this scope, the working pro forma should also be provided to the client for ongoing use.

    The pro forma should be designed to incorporate public sector bond debt issuance, state, or federal grants, tax increment financing, or any other appropriate public financing mechanisms. In addition, it should be capable of addressing potential public/private partnerships, including long-term land leases.

13. Incorporate and validate estimates for: property acquisition, capital development costs, operating expenditures, on-going and one time revenues, and net expenses for a conference center in Medford/Jackson County Oregon. Verify and document available funding resources to fully fund development and ongoing operations of the conference center project.

HVS

DRAFT MARKET AND FEASIBILITY STUDY

Proposed Medford Events Center

MEDFORD, OR

SUBMITTED TO:

Mr. Bill Hoke
City of Medford
411 West 8th St. Room 310
Medford, OR 97501
bill.hoke@ci.medford.or.us
(541) 774-2000

PREPARED BY:

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October 21, 2016

Mr. Bill Hoke
City of Medford
411 West 8th St. Room 310
Medford, OR 97501
bill.hoke@ci.medford.or.us

Re: Proposed Medford Events Center
Medford, OR

Dear Mr. Hoke:

Attached you will find our DRAFT Market and Feasibility Study of a Proposed Events Center in Medford, OR.

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

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

Sincerely,
HVS Convention, Sports & Entertainment
Facilities Consulting

DRAFT

Thomas A Hazinski
Managing Director

DRAFT

Brian Harris
Senior Director

DRAFT

Alex Moon
Associate

DRAFT
Jerry Johnson
Principal, Johnson Economics

Convention, Sports & Entertainment
Facilities Consulting
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1. Introduction and Executive Summary

Nature of the Assignment

The City of Medford engaged HVS Convention, Sports & Entertainment Facilities Consulting ("HVS") and Johnson Economics to conduct an analysis of development for a Proposed Medford Events Center ("MEC") in Medford, OR. The MEC could enhance the demand potential of sports and conference events in Jackson County, allow it to compete more effectively for business against regional competitors, and offer the community a valuable asset for physical activity.

Methodology

In accordance with the Scope of Services, HVS performed the following tasks:

1. Thomas A Hazinski and Alex Moon from HVS and Jerry Johnson from Johnson Economics travelled to Medford, OR on August 8-10, 2016 for a site visit and client meetings. During this visit, we toured the local area, met with key industry participants and local representatives, and gathered relevant data.
2. Analyzed the economic and demographic data that indicate whether, and the extent to which, the local market area supports a proposed events center.
3. Compiled data on nine competitive conference venues in Oregon and six comparable sports complexes to inform the reasonableness of the building program recommendations.
4. Surveyed and interviewed potential users of the Proposed Medford Events Center to understand their event needs, their overall impressions of Medford, and the likelihood of booking events in a facility.
5. Recommended a facility program based on the above steps.
6. Prepared event demand and attendance forecasts based on the implementation of the program recommendations.
7. Prepared a hotel market analysis.
8. Prepare locational requirements and analyze supporting amenities based on proposed expansion recommendations. (To come in PHASE II)
9. Prepare a site analysis and recommendation for the proposed events center. (To come in PHASE II)
10. Prepare an economic and fiscal impact analysis for the proposed events center (To come in PHASE III)

11. Prepare financial operation forecasts for the recommended project. (To come in PHASE III)

12. Describe financing options for the proposed events center, including construction cost estimates (To come in PHASE III)

HVS and Johnson Economics collected and analyzed all information contained in this report. HVS sought out reliable sources and deemed information obtained from third parties to be accurate.

Market Area Analysis

We defined the market area as Jackson County. The market benefits from a greater rate of growth in population than the rest of Oregon. Its major sectors of employment are trade & transport, education & health services, and government. Jackson County did not experience a decrease in tourism spending during the recession, though the unemployment rate significantly increased. But in 2016, unemployment has reached pre-recession levels.

As a destination for regional events, Medford benefits from the Rogue Valley-Medford International Airport's access to major destinations and its proximity to Interstate 5. The Rogue Valley and its surrounding area offers numerous outdoor attractions for tourists, including wineries, whitewater rafting, Crater Lake, and hiking. The U.S. Cellular Community Park ("USCCP") offers 132 acres of outdoor fields and attracts regional youth sports organizations for tournaments for nine months.

Case Studies of Comparable Venues

HVS considered two primary options for venue development: 1) a stand-alone conference center and 2) a multi-purpose events center and sports complex. We analyzed nine competitive conference venues in the state of Oregon and six comparable sports complexes throughout the country. These analyses provide a basis for building program recommendations by comparing the function spaces and other amenities in each of the facilities along with other characteristics of the markets relevant to the success of the venue.

Medford ranked in the top half of all major market criteria compared to the competitive Oregon conference venue markets. These criteria include drive-time population, median income, corporate presence, and air access. The Ramada Medford Hotel and Conference Center, which offers the most function space in the city at 10,000 square feet, has less function space than every competitive venue except the Running Y Ranch.

But even with a sufficiently sized conference venue, Medford could struggle to compete for regional conferences. Salem and Eugene have larger and more centrally located markets that attract state associations. Though Coos Bay and Canyonville have smaller markets than Medford, they operate casinos that allow them to depend less on events to financially sustain the venues. Finally, Medford does not have amenities to attract events during the winter, while Central Oregon markets like Bend offer popular ski resorts. We supplemented the analysis of competitive conference centers with sports complexes to determine the feasibility of a sports-oriented events center.

The sports complexes in our analysis offer four to eight basketball courts, or eight to sixteen volleyball courts. Basketball events make up the largest percentage of their schedules, and their largest events are regional and national basketball tournaments. They also offer recreational leagues and training sessions to local users. A similarly sized sports complex in Medford could supplement USCCP's success in outdoor sports, while also offering space for larger public assemblies.

User Survey and Interviews

HVS conducted a web-based survey of event planners to assess the potential demand for the development of a conference venue in Medford. HVS obtained a list of 358 event planners from Travel Medford. Eleven percent of those solicited responded. Respondents included professionals from Meeting Planners International, Oregon Society of Association Management, and Greater Oregon Society of Government Meeting Professionals.

In addition to the web-based survey, HVS interviewed local business owners, City and County administration, hotel managers, and staff from Oregon tourism organizations.

Key results of the surveys and interviews include the following:

- Medford's primary strengths as a conference destination are its beautiful scenery, competitive prices, Ashland and Jacksonville's attractive areas, and variety of tourist attractions. Its primary weaknesses as a conference destination are its non-central location in Oregon, its reputation as a commercial city, and its lack of adequate function space.

- A standalone conference center in Medford might not attract a feasible level of event demand. Survey respondents expressed a low likelihood of booking events in the proposed development based on the above weaknesses. Some local organizations remarked that they felt the existing venues provided sufficient function space for their event demand.

- As a sports destination, Medford's strengths are the variety of outdoor sports fields and unique weather patterns that enable outdoor activity for nine months of the year. Its main weakness is that Medford offers little for indoor sports activities. The city could build upon its current success with outdoor sports by creating an indoor sports complex.

- A sports complex could generate more tourism for Medford than a conference center. The venue could attract regional and national tournaments. For the most part, tournament participants and their families would drive in and stay one or two nights during the event.

- Consumer shows, tradeshows, and banquets that require flat floor space could also use a multipurpose space.

- Tournament activity and public shows would occur primarily during weekends. A multipurpose sports complex could also serve mid-week demand for local youth and adult recreational sports activities.

Building Program Recommendations

HVS developed building program recommendations for the Proposed Medford Events Center development with the aim of positioning it as a sports complex capable of holding regional tournaments for a variety of indoor sports as well as public shows. The venue could obtain sports demand comparable to other basketball destinations in Oregon, and serve as the premier indoor sports facility in southern Oregon.

HVS recommends the following elements to allow the entire venue to compete effectively:

- Eight hardwood basketball courts (84 feet by 50 feet) with full sideline and end zone dimensions of 114 feet by 80 feet for each court. Courts can be converted to 16 regulation volleyball courts (60 feet by 30 feet) or four NCAA basketball courts (94 feet by 50 feet),
- Telescoping bleachers surrounding two of the basketball courts with seating for approximately 1,500,
- Two full locker rooms with showers (approximately 1,500 square feet each),
- Eight basketball team rooms (approximately 700 square feet each) with flexible walls to create two large multipurpose spaces (approximately 2,800 square feet each),
- Three referee rooms (300 to 500 square feet each),
- First aid/training room (500 square feet),
- Large lobby and registration area to service the multipurpose courts and concessions, restrooms, seating areas, ticket office, and facility management offices,
- Storage room for basketball and other indoor sporting equipment, and

- Back of house areas, including building operations offices, mechanical and electrical equipment rooms, loading dock, and general building storage.

Demand Projections

Based on the building program recommendations, market overview, participation trends, and comparable sports complex analysis, HVS projected the event demand for the proposed MEC. Demand projections assume that the proposed complex would open in January of 2020. HVS estimates that demand would stabilize in 2022.

The following figure presents the demand projections for a stabilized year, which would occur in the third year of the proposed events center.

FIGURE 1-1
EVENT DEMAND IN A STABILIZED YEAR

	Events	Average Attendance	Total Attendance	Room Nights
Basketball Tournaments	12	900	10,800	10,300
3x3 Basketball Tournaments	4	600	2,400	1,000
Volleyball Tournaments	5	1,200	6,000	5,700
Gymnastics Meets	2	500	1,000	800
Cheerleading Tournaments	2	2,000	4,000	200
Other Competitions	5	250	1,250	1,000
Consumer Shows	5	4,500	22,500	0
Tradeshows	2	800	1,600	0
Banquets	10	600	6,000	300
Gym Rentals	75	20	1,500	0
League Play	24	40	960	0
Total	146		58,010	19,300

In a stabilized year, the MEC could get 58,000 attendees and 19,300 room nights, with over half of the room nights coming from the basketball tournaments.

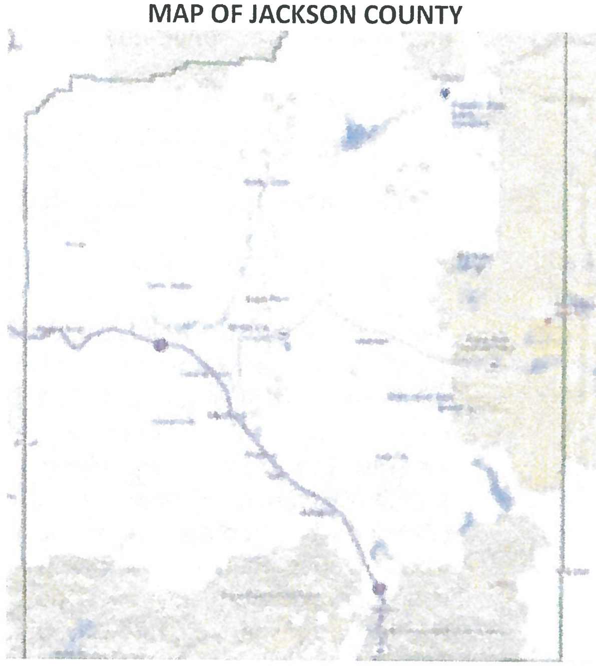
2. Market Area Overview

This section provides a demographic and economic overview of the City of Medford and the broader Rogue Valley, considering attributes and trends that will influence the local economy and the project under consideration. Such factors include population traits, prominent local business clusters, retail health, and drivers of economic growth such as tourism.

Market Area Definition

The market area for a convention center consists of the geographical region that offers transportation access, lodging, and other amenities to users of the facility. For the purposes of this study, HVS defined the market area as Jackson County, Oregon. See the map below.

MAP OF JACKSON COUNTY



Medford, Oregon, is located in Jackson County in the Rogue River Valley at the southern end of the state between the Cascade and Siskiyou mountains. Home to a population of 74,907, it is the eighth largest city in Oregon. Its metropolitan statistical area (MSA) is the entirety of Jackson County, and with 203,206 residents in total, it is the state's fourth largest MSA. Other major jurisdictions within

Jackson County include Ashland, Central Point, Eagle Point, Phoenix, and Jacksonville.

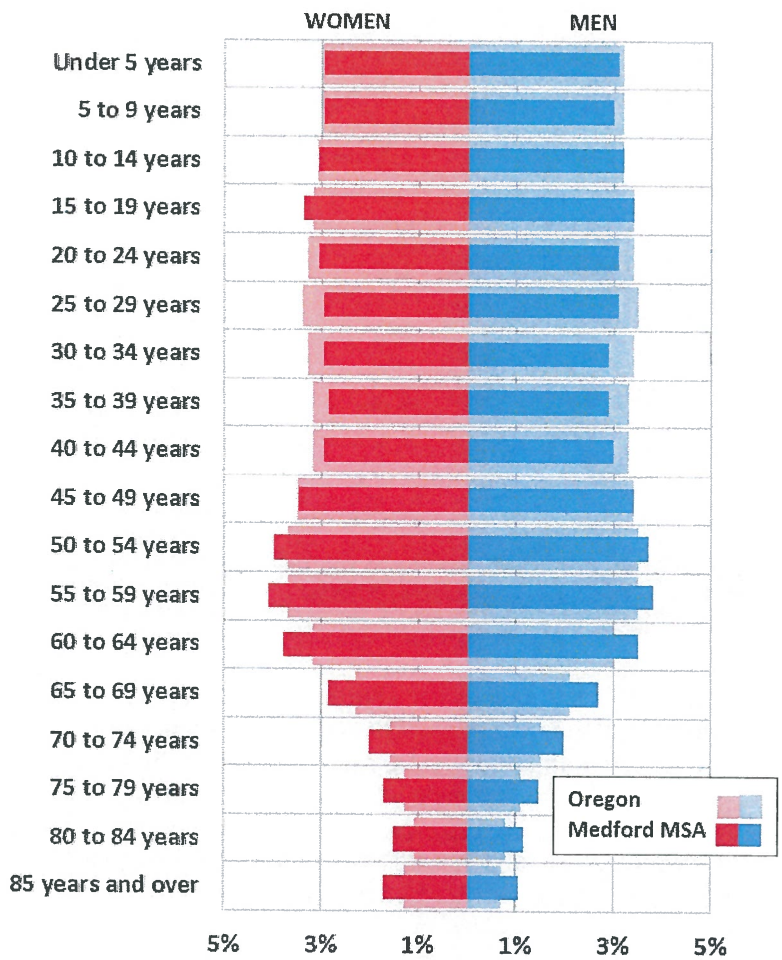
Incorporated in 1885, Medford began only two years earlier as a railroad depot halfway between San Francisco and Portland. The mild climate proved ideal for fruit cultivation, and the town rapidly grew as what became known as the "Orchard Boom" seized the region and thousands of apple and pear trees were planted. By 1910, housing and even hotel rooms were in such short supply that a fully-developed tent city, replete with electricity and wooden foundations, had sprung up along the burgeoning city's borders to house an ever-increasing stream of visitors and migrants. After the end of the boom, the town shifted to a military focus with the establishment of nearby Camp White during World War II, and following the war, timber held sway as the dominant industry into the 1980s. As that trade began to decline, another was already rising: two excellent local hospitals, Rogue Valley Memorial and Providence, continued to draw visitors, as did the ever-temperate climate. Today, the presence of these medical facilities, paired with beautiful weather and striking local geography, have attracted a significant retiree community and supporting industries.

While Medford remains the commercial hub of the area, other jurisdictions within the Rogue Valley provide unique assets to the region. Ashland, with Southern Oregon State University and the Oregon Shakespeare Festival, has emerged as a cultural destination. Jacksonville, to the southwest of Medford, also provides cultural amenities such as the Britt Festival, while serving as a gateway to the emerging Applegate Valley wine growing area.

Population and Migration

Figure 2-1 shows the relative populations of the Medford MSA and Oregon in 2010, organized by age cohort and gender. As can be observed, the relative proportions of those aged 50 and up are slightly higher in the MSA, reflecting Medford's attractiveness as a retirement destination. The area has historically been successful in drawing seniors from both inside and outside of Oregon due to its temperate climate, a lower cost of living in comparison to nearby California, health care options, and strong recreational amenity base. However, recent analysis from Rogue Valley Regional Economist indicates that in-migration by younger age cohorts makes up a far greater proportion of the total: in 2014, the number of 20 to 34 year olds moving into the county was nearly double that of in-migrants aged 60 and over. Jackson County grew by 3.5% from 2010 to 2014, making it the fastest-growing county in Southern Oregon, and one of only two counties south of Eugene with growth over that timespan (the other being nearby Josephine County).

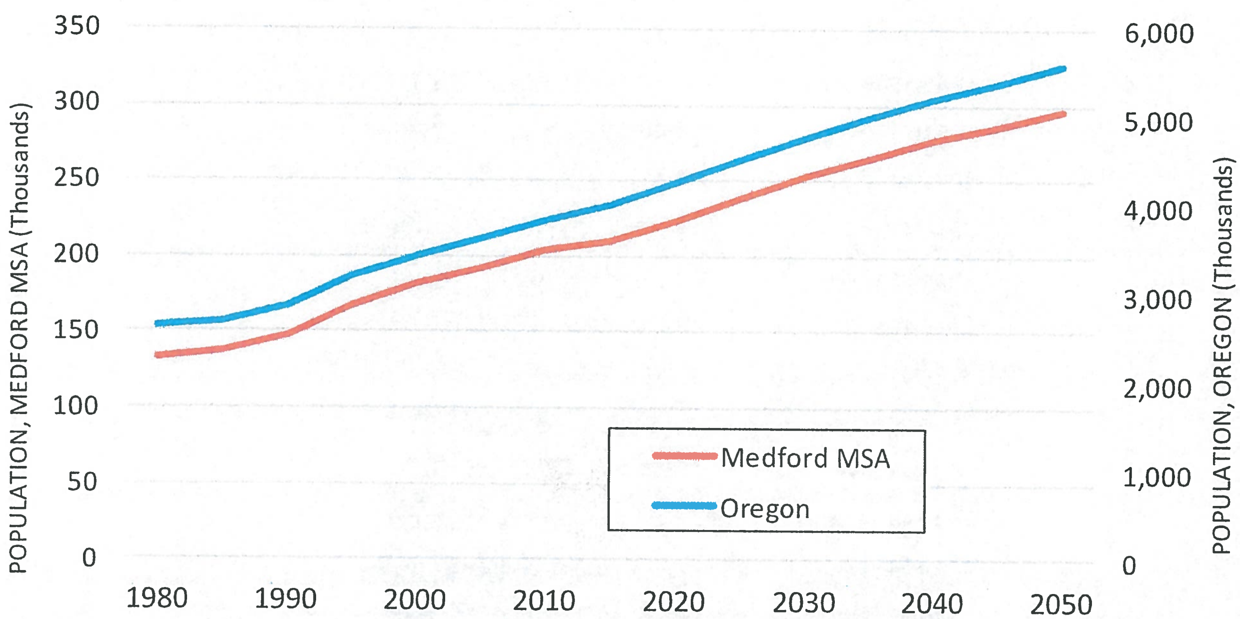
FIGURE 2-1
POPULATION BY AGE AND GENDER, MEDFORD MSA (2014)



Source: U.S. Census Bureau, 2010 Census

Given the slightly older population, it follows that growth will slow slightly going forwards, and as is shown in Figure 2-2, projections indicate that the Medford MSA's growth rate will taper off. However, rather than placing the Medford MSA at a relative disadvantage, this prediction brings it into step with the state: over the period 1980 through 2010, Jackson County enjoyed an average annual growth rate of 1.42%. while the state grew by 1.24%. Over the period 2015 through 2050, both are predicted to grow by 0.94% per year.

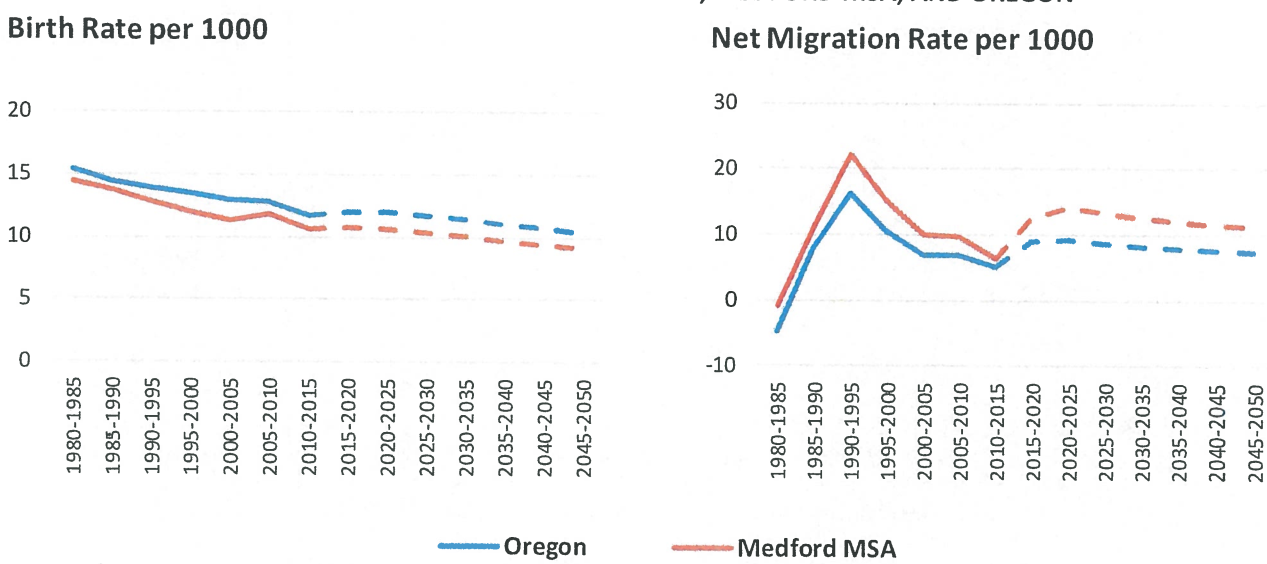
FIGURE 2-2
POPULATION PROJECTIONS FOR MEDFORD MSA, OREGON (2014)



Sources: Office of Economic Analysis, Department of Administrative Services, State of Oregon

Taking a closer look at the components of population change, it appears that the approximate equivalency of Oregon and Medford's projected growth rates, despite the latter's aging population, can be explained by higher net migration rates. That is, while natural increase (the birth rate) in Medford is projected to decline, migration is expected to continue at a higher rate than the state average. Figure 2-3 shows historical (1980-2010) and forecast (2010-2050) birth and net migration rates per 1,000 residents for Oregon and Medford.

FIGURE 2-3
COMPONENTS OF POPULATION GROWTH, MEDFORD MSA, AND OREGON

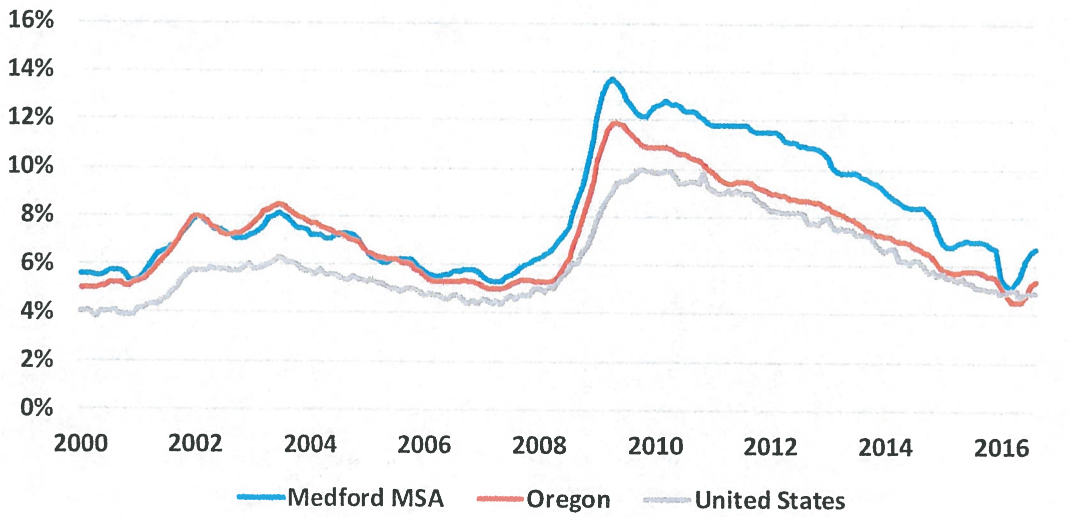


Sources: Office of Economic Analysis, Department of Administrative Services, State of Oregon

Employment and Industry

The 2007-2010 recession hit Oregon hard, with local unemployment rising almost 2% higher than the national average of 10.2% in 2009—see Figure 2-4 for a comparison between local, state, and national levels of unemployment over the period 2000-2016. While more urban regions were somewhat buffered by higher levels of economic activity, southern Oregon experienced some of the worst effects, with unemployment rates approaching 14%. However, according to the Regional Economic Index published annually by the University of Oregon, the Rogue Valley had recovered to pre-recession levels of economic activity as of 2014, and the Oregon Office of Economic Analysis reports that in August of this year Medford unemployment was at 6.7%-- a slight uptick since a low of 5.2% in February, but close to the 6.3% observed in February of 2005.

FIGURE 2-4
UNEMPLOYMENT TRENDS

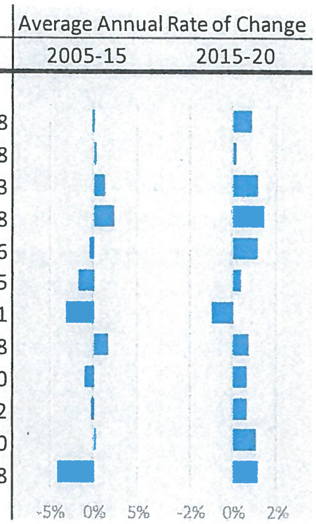


Source: OR Employment Department Local Area Unemployment Statistics (2016)

Medford's employment by industry can be observed in Figures 2-5 and 2-6. The former shows change in employment over the last decade, while the second provides a snapshot of employment in 2015. The largest sector of employment, Trade, Transportation, and Utilities (TTU), has not yet recovered to pre-recession levels, but Education and Health Services (EHS) increased through the recession, and Government remained steady. Construction was the hardest-hit, and continues to lag. All other sectors are either nearly or fully recovered.

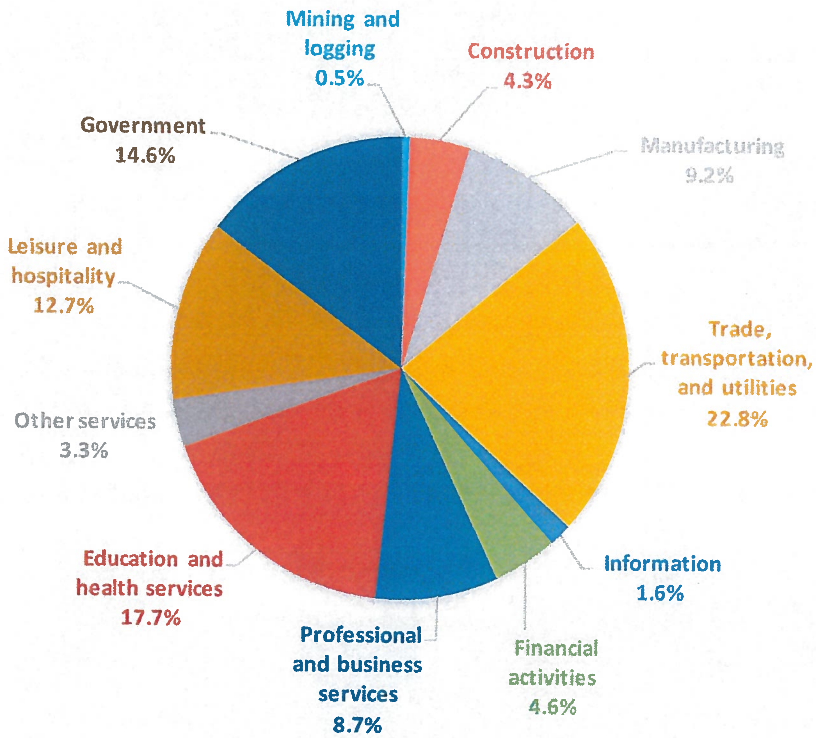
FIGURE 2-5
MEDFORD MSA EMPLOYMENT BY INDUSTRY

	Employment (Thousands)				Net Change	
	2005	2010	2015	2020	2005-15	2015-20
Jackson County						
Construction	5.4	2.9	3.5	3.7	-1.9	0.8
Manufacturing	7.4	6.1	7.5	7.9	0.1	1.8
Wholesale trade	2.5	2.2	2.4	2.5	-0.1	0.3
Retail trade	14.4	12.6	13.0	13.4	-1.3	0.8
Transportation, warehousing, and utilities	2.8	2.7	3.2	3.3	0.5	0.6
Information	1.8	1.7	1.3	1.2	-0.5	-0.5
Financial activities	4.5	3.7	3.7	3.8	-0.7	0.1
Professional & business services	7.5	6.8	7.1	7.5	-0.3	0.8
Education & health services	11.5	12.5	14.5	15.5	3.0	3.0
Leisure and hospitality	9.1	8.8	10.4	10.9	1.2	2.2
Government	11.9	12.0	11.9	12.0	0.1	0.0
Total Jackson County	78.6	72.1	78.6	81.9	0.0	9.8



Source: Oregon Employment Department, CES Series

FIGURE 2-6
MEDFORD MSA EMPLOYMENT SNAPSHOT, 2015



Source: Oregon Employment Department QualityInfo.org

Per the Medford Chamber of Commerce, the largest local employers are in health services and trade: Asante Health Systems, Rogue Valley Medical Center, and Providence Health System of Southern Oregon are the first-, fourth-, and sixth-highest respectively, and together employ about 7,100 workers. Harry and David and Lithia Motors are the second- and third-highest employers, with a combined total of around 5,000. Together, these five firms employ about 9% of the local labor force. Other firms with over a thousand local employees include Allegiant Air, the Medford School District, and Jackson County Government; see Figure 7 for the top ten employers.

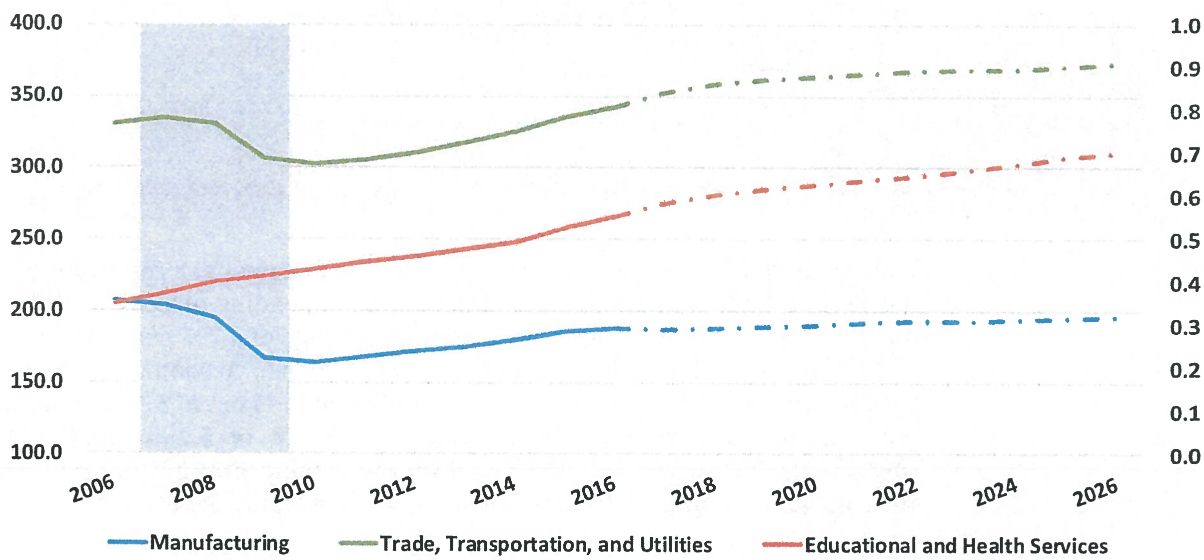
FIGURE 2-7
TOP EMPLOYERS IN MEDFORD

Firm	Classification	Number of Employees
Asante	Health System	4,231
Lithia Motors Inc.	Auto-Truck Dealer	3,000
Harry and David	Direct Mail Merchandiser	2,000
Rogue Valley Medical Center	Hospital	1,638
Allegiant Air	Commercial Airline	1,500
Providence Health System	Health System	1,300
Medford School District 549C	School	1,157
Jackson County	County Government	1,027
Wal-Mart	Department Store	930
Boise	Plywood Mill	875

Source: Medford Chamber of Commerce

The sectors that these firms fall into (predominately EHS, TTU, manufacturing, and government) together comprise 64% of the local job market, and their health is thus crucial to the health of the community. The industry forecast from Oregon's Office of Economic Analysis indicates that these sectors can expect steady job growth of approximately 1% per year over the next decade, as shown in Figure 2-8.

FIGURE 2-8
ANNUAL GROWTH IN SELECTED SECTORS

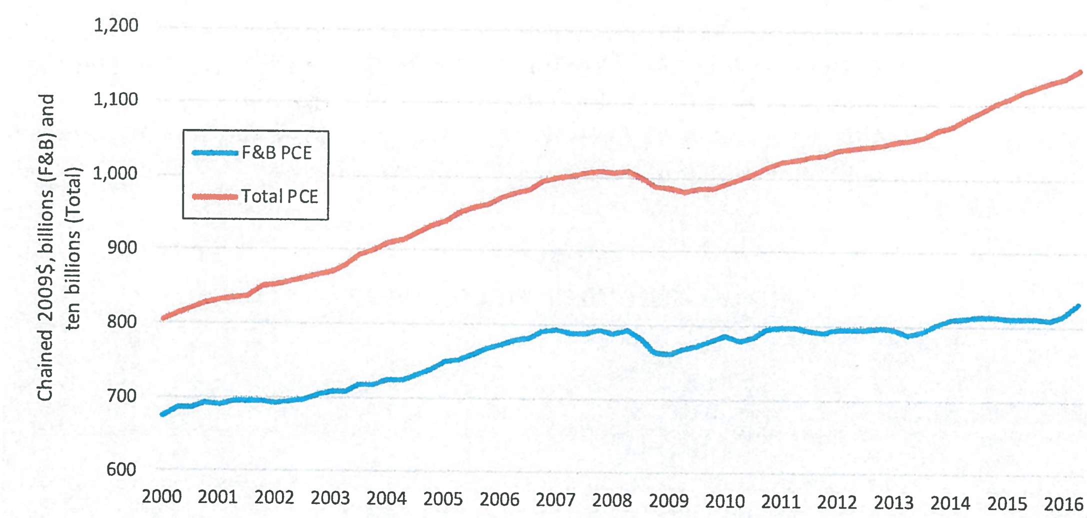


Source: Oregon Office of Economic Analysis

Two economic areas of interest not defined by industry sector are food and beverage sales and tourism. The former is a performance indicator for the latter, which brings substantial spending to the Medford area.

Taking a closer look at food and beverage sales, the forecast calls for cautious optimism. Per 2016 Q2 data from the US Department of Commerce, consumer spending is currently the strongest bolster in an economy where firms are hedging their bets and private investment is falling. A strong labor market indicates that said spending is likely to continue to increase, albeit perhaps more slowly than in the years leading into the recession. Zeroing in on food and beverage sales, data from the US Bureau of Economic Analysis (see Figure 2-9) shows that while spending on these goods is increasing, it lags total real personal expenditures.

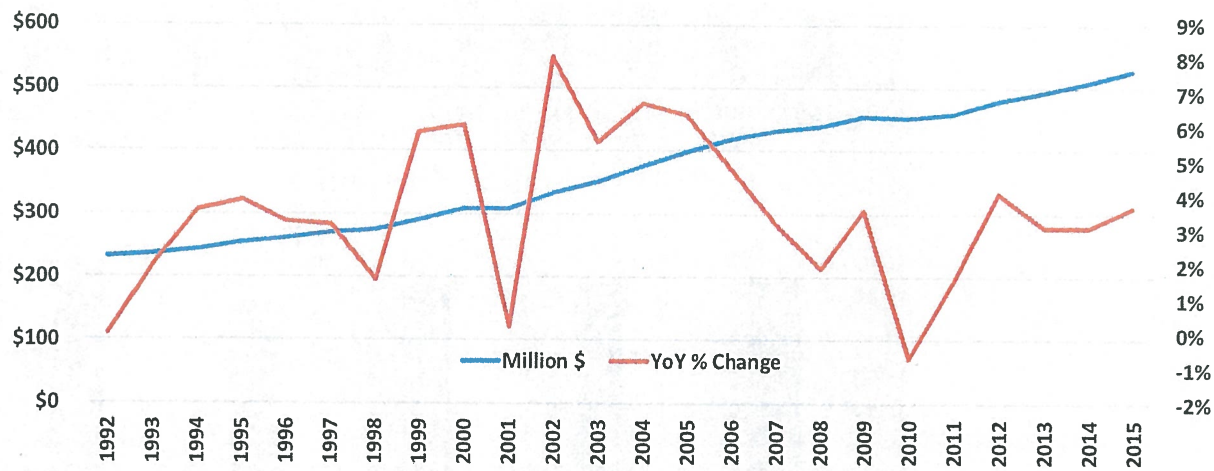
FIGURE 2-9
FOOD AND BEVERAGE SPENDING VS. REAL PERSONAL CONSUMPTION EXPENDITURES



Tourism in the Rogue Valley is significant source of demand: a report prepared for the Oregon Tourism Commission estimates that spending directly attributable to travel to Jackson County has increased by an average of 3.7% per year since 2000, yielding a total value of $528.3 million in 2015 alone. Accommodation and food service captured the majority of earnings ($89.6 million out of $132.3 million), and the majority of generated employment (3,730 out of 5,290 jobs). Tourism spending in Jackson County did not decrease significantly during the recession, although jobs attributable to that spending did: see Figure 2-10.

The Rogue Valley has many attributes that make it an attractive destination. The river itself offers opportunities for rafting and fishing, and draws enough visitors to sustain eleven different tour and charter firms. The striking terrain surrounding Medford invites exploration by day hikers and backpackers alike: Table Rock, a well-known Oregon hiking destination, is located only half an hour outside of the city, and Crater Lake, one of Oregon's most famous landmarks, is an hour and a half's scenic drive away. A dozen local wineries and seven breweries provide tourist destinations within the city itself, along with a handful of museums and the Craterian Theater.

FIGURE 2-10
MEDFORD TOURISM SPENDING

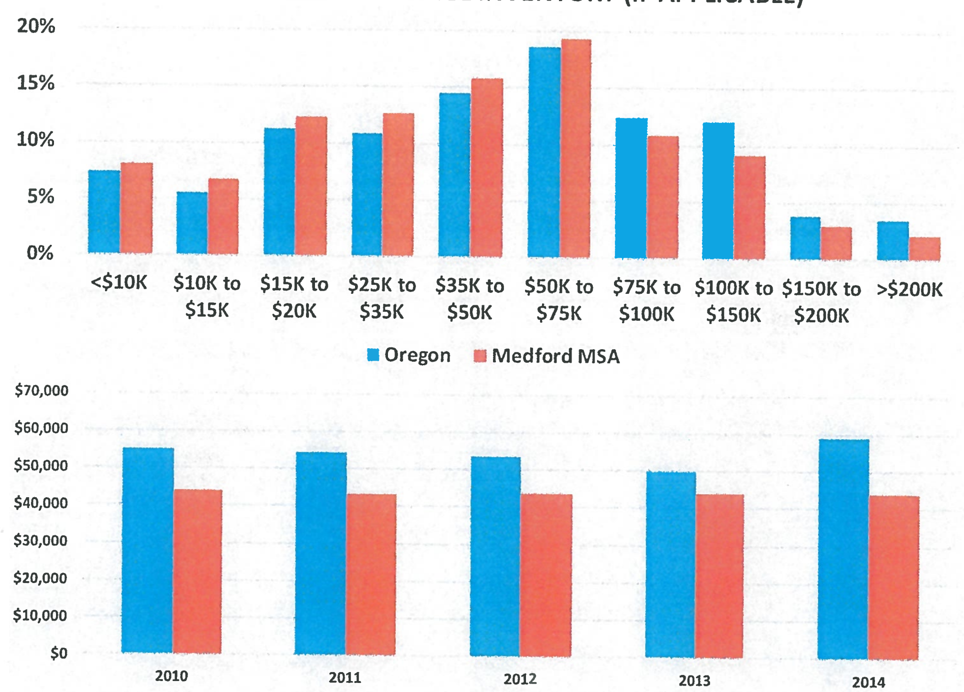


Source: Dean Runyan and Associates

The Rogue Valley has many attributes that make it an attractive destination. The river itself offers opportunities for rafting and fishing, and draws enough visitors to sustain eleven different tour and charter firms. The striking terrain surrounding Medford invites exploration by day hikers and backpackers alike: Table Rock, a well-known Oregon hiking destination, is located only half an hour outside of the city, and Crater Lake, one of Oregon's most famous landmarks, is an hour and a half's scenic drive away. A dozen local wineries and seven breweries provide tourist destinations within the city itself, along with a handful of museums and the Craterian Theater. The nearby cities of Ashland and Jacksonville provide opportunities for daytime and/or evening excursions.

Incomes in Jackson County are lower than state and national averages—an expected attribute of areas with a relatively high proportion of retiree residents, who enjoy higher wealth but lower income. Figure 2-11 shows distribution across cohorts and median over five years for the state and MSA. Poverty rates are slightly higher than the state average, and while more citizens than average receive social security and retirement income (approximately 4% more in the Medford MSA), the average amount received is $200-$1000 lower than at the state level.

FIGURE 2-11
MAP OF EXISTING HOTEL INVENTORY (IF APPLICABLE)



Source: US Census, American Community Survey (2014)

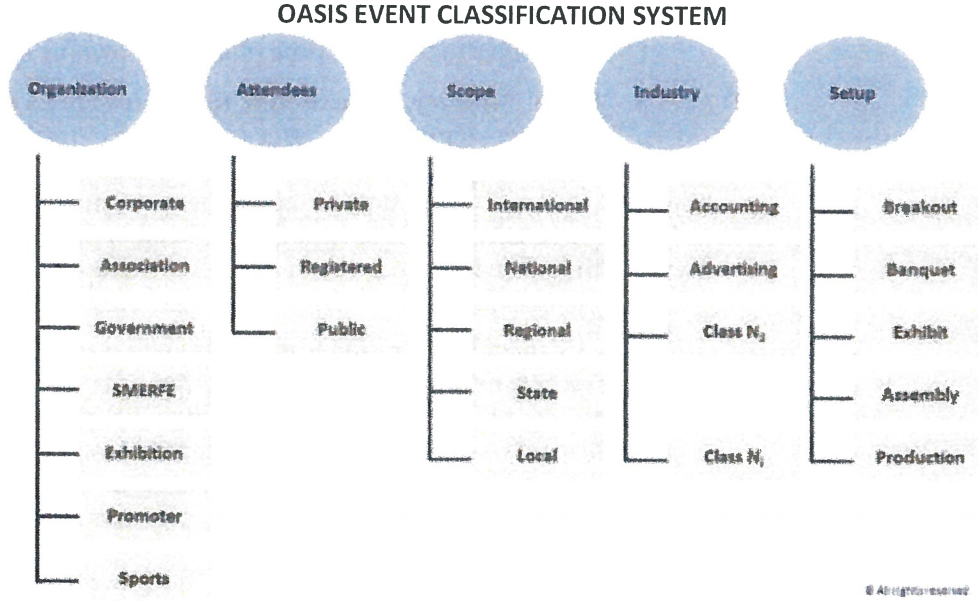
3. Industry and Participation Trends

In this section, HVS presents an analysis of the conference, tradeshow and meeting industry, including trends in the supply and demand of meeting and event facilities, as well as trends in expenditures and meeting planner preferences. The section also describes trends in sports participation at the national, regional, and local level. The purpose of this trends analysis is to provide background information necessary to assess the potential for an events center in Medford, Oregon. This section of the report also provides definitions of industry terms used throughout the remainder of this report.

OASIS© Event Classification System

Convention and conference centers measure their performance by tracking event activity, but the definition and classification of events lacks consistency throughout the industry. Each conference center or marketing organization has their own way of classifying and measuring event demand. HVS has developed a proprietary method of event classification called OASIS Event Classification Method© or OASIS©, which is a convenient acronym for five criteria of event categorization: Organization, Attendees, Scope, Industry, and Set-up. See the figure below.

FIGURE 3-1
OASIS EVENT CLASSIFICATION SYSTEM



Following are definitions of the criteria in the OASIS Event Classification Method© and descriptions of the categories within each.

ORGANIZATION—the organization that sponsors or owns the event provides an important area of classification and can be described in five mutually exclusive categories:

- **Corporations**—corporations, or private business interests, are responsible for organizing the majority of events. The event organizers may be internal to the business or professional meeting planners.
- **Associations**—associations are usually membership organizations centered on specific business types, professions, or political purposes.
- **Government**—international, national, state, or local government organizations sponsor events. This category is particularly important in markets with a large government office presence.
- **Exhibition Company**—exhibiting organizations are companies or subsidiaries of companies established for the purpose of owning and promoting exhibiting events, such as trade and consumer shows.
- **Event Promoter**—event promoters are organizations that exist for the purpose of promoting concerts, entertainment, and other types of live events that require production set-up.
- **Sports Enterprise**—sports enterprises are companies or subsidiaries of companies that exist for the purpose of owning and promoting sporting events.
- **Social, Military, Educational, Religious, Fraternal and Ethnic ("SMERFE")**—although similar to associations, this category includes the types of organizations described in the title. Sometimes called "affinity groups" SMERFE represents a distinct category because members of these organizations use personal disposable income for membership dues and event attendance and therefore tend to be more price-sensitive than associations with professional memberships.

The Organization criterion is most useful to marketing and sales organizations that rely on this information to make decisions on the allocation of staff and resources according to the type of organization sponsoring the event. Other industry participants, such as destination management companies and venue operators, also need to understand the type of organizations active in sponsoring events and value personal relationships with the event planners that represent them.

ATTENDEES—Event attendees can be placed in three distinct categories that distinguish the ways in which attendees gain access to events:

- **Private**—attendees come to the event by invitation only and do not pay a registration or admission fee. Private attendees may be individually asked to attend, as to a wedding, or invited by virtue of belonging to a certain group, such as company employees or shareholders.
- **Registered**—attendees do not necessarily need an invitation, but typically pay an advance registration fee to attend the event. Registered attendees are often called delegates or qualified buyers and they usually attend an event for multiple days.
- **Public**—the event is open to the general public. Attendees may need to purchase a ticket for admission such as at a consumer show. Other civic events may be free of charge.

In addition, some events have combination shows with an initial period of exclusive registered attendance and subsequent public attendance.

The Attendees category is particularly important to venue operators and industry analysts. Understanding the type of attendee at a given event is critical for assessing the impact on conference center operations and projecting economic impact. The length of stay of attendees and their spending patterns varies considerably among the types of attendees.

SCOPE—this category refers to the geographic origin of the attendees. Events are classified accordingly if a significant proportion of the attendees come from the indicated geographic region surrounding the conference center. Five categories capture all the potential geographic scopes and are self-explanatory:

- International
- National
- Regional
- State/Provincial
- Local

Understanding the origin of attendees is critical to event planners and in the estimation of the economic impact of events. Events that draw attendees from larger geographic regions tend to have higher new spending associated with the event. The allocation of marketing and sales resources may also break down according to the geographic scope of events.

INDUSTRY—in North America, HVS recommends relying on the North American Industry Classification System ("NAICS") which replaced the previously used U.S. Standard Industrial Classification ("SIC") system. NAICS was developed jointly by the U.S., Canada, and Mexico to provide new comparability in statistics about business activity across North America. Other economic regions and countries have similar industrial classification systems that are widely used and can be adopted for the purposes of classifying events by industry.

NAICS has hundreds of categories but these categories are organized hierarchically in five levels. All categories can be rolled up into twenty of the top levels in the hierarchy. However, not all top level industry classifications are useful for event classification because little or no event activity is associated with them. Other top level categories, such as Manufacturing, are too broad to provide meaningful information, and level two or three categories can be used to form a useful breakdown of events.

The choice of industry classifications should result in a reasonable share of events falling into each category. According to the Tradeshow Week data book, the leading industries that are represented by conventions, tradeshows and exhibition include:

- Medical and Health Care
- Home Furnishings and Interior Design
- Sporting Goods and Recreation
- Apparel
- Building and Construction
- Landscape and Garden Supplies
- Computers and Computer Applications
- Education
- Gifts
- Associations

Use of the NAICS codes allows for the orderly roll-up of industrial classifications across different events and venues, regardless of the categories or the hierarchical levels that different people may choose to use. Industrial classification information is useful for those planning to develop new events and for other analysts that need to understand how trends in economic health of the underlying industries affect the success of particular events and venues.

SPACE SETUP—this final criterion provides for the categorization of events by set-up of the function spaces they utilize. These categories are not mutually exclusive as events may use any combination of the five primary types of event set-up.

- **Breakout**—typically involves the use of meeting rooms, boardrooms or other multi-purpose spaces for meeting functions in a classroom or meeting setting. This set-up may involve some catering services such as coffee breaks or lunches.
- **Banquet**—includes the set-up for catered banquets events such as a weddings and may include some staging for presentations such as at a general session event.
- **Exhibit**—includes the set-up displays in exhibition halls or other multi-purpose spaces. Concession services and buffet lunches are often a component of this set-up.
- **Assembly**—includes set-up in theater style seating in plenary halls and fixed seat theaters or other multi-purposes spaces that are used primarily for assemblies and general sessions.
- **Production**—includes the set-up for concerts, entertainment, sporting events and other types of events that require significant staging, lighting, and other live-event related set-up.

Event Types

Application of the OASIS© system can provide precise definitions of commonly used event classifications. All commonly used terms for event types can be defined by a combination of three OASIS© categories: organization, attendees, and space set-up.

- **Conventions**—associations, government, and SMERFE organizations register attendees for multi-day events. Facility set up includes breakout, banquet and exhibit space set-up and may include plenary sessions. Typically, the primary purpose of a convention is information exchange.
- **Tradeshows**—provide a means for wholesalers and retailers to transact business with industry buyers. Like conventions, tradeshows offer a forum for exchanging industry ideas. To clearly differentiate conventions from tradeshows, HVS assumes that only corporations and enterprises can sponsor and produce tradeshows. Similar to conventions, tradeshows require registered attendees. While they also require exhibit space set-up, they only sometimes require banquet, plenary, and/or breakout space set-up.
- **Combination Shows**—are either corporate or enterprise produced, typically with an initial period of attendance by registered attendees only, and later by the public. Always requiring exhibit set-up, they sometimes also require plenary, banquet and/or breakout set-up for additional portions of their show.
- **Consumer Shows**—public, ticketed events featuring the exhibitions of merchandise for sale or display. Exhibition companies produce consumer shows, as they provide a means of product distribution and advertising. They only require exhibit space set-up.

- **Conferences**—require a mix of banquet and breakout space set-up as well as occasional assembly space, but do not require any exhibit set-up. Conferences can be conducted by any organization type, but always require attendees to be registered.
- **Meetings**—only require breakout space set-up. Like conferences, they can be produced from any of the organization types, but unlike conferences, they are private events to which one must be invited.
- **Banquets**—only require a banquet set-up for food and beverage meal service. These events also can be produced by any organizational type, and are either are held privately or require guests to register.
- **Assemblies**—usually involve a ceremony, a speech, or another similar activity that attracts a crowd of spectators. Produced by any type of organization, assemblies are always public events. Additionally, assemblies only require a plenary set-up.
- **Fairs**—usually involve an exhibit booth set-up for a public event in which a number of organizations or companies represent themselves and/or a product or service, with a similar theme or purpose uniting the event. Corporations, associations, governments, or SMERFE groups may present a fair.
- **Concert/Entertainment**—usually a concert or some form of live entertainment, owned and organized by an event promoter for the public. Entertainment events only require production set-up.
- **Sports/Amateur Sports**—require only a production set-up. Attendees to sporting events, which are always organized by sports enterprises, may be public or registered. Some sporting events have both a registered and public aspect to the event over the span of a few days.

Trends

The purpose of this section is to describe the conference and meeting industry and analyze trends in the number of events, attendance, and the supply of facilities.

Supply Trends

The convention and conference center industry experienced significant year-over-growth in supply from 2000 through 2006. Starting in 2007, the rate of growth in supply slowed significantly, but remained positive. As the majority of conference and meeting facilities involve public funding, economic conditions affect the level of public investment in conference and meeting facilities that are intended to stimulate economic activity. As economic conditions improve, public budgets are beginning to support funding for conference and meeting facilities and several new facilities and major expansions are underway. As the economy continues to improve improves, supply growth will likely lag overall economic growth as conference venue projects have long lead times due to planning, financing and construction requirements.

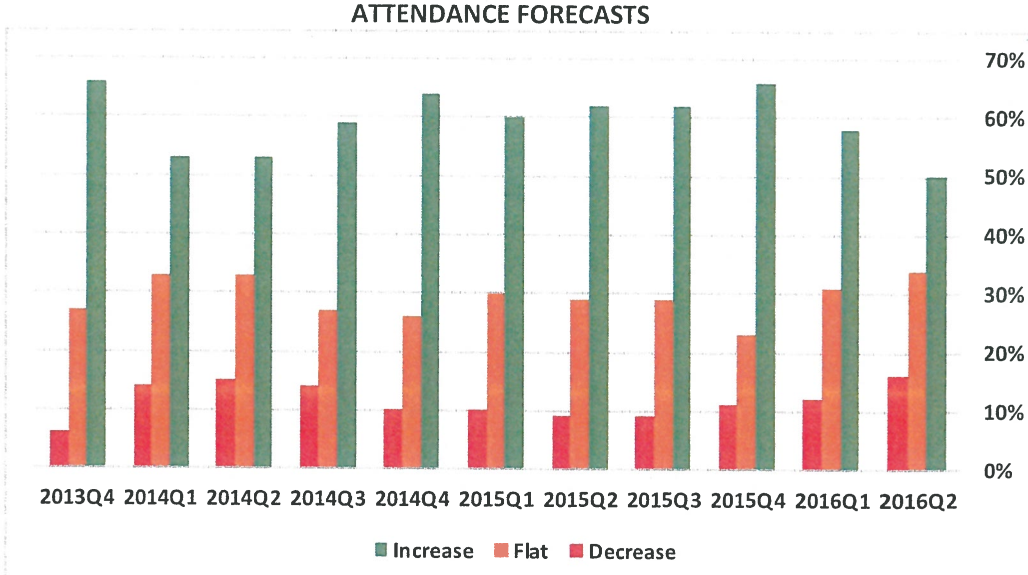
The type of supply growth has transformed in recent years to meet planners' needs. Meeting and breakout sessions have become more common during large conventions, thus increasing the need for additional meeting space and/or flexible function space. As the industry has matured, meeting planner expectations for quality have increased, including proximity of full-service hotels to event facilities.

Demand Trends

During the recession, limited funding mechanisms slowed supply growth as demand also decreased. Corporations, associations, and governmental entities decreased total demand for conference and meeting space in 2009, largely due to strained budgets. The year 2010 saw growth in GDP as well as the beginnings of a recovery in the exhibition industry. Subsequent years have seen both steady growth in GDP and continued positive growth in conference and meeting demand.

Meeting Professionals International ("MPI") regularly surveys event planners to assess attendance forecasts for the coming year, asking them to indicate whether they believe attendance will increase, decrease, or remain flat. The following figure presents the results of these surveys for the past several quarters.

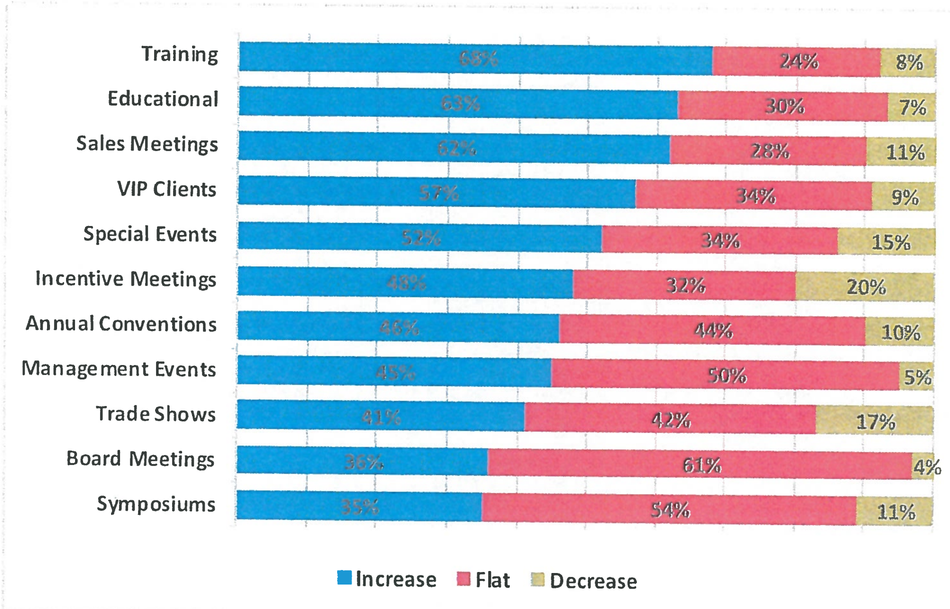
FIGURE 3-2
ATTENDANCE FORECASTS



Source: MPI Meetings Outlook

While the majority of planners expect event attendance to increase, the percentage has decreased in recent months to around 50%. A larger percentage of planners (16%) project attendance decreases, the greatest in recent months. The type of meeting plays an important role in the planners' forecasts. The following figure segments the projected number of events by type.

FIGURE 3-3
FORECASTS BY EVENT TYPE



Training, educational events, and sales meetings will see the most increases in events and attendance. As the economy improves, increases in hiring and investment in employees likely drives this trend.

Event Selection Criteria

Over the past several years, HVS has surveyed over ten thousand event planners asking them to identify their top criteria for selecting a city and venue for their events. The following figure presents the summary results of these surveys highlighting the most often mentioned selection criteria.

FIGURE 3-4
SITE SELECTION CRITERIA FOR PLANNERS

Site Selection Criteria	
Availability of facility event space	59%
Price of facility rentals	52%
Price of hotel rooms	46%
Availability of hotel rooms	33%
Geographic location	27%
Availability of air travel	25%
Ability to attract attendees	23%
Overall level of destination appeal	22%
Quality of hotel rooms	19%
Dining, retail & entertainment options	18%
Proximity of hotels to event spaces	14%
Convenience for drive-in visitors	14%
Cleanliness	13%
Adequate technology services	12%
Recreation, tourism & cultural activities	9%
Safety	6%
Green building and conferencing practices	1%

Source: HVS

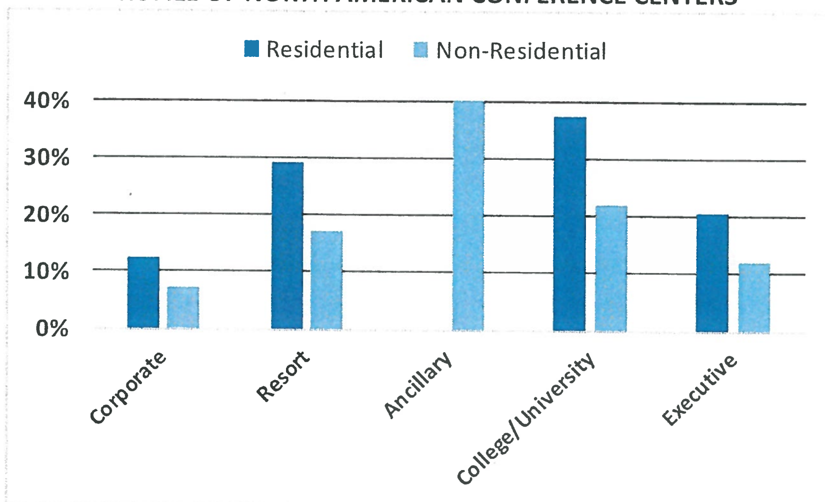
Availability and price of facility rental are the two most often mentioned criteria for selecting a particular event location. In addition to actual facility size, the survey indicates that site selection is largely based on two other important amenities - hotels and airports. This reaffirms the changing dynamic of the conference and meeting industry that is now focused on reducing costs for the hosting organization and its attendees as well as maximizing accessibility.

Conference Centers

Conference centers typically have a mix of meeting and ballroom space and are ideally suited for conferences, meetings, and small conventions. Conference centers often host weddings, banquets, and other social functions along with small conventions and tradeshows. Each year the International Association of Conference Centers (IACC) conducts an in-depth survey of IACC certified conference centers in North America and issues a trends report based on its findings. The report distinguishes between residential and non-residential conference centers and provides a statistical and financial profile for each. While the majority of conference centers across the country do not have an IACC certification, the overall trends reported by survey do provide some insight into the industries which have the most direct implications on the operations of a possible events center in Medford.

Conference centers can be stand-alone venue are part of a larger development or organization. The following figure provides a summary of conference center locations

FIGURE 3-5
PROFILE OF NORTH AMERICAN CONFERENCE CENTERS

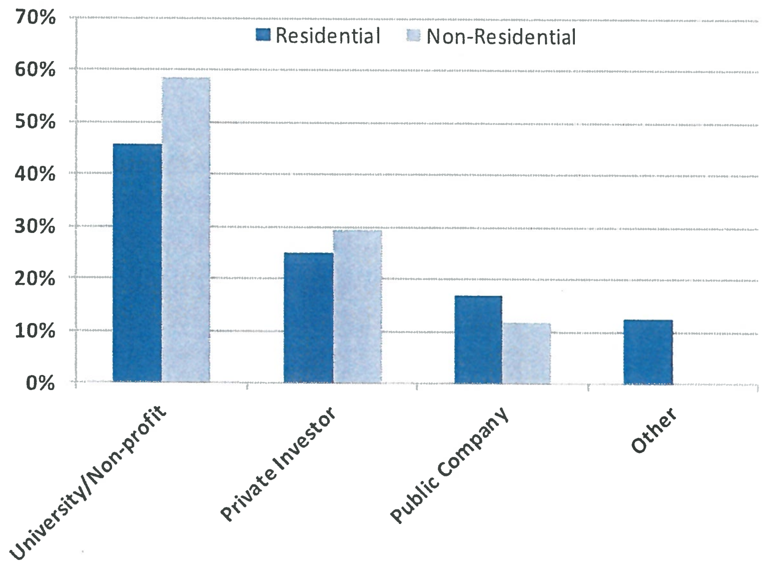


Source: IACC Trends in Conference Center Industry, 2015 Edition

Conference center operate on college campuses, resort properties, and on the grounds of large corporations. Executive conference centers are typically smaller facilities specifically geared towards business meetings, training, and other off-site business uses. Ancillary centers are conference facilities that are a part of a larger hospitality development. They typically occupy a separate wing or floor of a complex, and are considered a distinct operation from any lodging component.

Unlike convention centers, which are typically owned by a city or other public entity, conference centers have a variety of ownership structures. The following figure provides a summary of conference center ownership.

FIGURE 3-6
PROFILE OF CONFERENCE CENTER OWNERSHIP



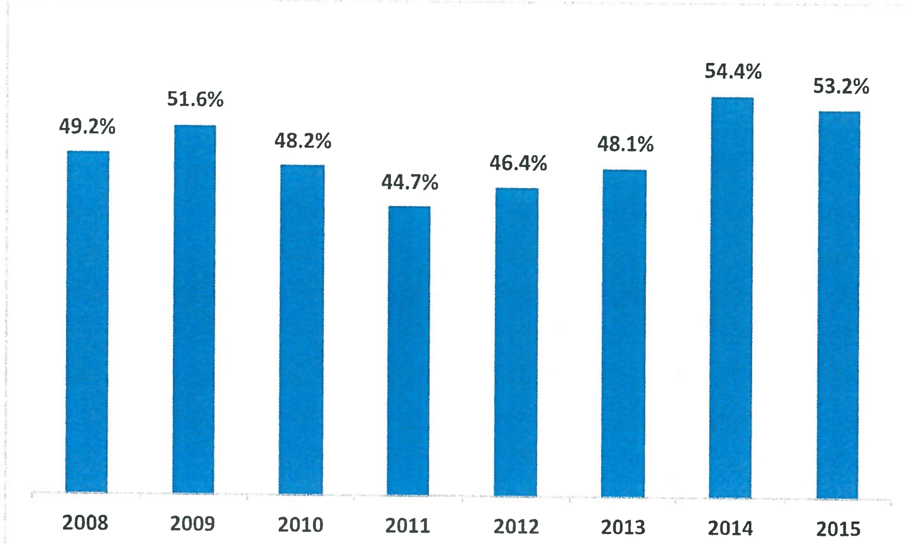
Source: IACC Trends in Conference Center Industry, 2015 Edition

Public entities, private corporations, universities, and non-profit organizations often own conference centers for their internal meetings and training. Function spaces are then rented to external organizations when not in use by the primary tenant.

Meeting space utilization rate is a good measure of the level of demand generated by a conference center. Most conference center managers measure meeting space utilization of each meeting space by dividing the number of occupied days by the number of days in the year. Facility utilization rate is the average of individual rooms utilization rates.

The following figure presents the average facility utilization rates for the past several years.

FIGURE 3-7
MEETING ROOM OCCUPANCY TRENDS IN NON-RESIDENTIAL CENTER

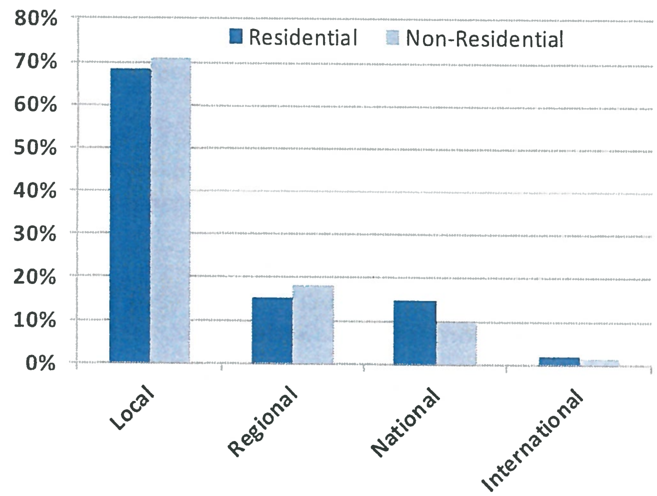


Source: IACC Trends in Conference Center Industry, 2007-2015 Editions

As with larger convention and expo centers, the national recession affected the conference center industry. Following declines in bookings which dropped average occupancy to below 45%, recent years have boosted occupancy above pre-recession levels. As the meetings industry as a whole continues to rebound from recession, meeting planners also report being less concerned about the negative publicity associated with hosting events in upscale properties and destinations than in recent years.

As show in the figure below, locally generated meetings an events make up the majority of conference center events. This percentage is slightly higher for non-residential centers. Throughout the national recession, residential conference centers experienced declines in the percentage of non-local business. Despite the economic recovery in recent years, this trend has continued. The percentage of local business in non-residential conference centers has remained fairly flat for the past several years.

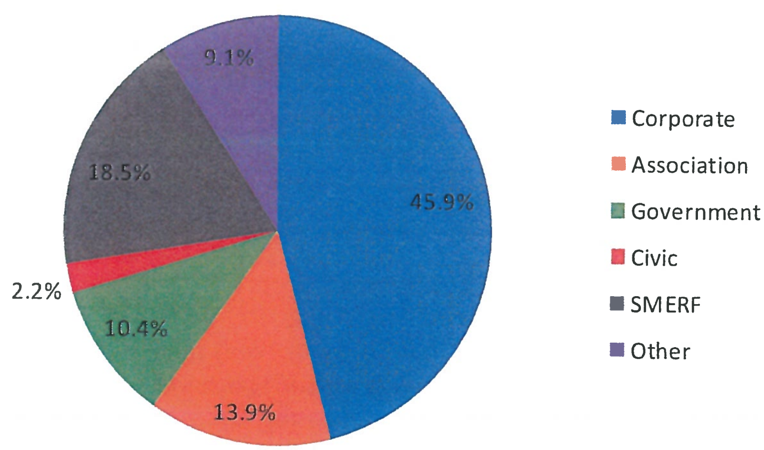
FIGURE 3-8
CONFERENCE CENTER ATTENDANCE BY TYPE



Source: IACC Trends in Conference Center Industry, 2015 Edition

The majority of meeting demand (60%) for non-residential conference centers was generated by corporate and association sources, as shown in the figure below.

FIGURE 3-9
NON-RESIDENT CONFERENCE CENTER DEMAND SEGMENTS



Source: IACC Trends in Conference Center Industry, 2015 Edition

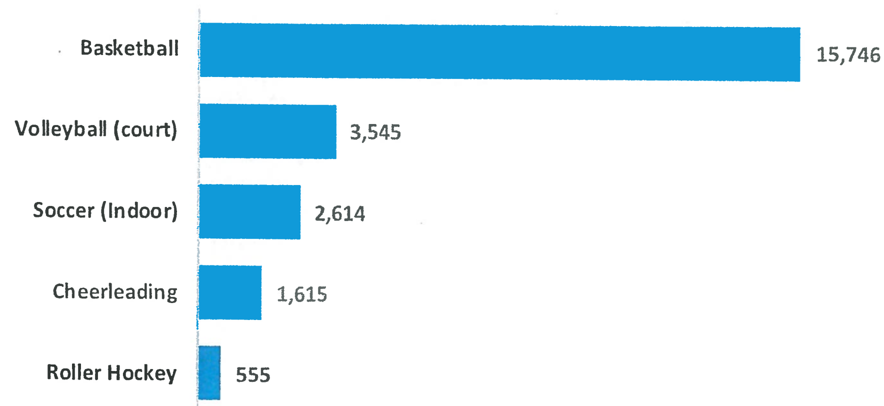
Trends in Sports Participation

HVS compared the feasibility of a conference center development to the feasibility of an events center focused on indoor sports. While the conference and meeting industry focuses on industry trends, HVS measures the sports industry by the levels of participation. The following section describes trends in major indoor sports that could comprise a proposed events center's demand.

The Sports and Fitness Industry Association ("SFIA") conducts annual surveys on adult and youth participation in a variety of indoor and outdoor sports. SFIA produces detailed reports regarding participation levels and the demographics of those participants.

HVS studied participation in several sports that could take place at the Proposed Medford Events Center. SFIA segments participation by the number of times someone participates in a sport each year. The following figure presents the annual number of core participants in seven sports. SFIA defines a core participant as one who participates in a sport at least 13 times per year.

FIGURE 3-10
2014 CORE PARTICIPATION IN SPORTS COMPLEX POTENTIAL ACTIVITIES (000'S)



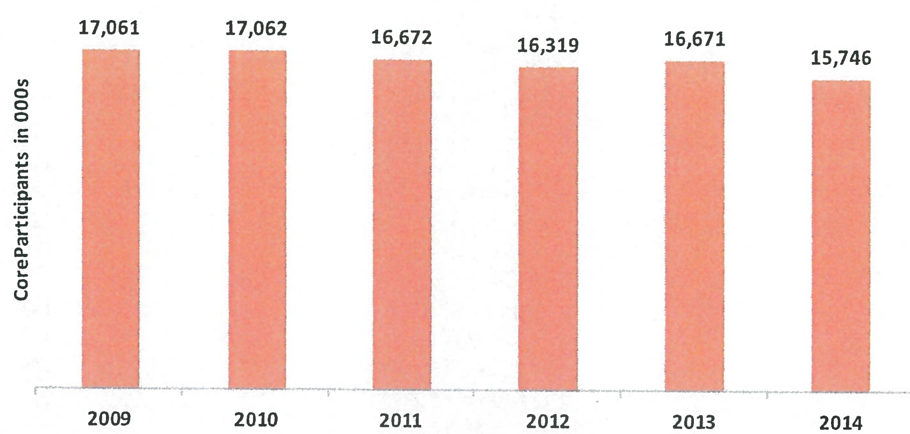
Source: SFIA

Of the potential sports for the Proposed Medford Events Center, basketball has the greatest participation, followed by volleyball and indoor soccer. Sports participation rates continually change as population demographics and the popularity of certain sports varies with popular interest in Olympic and professional sports. The following figure presents the annual rate of growth or decline for the past five years.

National Basketball Participation

Basketball would likely be the primary sport played in a large multi-purpose gymnasium space. The following figure presents the national core participation rates for basketball over the past several years and represents both adult and youth participation.

FIGURE 3-11
NATIONAL PARTICIPATION IN BASEKTBALL



Source: SFIA

Basketball participation has declined over the past several years, but still has nearly 16 million core participants each year. The following figure presents the gender, age, and household income of core basketball participants.

FIGURE 3-12
CORE BASKETBALL PARTICIPATION DEMOGRAPHICS

	Total # of Part. (000s)	Share of Total	Participation Rate by Group	Index *
Total	15,746	100%	5.40%	
Gender				
Male	11,934	76%	8.4%	155
Female	3,812	24%	2.5%	47
Age				
6 to12	4,300	27%	14.7%	273
13 to 17	3,758	24%	17.2%	319
18 to 24	1,934	12%	6.3%	117
25 to 34	2,062	13%	4.9%	90
35 to 44	1,977	13%	4.9%	90
45 to 54	1,066	7%	2.4%	45
55 to 64	541	3%	1.4%	26
65+	108	1%	0.2%	5
Household Income				
Under $25000	2,036	13%	3.8%	71
$25000 to $49999	3,213	20%	4.8%	90
$50000 to $74999	3,284	21%	6.1%	114
$75000 to $99999	2,538	16%	6.5%	121
$100000+	4,675	30%	5.9%	109

* Ratio of group participation rate and national participation rate.

Source: SFIA

Of the 5.4% of the total U.S. population that participate in basketball at least 13 times each year, around three-quarters (76%) are male. Around half of participants (51%) are under age 18, and participation declines significantly at age 45. Basketball participants increases with household income, but all income levels are represented.

Using the regional map found in Figure 4-7, regional participation throughout the U.S. is presented below.

FIGURE 3-13
CORE BASKETBALL PARTICIPATION BY REGION

	Total # of Part. (000s)	Share of Total	Participation Rate by Group	Index *
Region				
East South Central	1,189	8%	6.8%	126
East North Central	2,777	18%	6.4%	118
South Atlantic	3,270	21%	5.7%	106
Middle Atlantic	2,179	14%	5.6%	104
New England	725	5%	5.3%	98
West North Central	1,012	6%	5.2%	97
West South Central	1,765	11%	5.1%	94
Mountain	956	6%	4.5%	83
Pacific	**1,874**	**12%**	**4.1%**	**75**

* Ratio of group participation rate and national participation rate.

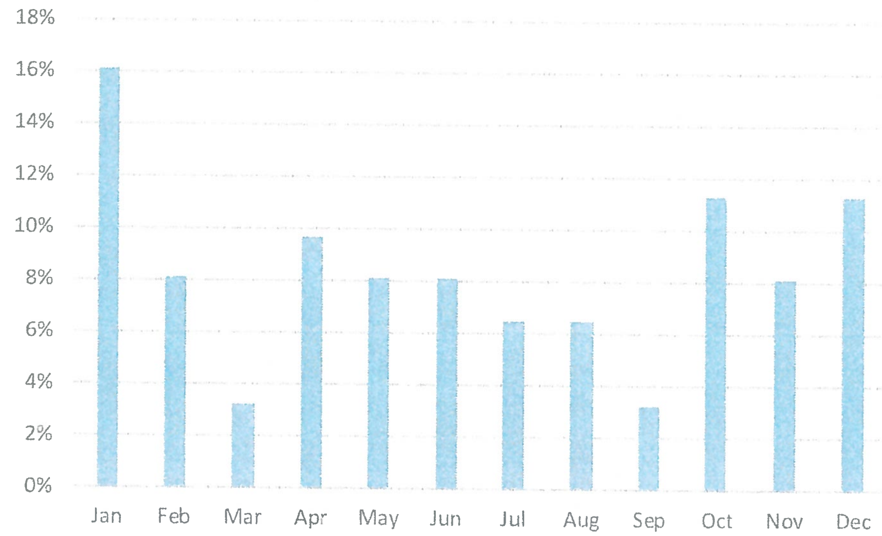
The Pacific region makes up 12% of the core basketball participation in the United States, slightly greater than the national average. But, around 4.1% of the total population in the Mid-Atlantic region is a core basketball participant. This figure falls below the national participation rate. The South Atlantic and East North Central regions have the greatest number of participants, and the East South Central and East North Central regions have the highest participation rates.

Oregon Basketball

Multiple basketball organizations in Oregon, such as Oregon Amateur Basketball and The Hoop, dedicate their resources to running youth tournaments throughout the state. These can range from three-day NCAA certified boys and girls tournaments, to 3x3 competitions for different age groups.

The following figure shows the number of regional youth basketball tournaments held or planned in 2016.

FIGURE 3-14
YOUTH BASKETBALL TOURNAMENTS IN OREGON (2016)



Tournaments are consistently held in Oregon throughout the year, but they reach a peak in October through January, which comprises almost half the annual events. With an events center offering multiple basketball courts, Medford could position itself as an attractive location for basketball tournaments during the winter months and compensate for the decrease in tourism it experiences during that same period.

Although Medford has a positive reputation with the U.S. Cellular Community Park, it has a successful track record with indoor sports too. Medford holds the annual Singler Tournament, which utilizes courts throughout the Rogue Valley and features up to 200 teams from Oregon, Washington, California, and Nevada. As the only major basketball event Medford hosts each year, the Proposed Medford Events Center could attract organizers to hold additional youth basketball tournaments in southern Oregon.

Implications for Medford

With an events center, Medford would join competing destinations in Oregon. As the meetings and convention industry continues its slow recovery from 2009 lows, Medford may have the opportunity to supplement its internal meeting needs and capture some of the local and regional market share of events. Despite the recent economic recovery, the conference industry remains highly competitive and price sensitive. Some of the recession's impacts will have lasting effects on the industry such as substitution to electronic meetings and reduced spending by associations and corporate event planners.

While the pace of growth in convention and event space slowed to a trickle during the recession, recent trends show a return to the development and expansion of venues across the country. In addition to improvements in event function space, much of the recent focus has turned to improving overall destination appeal of the surrounding community. Medford would need to make a concentrated effort to successfully attract regional event planners. But it could also benefit the local area as a new community center offering indoor sports.

4. Comparable Venues

The following case studies of competitive and comparable venues provide a basis for developing program recommendations and forecasts of event demand. HVS compares the function spaces and characteristics of the markets relevant to the success of the venues. It concludes with an assessment of the relative strengths and weaknesses of Medford.

Since our study assesses the potential for conference and multi-purpose sport complex development, we analyzed nine comparable conference venues throughout Oregon and six comparable indoor sports complexes throughout the country. The figures below show the competitive conference venues and comparable sports complexes in our analysis.

FIGURE 4-1
COMPARABLE OREGON CONFERENCE VENUES

Name of Venue	Location	Total Function Space
State Competitors		
Lane Events Center	Eugene, OR	70,183
Chinook Winds	Lincoln City, OR	27,711
Sunriver Resort	Bend, OR	24,563
Salem Convention Center	Salem, OR	24,290
Seven Feathers Casino Resort	Canyonville, OR	23,350
Hilton Eugene	Eugene, OR	22,590
Seaside Civic & Convention Center	Seaside, OR	21,591
The Mill Casino	Coos Bay, OR	14,325
Running Y Ranch	Klamath Falls, OR	6,192
Willamalane Center	Springfield, OR	2,725

Sources: Respective Venues

FIGURE 4-2
COMPARABLE SPORTS COMPLEXES

Name of Sports Complex	Location
Boo Williams Sportsplex	Hampton, VA
Fieldhouse USA	Frisco, TX
Myrtle Beach Sports Center	Myrtle Beach, SC
Round Rock Sports Center	Round Rock, TX
United Sports	Downingtown, PA
Willamalane Center	Springfield, OR

The sections below briefly describe each competitive conference venue and comparisons of their venues and markets. A description of each comparable sports complex and a comparison of their amenities, costs, and ownership follows.

Lane Events Center
Eugene, OR

LANE EVENTS CENTER

The Lane Events Center at the Lane County Fairgrounds does not have an adjacent hotel, but offers full food and beverage service. While less centrally located than the Eugene Hilton, it remains within walking distance of the downtown core and the University of Oregon. The facilities include parking for approximately 2,500 vehicles.

The Eugene MSA is the third largest in the State of Oregon, and has a number of activity generators, most notably the University of Oregon. It is approximately two hours south of central Portland on the I-5 corridor.

Eugene Hilton
Eugene, OR

HILTON EUGENE AND CONFERENCE CENTER

The Hilton Eugene is in the City of Eugene's central core. The facility offers a full-service hotel and provides a higher level of finish quality than the Lane Events Center. The facility includes a full-service restaurant and bar. Exposition and ballroom space is significantly less than at the Lane Events Center, but the facility has more meeting rooms and close to 55,000 square feet of total function space.

Chinook Winds
Lincoln City, OR

CHINOOK WINDS

Chinook Winds Casino Resort is a tribal casino on the Oregon Coast owned by the Siletz tribe. The facility is approximately two hours from Portland and ninety minutes from Salem. Chinook Winds is in Lincoln City, which has a well-developed tourism industry and miles of public beaches. The property also includes a casino, indoor heated swimming pool, sauna, and spa. It has multiple dining options, ocean views, and regularly booked evening entertainment. The facility includes a nearby 18-hole golf course and shuttle service into Lincoln City.

Sunriver Resort
Bend, OR

SUNRIVER RESORT

The Sunriver Resort is the largest destination resort in the State of Oregon. It offers a variety of accommodations, including traditional guest rooms and 400 vacation rental properties. It has five dining areas, three tennis facilities, multiple pools, recreation paths, and three full golf courses. Golf Digest consistently rates the Crosswater course among the 100 greatest courses. The resort is also roughly 20 minutes away from the region's highest rated ski area, Mount Bachelor.

The resort offers more than 44,000 square feet of flexible meeting and banquet space, and additional outdoor facilities.

Salem Convention Center
Salem, OR

SALEM CONVENTION CENTER

A relatively new facility in downtown Salem, the Salem Convention Center was constructed in conjunction with the adjacent Phoenix Grand hotel, which offers a full-service restaurant and bar. As the centrally located state capital, Salem enjoys a strong advantage for many statewide meetings. As the newest facility in the State, the Salem Convention Center offers state of the art technology. The project has on-site covered parking.

Seven Feathers Casino Resort Canyonville, OR

SEVEN FEATHERS CASINO RESORT

This complex is 25 miles south of Roseburg on Interstate 5, and is anchored by a tribal casino. Seven Feathers provides multiple dining options, nightly entertainment, an indoor pool, and spa. The Myrtle Creek Golf Course is nearby the casino resort. Its facilities also include a nearby RV Park.

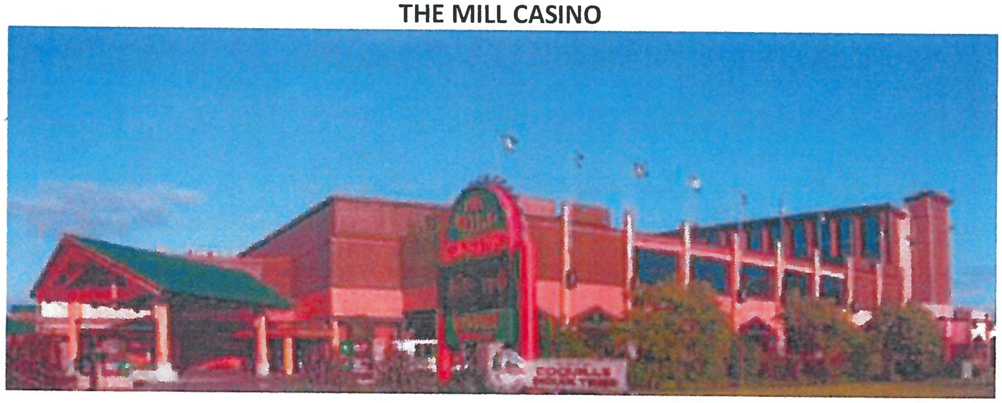
Seaside Civic &
Convention Center
Seaside, OR

SEASIDE CIVIC & CONVENTION CENTER

The City of Seaside owns and operates the Seaside Convention Center. The facility does not offer an adjacent hotel. The facility was built with an economic development mandate, and coordinates lodging booking with local hotels. The City of Seaside is a major tourist destination, with many available hotel rooms. Seaside is roughly one and a half hours from Portland and two hours from Salem by car. As a coastal town, Seaside has a strong tourism infrastructure in place.

The Mill Casino
Coos Bay, OR

THE MILL CASINO

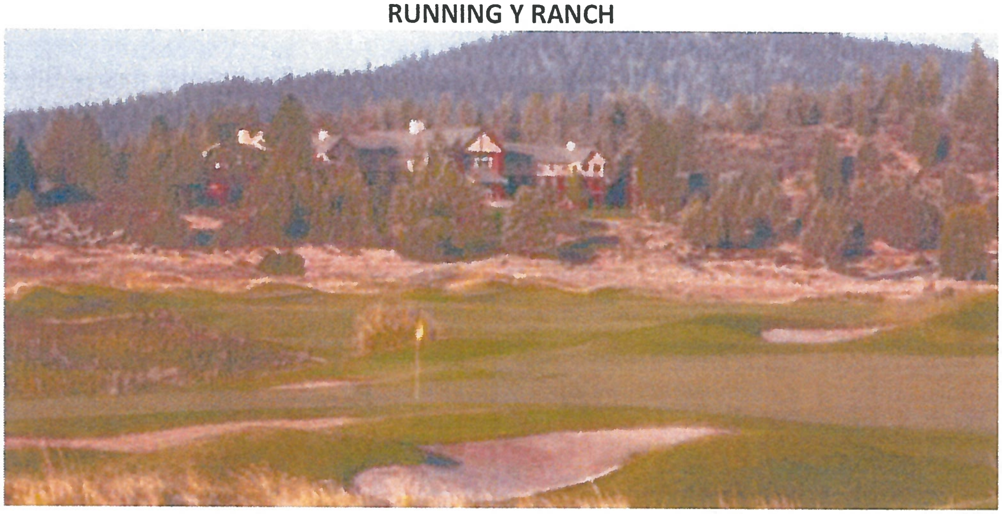


The Coquille tribe on the Coos Bay waterfront runs the Mill Casino in Coos Bay. The facility has a full casino, multiple restaurants, and a new hotel tower. As with other casino properties, the facility has nightly entertainment options. The City of

Coos Bay is not considered an attractive tourism location, as it is one of the few communities on the Oregon Coast without beach access. The area does have limited commercial air service, largely associated with the Bandon Dunes golf resort, which has an international draw and is approximately thirty minutes south of Coos Bay. Drive-times to Eugene are approximately two and a half hours, while Coos Bay is approximately three and a half hours from Medford.

Running Y Ranch Klamath Falls, OR

RUNNING Y RANCH



The Running Y Ranch is a full-service destination resort on the shore of Klamath Lake, just west of Klamath Falls and north of the California border. The resort features an Arnold Palmer Signature Course, consistently rated among the top 100 public courses. The resort offers traditional lodging and spa services at the Sandhill Spa. Additional lodging options include short-term rentals of the resort's extensive collection of vacation homes. The resort also features an indoor pool, hot tub and sauna, regularly scheduled fitness classes, basketball court, tennis courts, and a sand volleyball court. Crater Lake National Park is 60 miles north, and the Klamath Basin is a renowned area for bird watching. The Klamath and Rogue Rivers offer whitewater rafting experiences and up to Class IV waters.

Sports Complex Analysis

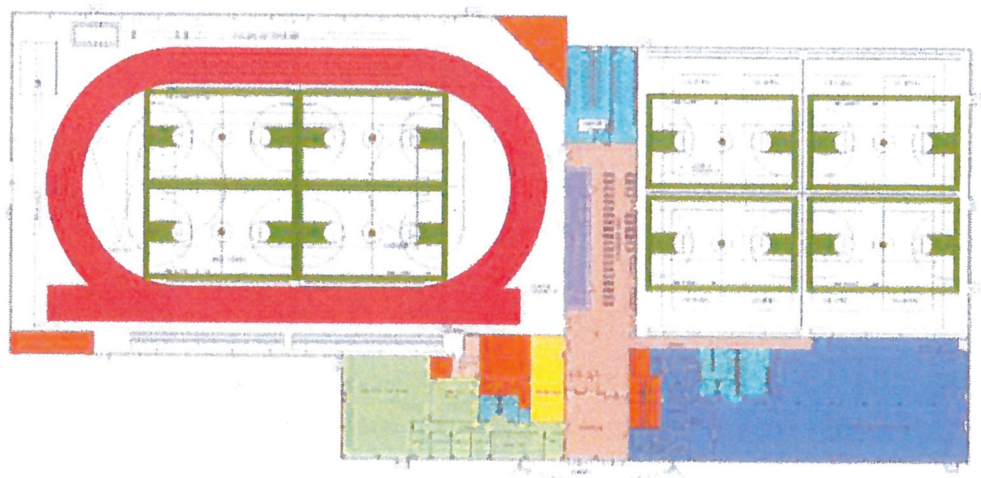
To determine the most feasible option for a public facility in Medford, HVS analyzed conference centers and studied large indoor sports complexes. While no facility provides a perfect match to the needs of Medford, an analysis of these complexes and their accompanying amenities provides insight into current industry practices and trends. They host local, regional, and national sports tournaments. Most offer league play, team training, camps, and clinics. The following section describes each sports complex and compares their amenities.

Boo Williams Sportsplex Hampton, VA

The Boo Williams sports complex was developed by its namesake, a prominent athlete in the community of Hampton, Virginia. Williams developed the project in conjunction with investors and the City of Hampton and the $13.5 million facility opened on March 14, 2008. The complex has 135,000 square feet of space including facilities for sports as well as banquets and meetings. The complex can be configured into 8 basketball courts, 12 volleyball courts, or 8 hockey fields. Other amenities include a 200-meter six-lane track, 2 training rooms, a concession area, bleacher seating for up to 4,000, and a banquet room.

Track events comprise over half of the nearly 80 events at the Sportsplex each year. Basketball is the next most represented sport. Notably, the complex is home to the Boo Williams summer league, an AAU basketball program comprised of 165 teams of all age levels.

BOO WILLIAMS SPORTSPLEX FLOOR PLAN

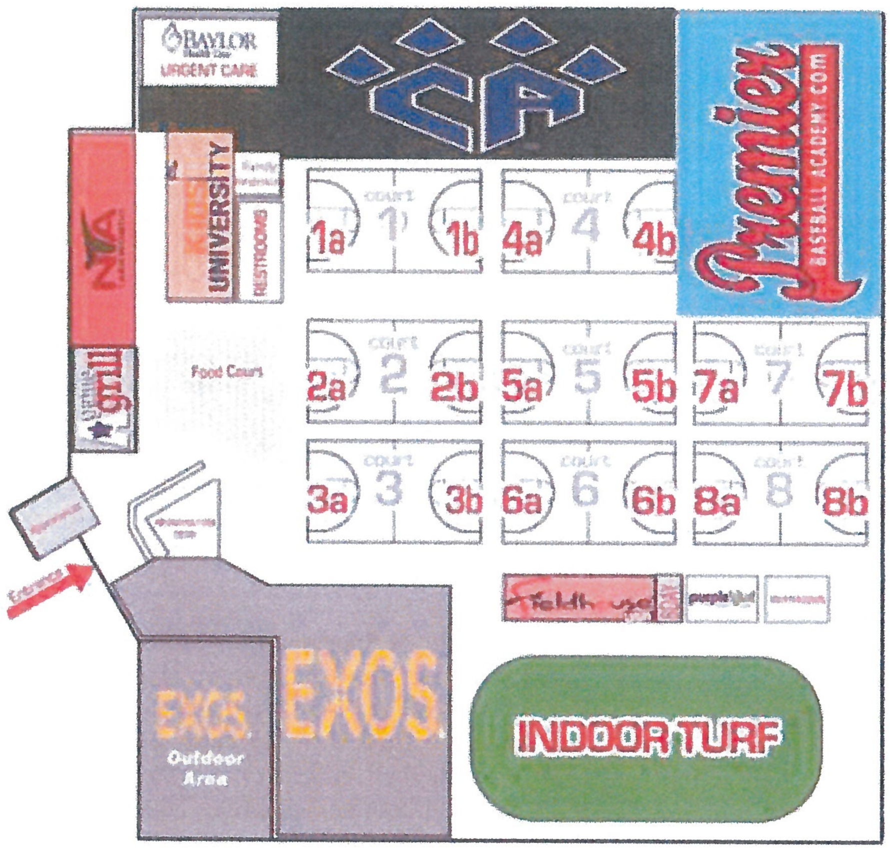


Fieldhouse USA Frisco, TX

In March 2009, Fieldhouse USA opened as part of a 60-acre campus in Frisco, Texas called Sports Village USA. The campus is operated by Sports Village Operating LLC. The Fieldhouse USA, the indoor sports center of the campus, cost $17 million and consists of 144,000 square feet. Fieldhouse USA boasts the largest indoor turf field in North Texas and houses 8 basketball courts. Several tenants rent space within the venue that include EXOS Performance Training, Baylor Urgent Care, Frisco Soccer Association, NTA Taekwondo, Dallas Patriots Baseball, Purple Kiwi, and Cheer Athletics. Other amenities include an on-site restaurant and a pre-school.

The facility offers in house camps, clinics, and leagues in basketball, volleyball, football, and soccer. Basketball and volleyball comprise most the venue's 30 annual tournaments. The venue also serves as the practice facility for Frisco's local NBA D-League team, the Frisco Legends.

FIELDHOUSE USA FLOOR PLAN

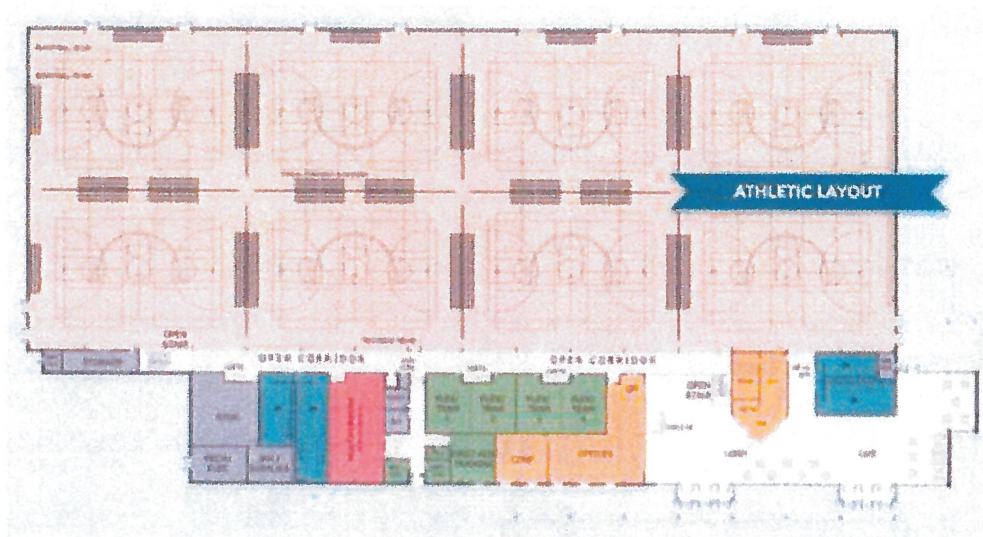


Myrtle Beach Sports Complex
Myrtle Beach, SC

The Myrtle Beach Sports Center in Myrtle Beach, South Carolina opened in March of 2015. The City of Myrtle Beach owns the property and SFA (Sports Facilities Advisory) operates it. The $12.4 million complex has 72,000 square feet of column-free hardwood space which can be configured into 8 basketball courts or 16 volleyball courts. Other court sports include wrestling, gymnastics, cheerleading, table tennis, and pickleball. The facility also features four team rooms, a large multipurpose room, a café, and telescopic seating for 1,500.

In its first year of operation, the sports complex hosted over 40 events attracting over 200,000 attendees, including NCAA certified sports tournaments and archery competitions. Basketball events account for more than half of the events held at the Sports Center. The space is also available for trade shows, birthday parties, and other event rentals.

MYRTLE BEACH SPORTS CENTER FLOOR PLAN

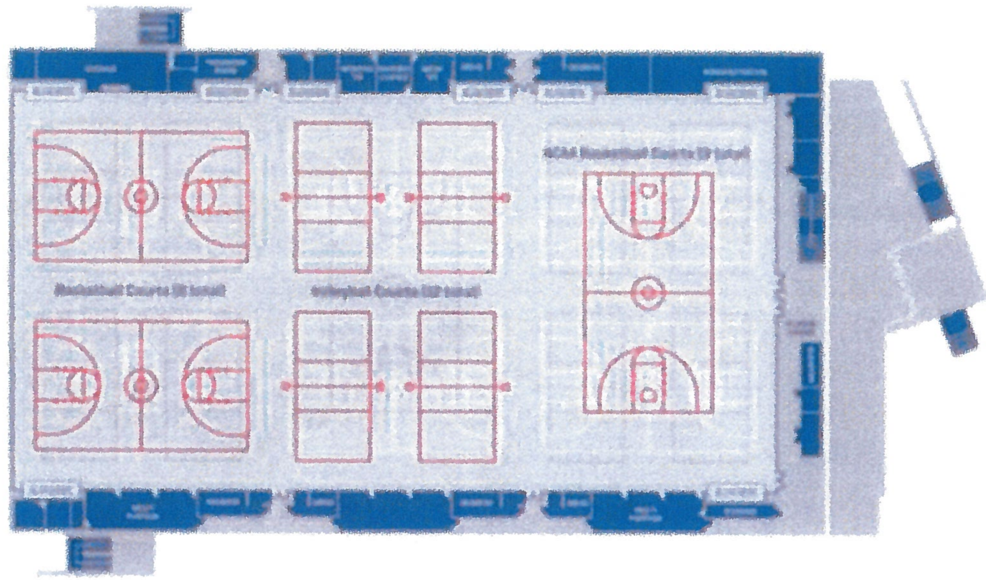


Round Rock Sports Center
Round Rock, TX

The Round Rock Sports Center in Round Rock, Texas opened on January of 2014. Construction of the $14.5 million facility was funded using a 2% Hotel Occupancy Tax from the City. The City staffs the center, and the CVB books the events and tournaments. The center contains two main levels: the court level can configure into 12 volleyball courts or six basketball courts and contains three divisible multipurpose rooms, a training room, an administrative suite, and lounges for players and referees. The mezzanine level contains the tournament room, a concessions section, stadium seating, and an office.

The Sports Center hosts around 40 tournaments each year, with basketball and volleyball making up a significant majority. Other sports include wrestling, fencing, table tennis, and martial arts.

ROUND ROCK SPORTS CENTER FLOOR PLAN

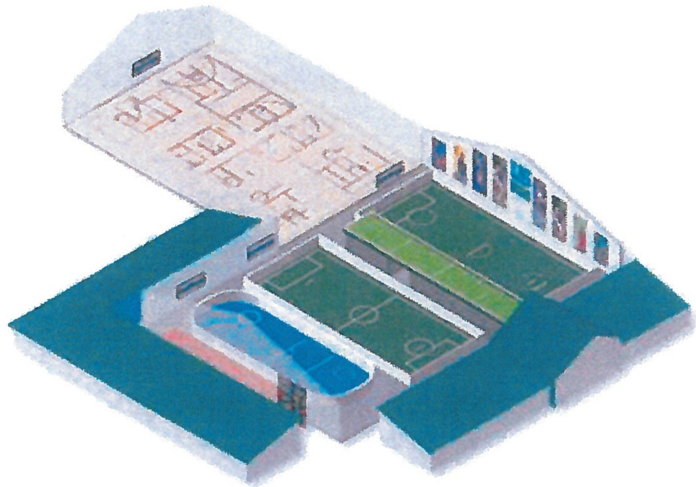


United Sports
Downingtown, PA

The United Sports complex, located in a suburb west of Philadelphia, is one of the oldest sports complexes in the Northeast region. Developed by the Belle Capital Corporation in the early 90s, the site is still competitive with 127,000 square feet of indoor space and 60 acres of outdoor sports facilities. The indoor space contains an ice rink, 2 indoor turf fields, a fieldhouse, and a rock climbing wall. The outdoor facilities include 11 outdoor fields, a premier sports field that can seat 1,200, a mini golf course, and a vending village. United Sports also has a full-service restaurant and meeting rooms.

United Sports hosts around 20 tournaments each year, including volleyball, basketball, and indoor soccer events. Other programming includes sports leagues and team training.

UNITED SPORTS INDOOR FLOOR PLANS



Willamalane Center
Springfield, OR

The Willamalane Center has 97,000 square feet of space, which accommodates sports tournaments, corporate events, meetings, classes, and parties. The adjacent Les Schwab Sports Park has four lighted artificial turf sports fields. Athletic events include tennis, soccer, basketball, and volleyball. The complex is configurable with four regulation-size basketball courts, four indoor tennis courts, and twelve volleyball courts. It also has a fitness center and an 18-foot wide movie screen, as well as a youth center.

WILLAMALANE CENTER

Ballroom/Multi-purpose Space Assessment

In addition to social events (such as weddings and fundraisers) that host banquets, conferences and flat floor shows typically require food services in a ballroom setting. General assemblies at conferences use a ballroom with a theater or banquet set-up. As facility operators attempt to grow food service revenues at their facilities and event planners seek a higher level of service for their attendees, the size of the ballroom or multi-purpose area often determines a venue's event size capacity. The figure below compares of available banquet space in the competitive and comparable venues.

FIGURE 4-3
BALLROOM SPACE IN COMPARABLE VENUES

		sf	# divisions
Chinook Winds	Lincoln City	26,064	10
Seven Feathers Casino Resort	Canyonville	22,000	6
Lane Events Center	Eugene	22,000	1
Salem Convention Center	Salem	20,150	10
Hilton Eugene	Eugene	16,380	10
Seaside Civic & Convention Center	Seaside	15,180	2
Sunriver Resort	Bend	12,210	5
The Mill Casino	Coos Bay	10,009	3
Running Y Ranch	Klamath Falls	4,488	4
Average		16,498	6

The largest ballroom spaces are found in two tribal facilities (Chinook Winds and Seven Feathers), followed by the Lane Events Center in Eugene and the Salem Convention Center. The average ballroom space in the comparable venues is 16,500 square feet.

Meeting/Break-out Room Assessment

Meeting rooms can accommodate sub-groups as they break out of larger general sessions at conventions and tradeshows. Additionally, these smaller rooms can support self-contained meetings, training sessions, seminars, classes, and a variety of small meeting functions. A facility's meeting rooms are often its most frequently used function spaces. Generally, convention centers should offer meeting space proportionate to the amount of exhibition and ballroom space available at the facility. However, the optimum amount of meeting space can vary depending on a facility's target market.

The following figure presents a comparison of available meeting space.

FIGURE 4-4
MEETING SPACE IN COMPARABLE VENUES

		sf	# rooms
Sunriver Resort	Bend	12,353	13
Lane Events Center	Eugene	11,183	4
Seaside Civic & Convention Center	Seaside	6,411	14
Hilton Eugene	Eugene	6,210	7
The Mill Casino	Coos Bay	4,316	7
Salem Convention Center	Salem	4,140	4
Running Y Ranch	Klamath Falls	1,704	3
Chinook Winds	Lincoln City	1,647	3
Seven Feathers Casino Resort	Canyonville	1,350	8
Average		5,479	7

Both Bend (Sunriver) and Eugene (Lane Events Center and Hilton Eugene) have facilities with many individual meeting spaces, as does the Seaside Conference Center. The competitive venues have an average of seven meeting rooms and offer approximately 5,200 square feet of meeting space.

Market Population and Income

Local area population data can provide evidence of a community's overall economic size and ability to support public services and visitor amenities for conference center users. Because most conference centers primarily target out-of-town users, local area population figures rarely have a direct correlation with overall demand potential. However, population and income data can provide a basis for understanding a community's ability to support and sustain a conference center, the surrounding neighborhood and market. Additionally, population can determine the demand potential for certain types of events such as locally generated meetings, banquets, religious events, graduation ceremonies, and consumer shows. The following figures present metropolitan population and median household income data for the markets surrounding the comparable venue set.

FIGURE 4-5
METRO POPULATION OF COMPETITIVE MARKETS

Salem	409,513
Eugene	365,246
Medford	**213,810**
Bend	174,756
Klamath Falls	67,217
Coos Bay	64,544
Springfield	60,572
Lincoln City	8,296
Seaside	6,696
Canyonville	2,040
Average	137,269

Source: Esri

FIGURE 4-6
MEDIAN HOUSEHOLD INCOME OF COMPETITIVE MARKETS

Bend	52,828
Salem	50,386
Medford	**45,500**
Eugene	44,913
Seaside	40,844
Klamath Falls	39,868
Coos Bay	38,746
Canyonville	35,028
Lincoln City	32,640
Average	38,075

Source: Esri

The Medford MSA's population is just over 213,000, making it the third largest of all comparable markets behind the Salem and Eugene MSAs (a total of 13 MSAs were surveyed). Other similarly-sized MSAs include Redding, Bend-Redmond, and Eureka in descending population order. Similarly, the number of businesses in the MSA (11,000) ranks it the third among those surveyed behind Eugene (16,880) and Salem (15,236). Considering the latter two cities comprise, respectively, the second and third largest cities in Oregon, it should not be surprising that they are home to such a large share of businesses in comparison to Medford.

Once drive time is taken into consideration, the orders change slightly for the surveyed MSAs. The Salem area has by far the largest population base within a 90-minute drive time, as it is the second largest MSA in the state and the drive time isochrone includes the Portland metro area. The Eugene/Springfield area has next best demographics within a 90-minute drive time, as this includes Salem to Roseburg on the I-5 corridor. The coastal and Central Oregon communities are more isolated demographically, but have a high level of tourist draw. The tribal facilities have the advantage of providing gaming and entertainment, which increases their draw and supports a high level of on-site amenity.

The median household incomes are highest in Bend, Salem, Medford, and Eugene. Incomes in the Bend and Medford markets reflect healthy local economies, as well as a significant level of in-migration of high net worth households drawn by the recreational opportunities and climate of these areas. The Salem market benefits from its position as the state capital, as well as proximity to the Portland metro area.

Corporate Comparison

The density and breadth of a city's corporate base indicates demand potential in the meetings industry. Businesses generate demand for conventions, conferences, training, and other industry-specific events. The following figures demonstrate how the area compares with the competitive and comparable markets with respect to the total number of larger business establishments with over 500 employees.

FIGURE 4-7
NUMBER OF BUSINESS ESTABLISHMENTS IN COMPETITIVE MARKETS

Eugene	16,880
Salem	15,236
Medford	**11,073**
Bend	10,350
Klamath Falls	3,155
Coos Bay	3,109
Lincoln City	794
Seaside	612
Canyonville	106
Average	6,132

Source: Esri

While Salem has a larger number of employees, the City of Eugene has the largest number of business establishments. Medford and Bend also score well in terms of the number of local businesses.

Air Service Capacity

While Portland International Airport is by far the largest in the State of Oregon, there are several regional airports providing commercial service proximate to the comparable venues. These are primarily on the I-5 corridor or in Central Oregon.

FIGURE 4-8
AIR SERVICE AT PRIMARY AIRPORTS IN COMPETITIVE MARKETS

Eugene	Mahlon Sweet Field (EUG)	447,803
Medford	**Rogue Valley-Medford International (MFR)**	**370,181**
Bend	Roberts Field (RDM)	255,654
Coos Bay	Southwest Oregon Regional (OTH)	16,203
Klamath Falls	Crater Lake - Klamath Regional (LMT)	13,433

Sources: Respective Airports

Mahlon Sweet Field (EUG) in Eugene has the most commercial service of these airports, and is currently served by five airlines. Medford's Rogue Valley-Medford International (MFR) is the second busiest hub, followed by Bend/Redmond's Roberts Field (RDM). Beyond these three facilities, proximate commercial air links are quite limited for the comparable venues.

Comparison of Indoor Sports Center Features and Operation

The number and type of sports venues in a sports complex depends on a variety of factors, including the size of the market, the climate, the year built, and the proposed use of the fields. The following figure compares the number of sports playing fields and courts in the indoor sports centers.

FIGURE 4-9
INDOOR SPORTS FACILITIES

Venue	Open Court Space (sf)	Total Indoor Space (sf)	Basketball Courts	Indoor Turf Fields	Track & Field	Ice Rinks	Other Sports
Fieldhouse USA	N/A	144,000	8	1			
Myrtle Beach Sports Center	72,000	100,000	8				
Boo Williams Sportsplex	64,000	135,000	6		200m indoor		
Round Rock Sports Center	47,775	82,800	6				
United Sports	36,000	127,000	4	2		1	
Willamalane Center*	28,000	97,000	3				rock climbing, tennis

*Willamalane Center only uses one set of courts for basketball

Comparable facilities are owned and operated by a variety of public and private entities. Some complexes are stand-alone operations while others are parts of larger private developments which include other recreation, lodging, and retail components. The following figure presents the ownership and operating structure of the comparable indoor sports complexes. Development costs in 2016 dollars are included where available.

FIGURE 4-10
OWNERSHIP AND OPERATION COMPARISON OF SPORTS COMPLEXES

Venue	Owner	Operator	Development Costs in 2016$
Myrtle Beach Sports Center	City	SFA	$12.7 mil
Boo Williams Sportsplex	PPP	Private	$16.4 mil
Round Rock Sports Center	City	City	$15.2 mil
Fieldhouse USA	Private	Private	$20.2 mil
United Sports	Private	Private	N/A
Willamalane Center	City	City	N/A

Comparison of Demographic Data for Sports Destinations

The demographic and economic climate of the market surrounding a sports complex provides a gauge of its ability to support the venue via tournament and event rentals and other sales. The size of the population and level of per capita income can indicate the capacity of a market to support a sports complex. The following figure provides a comparison of population and income for the primary markets of the comparable venues and the market surrounding the proposed complex in Medford. Because the Proposed Medford Events Center would be positioned as a regional tournament venue, we defined the primary market as that within a five-hour drive time of Medford and compared demographics to the comparable venues.

FIGURE 4-11
2016 POPULATION AND INCOME COMPARISON FOR 5-HOUR DRIVE-TIME MARKETS

			5-hour Drive-Time			
Sports Complex	Metro Area		Population	Median Age	Median Household Income ($)	Sports Spending Index*
United Sports	Downingtown	PA	53,802,001	39.2	64,275	121
Round Rock Sports Center	Round Rock	TX	24,473,557	34.8	55,525	103
Boo Williams Sportsplex	Hampton	VA	23,237,750	38.2	60,875	111
Fieldhouse USA	Frisco	TX	27,754,716	35.2	54,169	98
Myrtle Beach Sports Center	Myrtle Beach	SC	15,935,364	38.2	46,413	79
Willamalane Center	Springfield	OR	5,877,945	39.1	54,118	94
Average			25,180,222	37.5	55,896	101
Proposed Events Center	**Medford**	**OR**	**5,330,453**	**38.7**	**52,120**	**92**

*A spending index of 100 indicates the national average per household on sports participation fees.

Source: Esri

The market surrounding Medford has a significantly below average population base in the five-hour drive-time market. But as shown before, Medford's population base is stronger than most destinations in Oregon, and the lower population can be offset by a lower supply of large indoor sports complexes in the region. The median age is slightly higher than the average. The median household income and per household spending on sports participation fees is slightly lower than the average.

Conclusions and Implications for Medford

When analyzed in the context of the overall market characteristics presented in Section 2 of this report, the Medford area ranks well in terms of incomes, number of businesses, and commercial air links. In addition, the local climate is significantly better than that in the Willamette Valley and Oregon Coast. It suffers competitively vis-à-vis Salem and Eugene as a result of a limited population within a 90-minute drive time. Locations on the Oregon Coast and in Central Oregon benefit from a well-established tourism draw, making them attractive destinations for multi-day events. Central Oregon's downhill and cross country ski facilities allow provide a strong amenity in the winter, a season in which the Oregon Coast suffers. The ability of the tribal facilities to run casinos supports a relatively high level of amenity and income generation, and the facilities are not reliant upon events as major profit centers. Despite Medford's comparatively strong population, income level, and airlift, a conference center development would frequently compete with established and more centrally located venues in Bend, Eugene, and Salem.

HVS used the comparable sports venue analysis to identify the markets served. This analysis informs our building program recommendations for the proposed Medford Events Center. Sports tourism has been a growing sector of leisure travel demand in the U.S. Indoor sports centers can catalyze regional sports tourism while also supporting local recreation needs when weather inhibits outdoor sports.

The indoor sports centers described in this section host tournaments which attract out of town teams and other groups. In addition to offering quality space for youth tournaments, an indoor sports venue in Medford could occasionally host a conference or flat floor show. Medford and the broader Rogue Valley has a local amenity base and tourism options that can rival those in Central Oregon and the Oregon Coast, but they are less known in the remainder of the State. On the other hand, the success of U.S. Cellular Community Park in attracting events demonstrates that the area has the capacity to draw from a broader market. Medford has an opportunity to build on its successful outdoor sports facilities with an indoor sports center.

5. Survey and Interview Findings

Overview

HVS designed and conducted a survey of event planners to provide a basis for assessing the potential demand given a new conference center and hotel development. This survey gathered information from professional event planners about their event needs and event destination preferences. HVS also interviewed members of the City of Medford, Jackson County, Travel Medford, numerous local businesses, and tourism organizations for the State of Oregon. We asked them detailed questions about their event needs and preferences, their opinions of Medford as an event destination, and their thoughts on other venues in Oregon.

The following analysis highlights key results and conclusions of our web-based survey and interviews.

Survey Contacts

HVS collected contact information for 358 event planners from Meeting Planners International, the Oregon Society of Association Management, and the Greater Oregon Society of Government Meeting Professionals. Via email, HVS introduced the purpose of the survey and provided a link to the web-based survey. We encountered 84 bounces and four members who are retired. We received 30 responses. The overall response rate to the survey was 11 percent.

Reasons for Not Planning Events in Medford

HVS found that meeting planners outside of Southern Oregon rarely plan events in Medford. In our web-based survey, only 8% of respondents said they had previously held an event in Medford. We asked planners who have not held an event in Medford to state their reasons for not doing so. The most common responses are as follows:

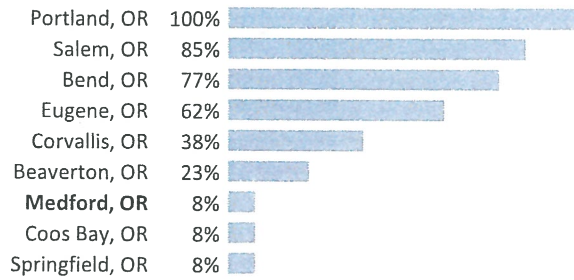
- Medford is not centrally located within Oregon.
- The city does not have sufficient event space for their events.
- The respondent's event is tied to a specific venue.

While Medford cannot change its non-central location or an event planner's prior commitment to another venue, it has potential to attract some planners with a larger venue.

Meeting Planner Preferences and Perceptions

HVS asked event planners to identify the five best markets for planning their events from a competitive set of cities in Oregon and northern California. The following figure provides the top ten destinations most often identified by event planners.

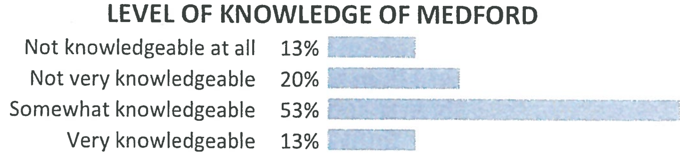
FIGURE 5-1
TOP FIVE DESTINATIONS IN OREGON



Every respondent selected Portland, and the majority selected Salem and Bend as top event locations. The respondents do not view Medford as a major conference or convention destination.

Before responding to a series of questions regarding their perception of Medford as a group event location, HVS asked meeting planners to identify their level of knowledge about the destination.

FIGURE 5-2
LEVEL OF KNOWLEDGE OF MEDFORD



A third of respondents claim to not have much knowledge of Medford, and few respondents said they were very knowledgeable about Medford.

HVS asked meeting planners identify Medford's main strengths and weaknesses as an event destination.

Respondents commented most frequently on the following strengths:

- Medford has good highway access with its proximity to Interstate-5.
- Ashland and Jacksonville are excellent cultural destinations that offer a variety of attractions.
- Medford has beautiful scenery, and the surrounding area offers tours that visitors can experience.
- Prices in Medford are significantly lower than popular locations such as Portland.

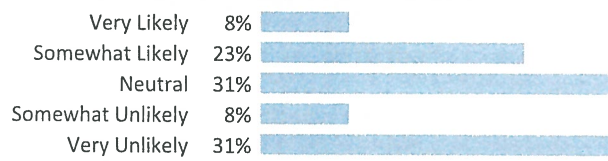
The following list of responses highlights Medford's weaknesses:

- Medford's non-central location limits its ability to attract Oregon State business. California associations will not come to Oregon.
- Event planners view Medford as a commercial hub, and not a good location for their events. Ashland and Jacksonville have greater appeal for group meeting business.
- The function space currently available in Medford limits the size of potential events to 350 attendees.

Event Characteristics and Facility Requirements

HVS told event planners that Medford is considering conference hotel development in Medford. Based on this information, HVS asked respondents how likely they would be to book an event at Medford if the hotel and function space package met their event needs. The following figure presents the results of these responses.

FIGURE 5-3
LIKELIHOOD OF BOOKING EVENTS IN MEDFORD WITH DEVELOPMENT



Less than a third of respondents expressed interest in planning events in Medford given a sufficiently sized venue. Over half the respondents either said they were very unlikely to plan an event in Medford, or were neutral, suggesting that insufficient function space is not the only reason for difficulty attracting planners.

Interviews

HVS interviewed members of the City of Medford, Travel Medford, Jackson County, local businesses, and other tourism organizations. Based on the insights drawn from these interviews, HVS analyzed and compiled the most common statements. They are as follows:

Destination Appeal of Medford

- Medford offers an abundance and variety of tourist attractions, with wine tasting, whitewater rafting, skiing, shopping, the Shakespeare Festival in Ashland, golf, hiking trails, and ziplining. But, marketing efforts have struggled to generate visitation from the rest of Oregon, as 85% of recreational tourism originates from northern California. A new facility could draw central and northern Oregon residents to Medford.
- Tourism in Medford declines during the winter months. Ashland has proposed a ski resort expansion, which could provide the Rogue Valley with a winter attraction.

Function Space Needs

- Medford struggles to attract association business with over 400 attendees. Local planners resort to holding larger events in the Medford Armory. Travel Medford reported that insufficient banquet and meeting space accounted for over half of their lost business from the past 15 years. See the figure below.

FIGURE 5-4
LOST BUSINESS IN MEDFORD (2001 – 2016)

Reason	% of All Lost Events
Not Enough Function Space	61%
Existing Venues Too Old	12%
Event Requires Attached Hotel	7%
Selected Another Location	3%
Prices Too High	3%
Need Resort Location	3%
Other	12%

Source: Travel Medford

- On the other hand, other local organizations remarked that the existing venues in Medford can sufficiently accommodate up to 90% of their corporate meetings and banquets.

Sports in Medford

- The U.S. Cellular Community Park ("USCCP") brings out-of-town youth sports teams for 39 events per year. Outdoor sports events drive a significant portion of tourism to Medford. For indoor sport tournaments, the Rogue Valley has the annual Singler Open, a youth basketball tournament with approximately 200 teams.
- The Santo Community Center serves small indoor sporting events, but Medford does not have a venue that can solely accommodate indoor youth tournaments or events. An indoor sports complex could host tournaments, provide the community with a sports venue for weekday use, and hold larger flat floor shows and conferences that Medford currently cannot accommodate.

Survey and Interview Conclusions

Medford's primary strengths as a conference destination are its beautiful scenery, competitive prices, Ashland and Jacksonville's attractive areas, and variety of tourist attractions. Its primary weaknesses as a conference destination are its non-central location in Oregon, its reputation as a commercial city, and its lack of adequate function space. But survey respondents expressed a low likelihood of booking events in a conference development, even if it had sufficient function space. While Medford has significantly grown in recent years, its reputation as a non-centrally located city could continue to deter event planners. The survey results and interviews showed that a standalone conference center might not attract enough new events to feasibly operate.

As a sports destination, Medford's strengths are USCCP's variety of outdoor sports fields and unique weather patterns that enable outdoor activity for nine months of the year. The city could build upon USCCP's success by creating an indoor sports complex. A sports facility with the capability of running flat floor shows could attract many regional tournaments, while also accommodating locals with facility rentals and recreational leagues.

6. Building Program Recommendations

The building program recommendations presented herein describe the floor areas and court counts as well as other important amenities for the Proposed Medford Events Center ("MEC"). To formulate these recommendations, HVS relied on a user survey, interviews with residents and community members, an analysis of comparable and competitive sports complex venues, other market research, and knowledge of standard industry practices. This building program should serve as a guide for subsequent physical planning aimed at providing the desired facility program elements.

Having considered conference center and sports complex development, we conclude that Medford has greater potential to grow the tourism visitation through multi-purpose sports facility development. We do not recommend public participation in the development of a stand-alone conference center for the following reasons:

- Event planners have expressed little interest in bringing their events to Medford.
- Hotel room nights generated by the group meetings segment are currently only 10% of total hotel demand, which indicates significant supply and demand constraints.
- Due to its lack of a central location, Medford will continue to have difficulty attracting state association events and effectively competing with Salem and other Oregon destinations.
- The sites that we considered in the City of Medford lack supporting hotel supply. Downtown locations have limited supply. Clusters of hotels in Medford are dominated by economy and mid-scale properties that would not support city-wide group meeting demand.

We considered three types of locations for conference center development: downtown, suburban, and resort in Medford. Ashford and Jacksonville offer more destination appeal than potential sites in the City of Medford. We recommend that the City encourage private sector development of hotel and conference center, rather than pursuing the development of a publicly-financed stand-alone conference center.

The US Cellular Community Park in Medford ("USCCP") provides an example of successful development of an outdoor sports complex. This 132-acre state-of-the-art sports park is owned by the City of Medford and operated by the Medford Parks and Recreation Department. In 2016, the venue hosted 39 regional and national softball, baseball and soccer tournaments with youth or adult participation. These tournaments occur primarily on weekends and attract day-trip and overnight visitors.

An indoor sports complex could replicate this success in other sports such as basketball, volleyball, tennis, gymnastics and others. During non-tournament days, which are primarily weekdays, the venue could serve as a local recreational facility and host exhibition, conference, and tradeshow events.

Sport Complexes

Regional youth basketball tournaments regularly occur in Salem, Portland, Beaverton, and Eugene. Tournaments occur less frequently in Pendleton, Klamath Falls, Sisters, and Medford. For regional indoor sport tournaments, organizers usually procure multiple school gymnasiums or community centers to hold tournament games. Other indoor sports leagues and events held in the local area include volleyball, tennis, gymnastics, hockey, and ice skating. Volleyball and tennis leagues take place in the Santo Community Center. Gymnastics lessons take place at America's Best Kids, a youth sports and learning center. The RRRink in Medford offers youth hockey programs, figure skating lessons, and public sessions. Despite the success of events such as the annual Singler Open in Medford, the local area does not have a sports facility to serve large indoor sport tournaments under one roof.

Facility Program Recommendations

HVS developed its program recommendations with the aim of positioning the Proposed Medford Events Center as a tournament venue capable of attracting event organizers from a variety of indoor sports to rent the facilities for large regional tournaments. The primary goal is to host multi-day tournaments drawing participants from a regional base of attendees and create a sports venue that complements the success of USCCP and serve as the premier indoor sports complex in southern Oregon. The Proposed Medford Events Center could occasionally accommodate exhibitions, conferences, and meetings that cannot fit in existing Medford facilities.

This venue must have the appropriate number of playing surfaces to support tournaments and provide other amenities and services to create an attractive tournament destination for participants and their families. HVS recommends the following complex program:

- Eight hardwood basketball courts (84 feet by 50 feet) with full sideline and end zone dimensions of 114 feet by 80 feet for each court. Courts can be converted to 16 regulation volleyball courts (60 feet by 30 feet) or four NCAA basketball courts (94 feet by 50 feet),

- Telescoping bleachers surrounding two of the basketball courts with seating for approximately 1,500,
- Two locker rooms with showers (approximately 1,500 square feet each),
- Eight basketball team rooms (approximately 700 square feet each) with flexible walls to create two large multipurpose spaces (approximately 2,800 square feet each),
- Three referee rooms (300 to 500 square feet each),
- First aid/training room (500 square feet),
- Large lobby and registration area to service the multipurpose courts and concessions, restrooms, seating areas, ticket office, and facility management offices,
- Storage room for basketball and other indoor sporting equipment, and
- Back of house areas, including building operations offices, mechanical and electrical equipment rooms, loading dock, and general building storage.

Other patron amenities within the proposed MEC could enhance its appeal as a tournament destination and provide it with additional sources of revenue during tournaments. HVS did not specifically analyze these elements, but it could include:

- An attached hotel,
- A full-service restaurant or food court,
- Retail space,
- A dedicated indoor sports pro shop, and
- A video arcade.

A more precise determination of the floor areas would require a concept plan created by a design firm that illustrates how the proposed MEC would fit on a selected site. The process of concept planning would likely adjust the recommended floor areas.

7. Demand Analysis

HVS based event demand projections at the Proposed Medford Events Center ("MEC") on the following research and analysis:

- The program recommendations presented in Section 6,
- Interviews and user survey insights presented in Section 5,
- Industry data and sports participation trends,
- Key market and economic indicators outlined in Section 2,
- Comparable sports complex program and operating data, and
- Discussions with community representatives and the City of Medford.

Tournament Demand

The information revealed in participation trends and interviews indicate that youth sports tournaments are popular events in Oregon. Developing the MEC as a sports complex could make Medford a popular location for regional basketball tournaments. The drive-time market for a tournament depends on its size and scope, though most tournaments draw within a two- to four-hour drive-time of the facility.

In developing the demand projections, HVS assumes that all recommendations throughout this report are completed by January 1, 2020. HVS estimates that event demand would stabilize in the third year of operation— year 2022. Demand projections also assume the continued presence of a highly qualified, professional sales and management team for the proposed venue.

For the purpose of this analysis, event demand projections include those which would take place in the in both the renovated and the existing meeting and convention spaces at the MEC.

Demand Projections

HVS's analysis suggests that the proposed MEC should allow Medford to attract indoor sports tournaments, host larger conferences, and offer some uses for the community. HVS projects the following demand for the expanded MEC. HVS based demand projections on the completion of the development in 2020 . HVS estimates that incremental event demand would ramp up following the completion of the development and stabilize in 2022. The figure below breaks out event projections by type of event. Total and average attendance figures represent individual event attendees.

FIGURE 7-1
SUMMARY OF DEMAND PROJECTIONS

	2020	2021	2022	2023	2024
Events					
Basketball Tournaments	9	11	12	12	12
3x3 Basketball Tournaments	2	4	4	4	4
Volleyball	3	4	5	5	5
Gymnastics	1	2	2	2	2
Cheerleading	1	2	2	2	2
Other Competitions	4	4	5	5	5
Consumer Shows	3	4	5	5	5
Tradeshows	1	2	2	2	2
Banquets	7	10	10	10	10
Gym Rentals	75	75	75	75	75
League Play	24	24	24	24	24
Total	130	142	146	146	146
Average Attendance					
Basketball Tournaments	900	900	900	900	900
3x3 Basketball Tournaments	600	600	600	600	600
Volleyball	1,200	1,200	1,200	1,200	1,200
Gymnastics	500	500	500	500	500
Cheerleading	2,000	2,000	2,000	2,000	2,000
Other Competitions	250	250	250	250	250
Consumer Shows	4,500	4,500	4,500	4,500	4,500
Tradeshows	800	800	800	800	800
Banquets	600	600	600	600	600
Gym Rentals	20	20	20	20	20
League Play	40	40	40	40	40
Total Attendance					
Basketball Tournaments	8,100	9,900	10,800	10,800	10,800
3x3 Basketball Tournaments	1,200	2,400	2,400	2,400	2,400
Volleyball	3,600	4,800	6,000	6,000	6,000
Gymnastics	500	1,000	1,000	1,000	1,000
Cheerleading	2,000	4,000	4,000	4,000	4,000
Other Competitions	1,000	1,000	1,250	1,250	1,250
Consumer Shows	13,500	18,000	22,500	22,500	22,500
Tradeshows	800	1,600	1,600	1,600	1,600
Banquets	4,200	6,000	6,000	6,000	6,000
Gym Rentals	1,500	1,500	1,500	1,500	1,500
League Play	960	960	960	960	960
Total	37,360	51,160	58,010	58,010	58,010

Event Types

HVS classified events in the following categories.

Basketball Tournaments—Basketball tournaments would be sponsored by national governing bodies (such as AAU and USA Basketball), private tournament organizers, or local basketball clubs who rent the facility and are responsible for all tournament registration and operations activities. These tournaments would occur on Fridays through Sundays year-round. HVS projects that these 2.5-day tournaments would attract an average of 50 teams with boy's and girl's teams of multiple age groups from 3rd grade through 12th grade. These tournaments would require all eight courts for all tournament days. HVS assumes an average of nine players per team and two spectators per player.

3x3 Basketball Tournaments—3x3 basketball tournaments would be sponsored by tournament organizers who rent the facility and are responsible for all tournament registration and operations activities. These tournaments would occur on Saturdays and Sundays during the spring and summer. HVS projects that these two-day tournaments would attract an average of 75 teams and can attract multiple male and female age groups from youths aged 7 through adults over 30 in recreational and competitive divisions. These tournaments would require all eight courts for both tournament days. HVS assumes an average of four players per team and two spectators per player.

Volleyball Tournaments—Volleyball tournaments would be sponsored by national governing bodies (such as USA Volleyball) or local sports clubs who rent the facility and are responsible for all tournament registration and operations activities. These competitions could range from local-based events to national championships. HVS forecasts that volleyball tournaments could attract an average of 600 athletes and two spectators per athlete.

Gymnastics Meets and Cheerleading Tournaments—Mat-based competitions would be sponsored by national governing bodies (such as the United Spirit Association) or local sports clubs who rent the facility and are responsible for all tournament registration and operations activities. These competitions could range from local-based events to regional contests. HVS forecasts that cheerleading tournaments could attract an average of 1,000 athletes and two spectators per athlete, and gymnastics meets could attract an average of 250 athletes and two spectators per athlete.

Other Competitions—Other sports competitions would be sponsored by national governing bodies or local sports clubs who rent the facility and are responsible for all tournament registration and operations activities. The make-up of other court competitions would vary year to year and could include table tennis, archery, pickleball, or other hardcourt sports. Most of these events would attract adult participants, and competitions could range from local-based events to championship events. HVS forecasts that other court competitions would attract an average of 125 athletes and two spectators per athlete.

Consumer Shows—Consumer shows are ticketed public events that attract local and regional attendees, such as home and garden shows and car shows. These events require sufficient space for support and back of house uses. Food and beverage services would be limited to concessions.

Tradeshows—Tradeshows provide a means for wholesalers and retailers to transact business with industry buyers. As such, tradeshows are typically exhibit-oriented events in which people display and demonstrate products.

Banquets—Banquets are stand-alone social events, luncheons, and other meals typically booked by local corporations, social and civic organizations, and private clients. The flexibility of the court spaces would allow for a variety of banquet sizes.

Gym Rentals—Groups could rent courts to run sports camps, basketball clinics, and other indoor activities. These rentals would fill the MEC's schedule during weekdays while not in use for tournaments.

League Play—Local basketball and volleyball groups could rent courts weekly to run league games. HVS assumed that three leagues would run per year, and each league would run for eight weeks. Like the gym rentals, these facility rentals would occur during the weekdays.

Room Night Projections

HVS calculated the potential generation of room nights by the MEC. These room nights represent new, induced demand into Medford as a direct result of the expansion of the MEC. The following figure presents the resulting room night generation through 2022, the first year of stabilized demand.

FIGURE 7-2
ROOM NIGHT ESTIMATES

Type	2020	2021	2022	2023	2024
Basketball Tournaments	7,700	9,400	10,300	10,300	10,300
3x3 Basketball Tournaments	500	1,000	1,000	1,000	1,000
Volleyball	3,400	4,600	5,700	5,700	5,700
Gymnastics	400	800	800	800	800
Cheerleading	100	200	200	200	200
Other Competitions	800	800	1,000	1,000	1,000
Banquets	200	300	300	300	300
Total	13,100	17,100	19,300	19,300	19,300

In a stabilized year, HVS estimates that the MEC would generate approximately 19,300 room nights in the local area market. Some of these room nights would result from contract blocks with groups and others would result from individual hotel reservations.

HVS intends for demand projections to show the expected levels of event numbers and attendance. Projections show smooth growth over time. However, event demand and booking cycles do not always run smoothly. Unpredictable local and national economic factors can affect businesses. Event demand often moves in cycles based on rotation patterns and market conditions. Therefore, HVS recommends interpreting the demand projections as a mid-point of a range of possible outcomes and over a multi-year period, rather than relying on projections for any one specific year.

8. Regional Hotel Supply and Demand Analysis

This section examines the regional hotel market within a 30-mile radius of Medford, Oregon for hotels that report operating performance to Smith Travel Research ("STR"). We analyzed the impact of changes in the supply of hotel rooms and projected available room nights, room night demand, occupancy, average daily rates ("ADR"), Revenue per Available Room ("RevPAR"), unaccommodated demand, induced demand from the proposed project, and residual room night demand.

Hotel Demand Generators

Corporate demand is a significant generator of room night demand in the regional market. Companies including Asante, Lithia Motors Inc., Harry and David, Rogue Valley Medical Center, and Allegiant Air provide consistent demand for room nights. Corporations also provide meeting and group demand for various corporate sponsored activities.

The regional hotel market benefits from a variety of tourist and leisure attractions in the area. June to September comprise the peak months for tourism in this area, primarily visitors from Northern California. During other times of the year, weekend demand involves travelers passing through en route to other destinations, people visiting friends or relatives, and other similar weekend demand generators.

Historical Supply and Demand Data

Current and historical market performances of potential competitors serve as the basis for determining the feasibility of developing new hotels. The figure below contains the specific properties in the STR Custom Trend Report used to calculate historical supply, demand, and ADR trends for the regional hotel market. The list of properties runs from the newest to oldest in the regional hotel market.

FIGURE 8-1
HOTELS WITHIN 30 MILES OF MEDFORD THAT REPORT TO STR

Name of Establishment	City & State	Zip Code	Class *	Aff Date	Open Date	Rooms
Homewood Suites Medford	Medford, OR	97504	Upscale Class	Sep 2008	Sep 2008	109
Springhill Suites Medford	Medford, OR	97501	Upscale Class	Sep 2007	Sep 2007	86
TownePlace Suites Medford	Medford, OR	97501	Upper Midscale Class	Jul 2007	Jul 2007	75
Holiday Inn Express & Suites Medford Central Point	Central Point, OR	97502	Upper Midscale Class	Oct 2006	Oct 2006	84
Candlewood Suites Medford	Medford, OR	97504	Midscale Class	Aug 2006	Aug 2006	72
Super 8 Central Point Medford	Central Point, OR	97502	Economy Class	Sep 2005	Sep 2005	79
Courtyard Medford Airport	Medford, OR	97504	Upscale Class	Jul 2005	Jul 2005	100
Plaza Inn & Suites	Ashland, OR	97520	Luxury Class	Jun 2002	Jun 2002	92
Holiday Inn Express & Suites Ashland	Ashland, OR	97520	Upper Midscale Class	Oct 2001	Oct 2001	65
La Quinta Inns & Suites Central Point Medford	Central Point, OR	97502	Midscale Class	Sep 2015	Aug 2001	67
Hampton Inn Medford	Medford, OR	97504	Upper Midscale Class	Jun 2001	Jun 2001	75
Holiday Inn Express Medford	Medford, OR	97501	Upper Midscale Class	Mar 1999	Mar 1999	63
La Quinta Inns & Suites Grants Pass	Grants Pass, OR	97526	Midscale Class	Feb 2002	Jul 1998	59
Comfort Inn South Medford	Medford, OR	97501	Upper Midscale Class	Nov 1995	Nov 1995	61
Rodeway Inn Medford	Medford, OR	97501	Economy Class	Jan 2008	Jun 1995	40
Ashland Hills Hotel & Suites	Ashland, OR	97520	Upscale Class	Jan 1995	Jan 1995	162
Comfort Inn Medford North	Medford, OR	97504	Upper Midscale Class	Sep 1994	Sep 1994	52
Holiday Inn Express Grants Pass	Grants Pass, OR	97526	Upper Midscale Class	Apr 1994	Apr 1994	80
Best Western Inn @ The Rogue	Grants Pass, OR	97527	Midscale Class	Feb 1992	Feb 1992	54
Comfort Inn & Suites Ashland	Ashland, OR	97520	Upper Midscale Class	Jun 2016	May 1991	71
Super 8 Grants Pass	Grants Pass, OR	97526	Economy Class	Feb 1990	Feb 1990	80
Motel 6 Medford North	Medford, OR	97504	Economy Class	Feb 1987	Feb 1987	116
Super 8 Ashland	Ashland, OR	97520	Economy Class	Sep 1986	Sep 1986	67
Econo Lodge Ashland	Ashland, OR	97520	Economy Class	Oct 2003	Jun 1985	42
Best Western Windsor Inn	Ashland, OR	97520	Midscale Class	May 2000	Jul 1983	91
Quality Inn & Suite Airport Medford	Medford, OR	97504	Midscale Class	May 2008	Jun 1983	120
Best Western Grants Pass Inn	Grants Pass, OR	97526	Midscale Class	Jun 1987	Jun 1983	84
Shilo Inn Medford	Medford, OR	97504	Midscale Class	Sep 1997	Jun 1979	48
Motel 6 Grants Pass	Grants Pass, OR	97526	Economy Class	Jan 1979	Jan 1979	122
Motel 6 Medford South	Medford, OR	97504	Economy Class	Jun 1978	Jun 1978	100
Shilo Inn Grants Pass	Grants Pass, OR	97526	Midscale Class	Jun 1974	Jun 1974	70
Ramada Medford Hotel & Conference Center	Medford, OR	97504	Midscale Class	Sep 2006	Jun 1972	164
Best Western Horizon Inn	Medford, OR	97504	Midscale Class	May 1999	Jun 1972	122
Days Inn Medford	Medford, OR	97504	Economy Class	Oct 1995	May 1972	50
Quality Inn Grants Pass	Grants Pass, OR	97526	Midscale Class	Feb 2016	Jun 1969	59
Travelodge Grants Pass	Grants Pass, OR	97526	Economy Class	Jun 1998	Jun 1968	62
Best Western Bard`s Inn	Ashland, OR	97520	Midscale Class	Mar 1986	Jun 1963	90
Econo Lodge Inn & Suites Central Medford	Medford, OR	97501	Economy Class	Dec 2014	Jun 1960	110
Inn @ The Commons	Medford, OR	97501	Upper Midscale Class	Aug 2013	Jun 1959	118
Rodeway Inn Ashland	Ashland, OR	97520	Economy Class	May 2011		39
				Total Properties:	40	3300

* Brands/Chains are placed in a Chain Scale based on the previous year's annual system wide (global) Average Daily Rate

Sources: STR and HVS

The following figure shows the breakdown by class, as classified by STR, within a 30-mile radius of Medford.

FIGURE 8-2
REGIONAL HOTEL ROOM SUPPLY BY CLASS

Class	Hotels	Rooms	Percentage of Rooms
Economy Class	12	907	27%
Midscale Class	13	1,100	33%
Upper Midscale Class	10	744	23%
Upscale Class	4	457	14%
Luxury Class	1	92	3%
	40	3,300	

Source: STR

The regional hotel market primarily consists of hotels in the economy class to the upper midscale class range. These properties can provide cost effective lodging for youth sports, family gatherings, and local corporations. But the lack of significant numbers of upscale and luxury rooms limits the corporate and other meeting groups wishing to visit the area.

The STR Custom Trend Report contains the annual changes in room night demand and supply for the regional hotel market. The following figure presents these trends, along with the market-wide occupancy, average rate, and RevPAR. RevPAR provides an indication of how well hotels maximize rooms revenue.

FIGURE 8-3
HISTORICAL SUPPLY AND DEMAND TRENDS FOR THE REGIONAL HOTEL MARKET

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2004	2,832	1,033,680	—	634,163	—	61.4 %	$64.40	—	$39.51	—
2005	2,908	1,061,596	2.7 %	656,134	3.5 %	61.8	67.06	4.1 %	41.45	4.9 %
2006	3,061	1,117,394	5.3	678,359	3.4	60.7	73.42	9.5	44.57	7.5
2007	3,233	1,180,066	5.6	688,132	1.4	58.3	78.02	6.3	45.49	2.1
2008	3,214	1,173,242	(0.6)	619,612	(10.0)	52.8	81.21	4.1	42.89	(5.7)
2009	3,273	1,194,645	1.8	609,523	(1.6)	51.0	79.82	(1.7)	40.72	(5.0)
2010	3,273	1,194,645	0.0	645,146	5.8	54.0	79.71	(0.1)	43.05	5.7
2011	3,272	1,194,216	(0.0)	643,822	(0.2)	53.9	80.54	1.0	43.42	0.9
2012	3,271	1,193,764	(0.0)	668,072	3.8	56.0	81.82	1.6	45.79	5.5
2013	3,244	1,183,911	(0.8)	704,641	5.5	59.5	84.68	3.5	50.40	10.1
2014	3,215	1,173,591	(0.9)	731,523	3.8	62.3	88.76	4.8	55.33	9.8
2015	3,258	1,189,175	1.3	767,749	5.0	64.6	93.64	5.5	60.46	9.3
Average Annual Compounded Change:										
2004-2015			1.3 %		1.8 %			3.5 %		3.9 %
<u>Year-to-Date Through August</u>										
2015	3,251	790,113	—	516,776	—	65.4 %	$94.86	—	$62.04	—
2016	3,286	798,436	1.1 %	534,612	3.5 %	67.0	98.23	3.6 %	65.77	6.0 %

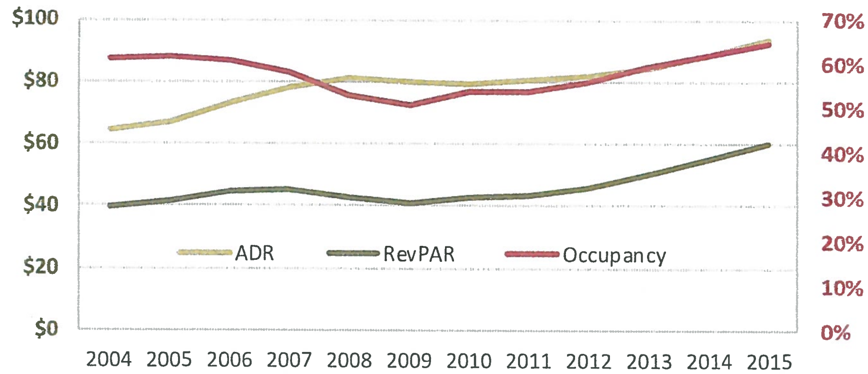
Source: STR

The regional hotel market showed strong growth in demand through 2006, but demand weakened as the country entered the recession in the late-2000s. However, the regional hotel market was more resilient than the nation as a whole and has improved after 2009.

The regional hotel market showed strong growth in supply from 2004 to 2007, adding over 150,000 room nights. However, growth has since slowed as demand needed to catch up with the increases in available room nights before developing additional hotels. The upcoming opening of the 125-room Hilton Garden Inn in Medford in December of 2016 is the latest spurt of supply to the regional hotel market.

The regional hotel market's historical performance illustrates the broad market in which any new hotels would need to compete for customers.

FIGURE 8-4
HISTORICAL OCCUPANCY, ADR, AND REVPAR FOR THE REGIONAL HOTEL MARKET



Source: STR

From 2004 to 2015, the regional hotel market experienced a 1.8 % annual growth in room night demand. Supply grew at a lower annual rate of 1.3 %, which caused a modest increase in occupancy. Due to strong annual ADR growth of 3.5 % in the regional hotel market, RevPAR grew 3.9%, on an annual basis. The average rate across all calendar years presented is $79.75. It fluctuated over the past decade from $67 to $94, with 2015 representing the peak year. Increasing demand allowed hotel operators to increase average rates every year from 2010 through 2015. Property managers reported high summer occupancy and ADR, which explains the higher than expected ADR, given the overall occupancy levels.

The following figure shows the timing of the construction of new hotels over the last twelve years in the regional hotel market

FIGURE 8-5
NEW HOTEL CONSTRUCTION, OCCUPANCY RATES, AND ADR

Year	New Properties	New Room Nights	Occupancy	Average Rate
2004			61.4%	$64.40
2005	Two Hotels	65,335	61.8%	67.06
2006	Two Hotels	56,940	60.7%	73.42
2007	Two Hotels	58,765	58.3%	78.02
2008	One Hotel	39,785	52.8%	81.21
2009			51.0%	79.82
2010			54.0%	79.71
2011			53.9%	80.54
2012			56.0%	81.82
2013			59.5%	84.68
2014			62.3%	88.76
2015			64.6%	93.64
Average			57.9%	$79.75

Source: STR

The regional hotel market experienced growth in demand and increases in ADR over the last 12 years. The market absorbed the increases in supply and obtained a modest increase in overall occupancy rates over the last 12 years. The average occupancy rate of 57.9%% over the last 12 years would be low for an urban market, but is not unusual for a seasonal hotel market like Medford.

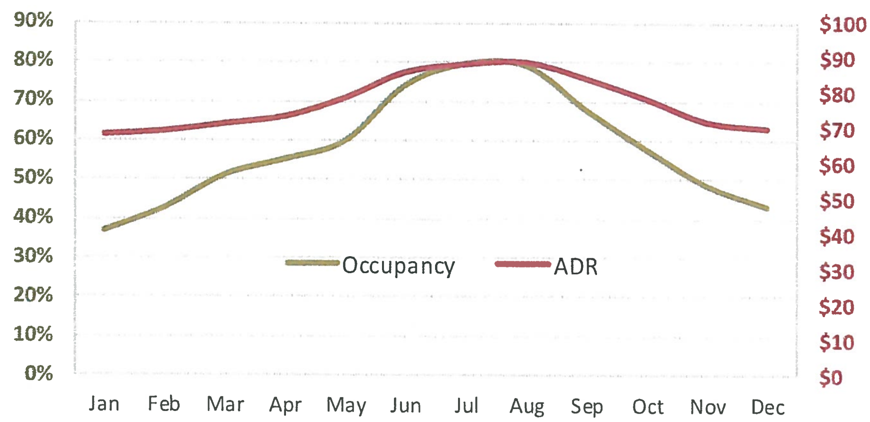
Patterns of Demand

Demand for hotel room nights is not constant in most markets. HVS examined both seasonal demand and day-of-week demand to determine market conditions unique to the regional hotel market.

Seasonality

The figure below shows the monthly occupancy and average rate trends for the selected properties in the regional hotel market.

FIGURE 8-6
REGIONAL HOTEL MARKET SEASONALITY GRAPH



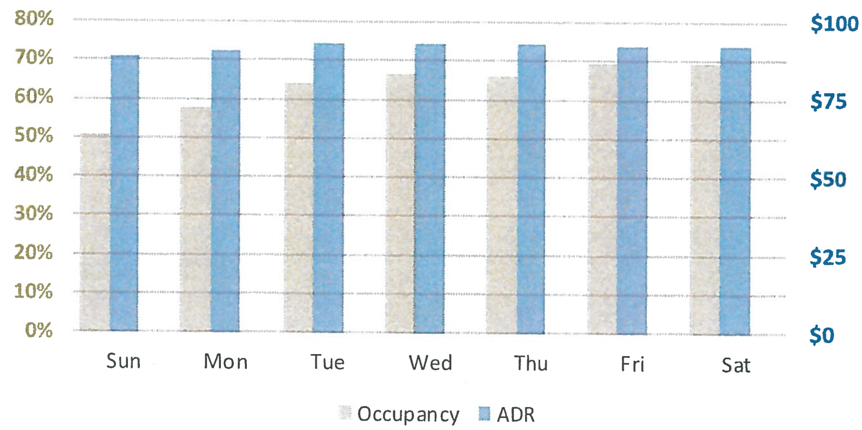
Source: STR

The above figure shows the seasonal nature of the regional hotel market. Market interviews indicate that leisure travel drives ADRs and occupancies during the spring and summer months. High occupancy during the peak months of June, July, and August drive ADR higher.

Day-of-week

The following figure shows weeknight ADR and occupancy average for the last three years. The regional hotel market shows strong weekend demand from leisure travel. In most markets, the highest ADR is during the center of the week due to corporate demand, but high weekend demand in the regional market allows for a strong weekend ADR.

FIGURE 8-7
REGIONAL HOTEL MARKET OCCUPANCY AND ADR BY DAY OF WEEK



Source: STR

The following figure shows the strong weekend demand on a monthly basis throughout the year except for the winter months.

FIGURE 8-8
DAY-OF-WEEK OCCUPANCY BY MONTH FOR THE LAST 12 MONTHS

Month	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Month
Sep - 15	64.0%	63.7%	72.0%	77.7%	80.4%	85.4%	87.7%	75.8%
Oct - 15	51.0%	60.6%	68.2%	69.0%	71.6%	73.5%	73.3%	67.3%
Nov - 15	44.6%	55.3%	61.2%	60.7%	60.3%	63.6%	61.5%	57.6%
Dec - 15	44.3%	53.9%	56.4%	53.4%	47.9%	48.8%	51.6%	51.1%
Jan - 16	33.7%	42.4%	48.1%	50.1%	46.2%	45.3%	45.1%	44.1%
Feb - 16	40.8%	49.5%	53.4%	54.7%	50.5%	52.2%	55.8%	50.9%
Mar - 16	45.9%	57.4%	61.1%	63.9%	61.7%	67.6%	67.2%	60.8%
Apr - 16	43.9%	56.6%	63.8%	66.9%	68.2%	71.1%	68.6%	63.2%
May - 16	54.9%	55.3%	64.4%	69.0%	69.0%	78.4%	81.9%	66.6%
Jun - 16	66.6%	76.1%	83.5%	82.3%	86.3%	89.1%	89.5%	82.1%
Jul - 16	73.9%	73.5%	81.3%	87.1%	90.1%	93.1%	94.5%	85.0%
Aug - 16	65.5%	74.3%	81.5%	83.7%	86.8%	87.0%	91.0%	81.2%
Total Year	52.5%	59.8%	66.4%	68.7%	68.2%	71.3%	72.3%	65.6%

Below Average
Average
Above Average

Source: STR

The monthly occupancy by day-of-week in the above figure shows the consistently higher weekend occupancy rate over the midweek rate.

The regional hotel market shows definite patterns of demand, with higher summer and lower winter demand with high weekend and low Sunday and Monday demand.

FIGURE 8-9
DAY-OF-WEEK ADR FOR THE LAST 12 MONTHS

Month	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Month
Sep - 15	$98	$98	$102	$102	$103	$103	$102	$101
Oct - 15	89	91	95	95	95	92	93	93
Nov - 15	81	85	85	86	85	82	81	84
Dec - 15	80	84	84	83	82	79	80	82
Jan - 16	79	84	87	87	84	78	78	82
Feb - 16	79	87	87	87	83	79	79	83
Mar - 16	82	89	90	90	87	85	85	87
Apr - 16	84	90	92	93	91	88	89	90
May - 16	95	92	96	95	94	100	100	96
Jun - 16	101	104	109	107	108	110	110	107
Jul - 16	105	107	108	110	110	113	115	110
Aug - 16	105	107	109	111	113	114	114	111
Total Year	92	94	97	97	97	96	97	96

Below Average
Average
Above Average

Source: STR

High summer demand allows properties to charge a premium, as shown above. This ADR premium is one of the factors allowing for the development of new hotels with annual occupancy rates in the 60's.

Patterns of Demand Growth

The demand growth rate for hotel rooms in 2015 was significantly above the 12-year average of 1.8% at 5.0%. The regional hotel market experienced increased demand during 11 of 12 months in 2015, compared to 2014, as shown in the figure below.

FIGURE 8-10
MONTHLY DEMAND FOR HOTEL ROOMS 2014/2015

	2014	2015	Percentage Change	2015 Occupancy Rate
January	38,256	42,961	12.3%	42.8%
February	40,765	43,263	6.1%	47.7%
March	53,143	56,078	5.5%	55.8%
April	54,773	58,493	6.8%	60.2%
May	62,508	67,066	7.3%	66.8%
June	76,052	80,630	6.0%	82.1%
July	86,474	87,543	1.2%	86.3%
August	87,245	80,742	-7.5%	79.6%
September	70,562	74,371	5.4%	75.8%
October	63,936	68,282	6.8%	67.3%
November	50,680	56,548	11.6%	57.6%
December	47,129	51,772	9.9%	51.1%
	731,523	767,749	5.0%	64.6%

Source: STR

The market continues to show strength, providing a basis for future hotel development. A number of factors determine the timing of new hotel development separate from current market growth, including ADR, occupancy levels, cost and ability to develop new hotel rooms, financing costs, and anticipated future growth rates in demand and ADR.

The regional hotel market provides an overview of the market surrounding Medford. Important characteristics of the regional hotel market include,

- modest room night demand and supply growth,
- weak winter demand
- stronger weekend demand,
- occupancy rates that do not rise above 65% on an annual basis,
- ADR based in part on strong summer demand that provides pricing power,
- significantly increased demand growth in 2015 in some of the slowest months helping demand consistency, and
- consistent development of new hotels when overall occupancy rates were over 60% when the hotels were planned.

Demand Analysis Using Market Segmentation

For the demand analysis, HVS divided the overall market into three segments based on the nature of travel. Based on our knowledge of the regional lodging market, we estimate the 2015 distribution of accommodated room night demand as shown in the figure below.

FIGURE 8-11
REGIONAL MARKET ACCOMMODATED ROOM NIGHT DEMAND

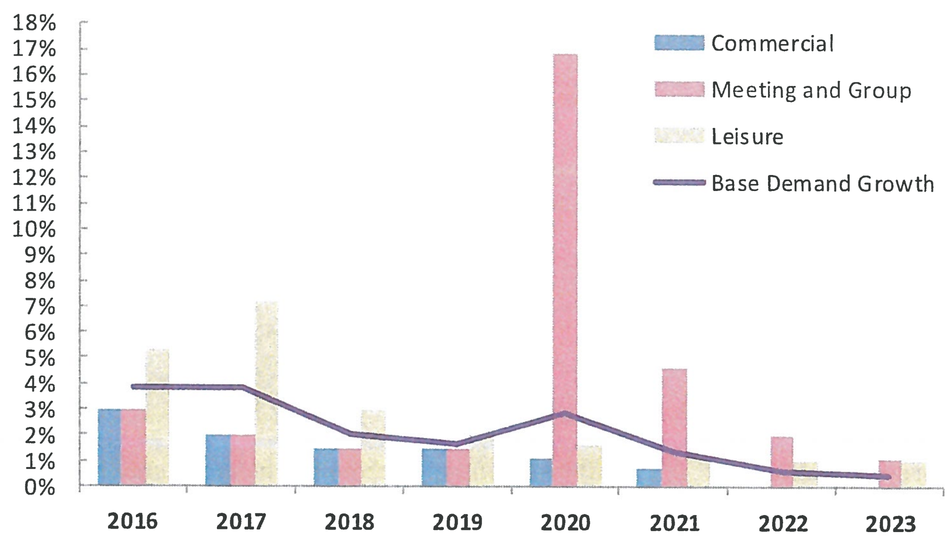
Market Segment	Accommodated Demand	Percentage of Total
Commercial	422,353	55 %
Meeting and Group	76,791	10
Leisure	268,770	35
Total	767,914	

Commercial demand (55%) includes individuals traveling for business purposes. Meetings and group events generate approximately 10% of market demand. Leisure demand (35%) consists of individual travelers on vacation or visiting family and friends and results in mostly weekend demand.

Projection of ADR and Occupancy

Utilizing the historical data and market interviews, HVS prepared an estimate of future ADR and occupancy for midscale and above hotels in the regional hotel market.

FIGURE 8-12
AVERAGE ANNUAL COMPOUNDED MARKET SEGMENT GROWTH RATES



HVS projected change to the competitive hotel market by adding latent demand, including unaccommodated and induced demand, to project the base market change.

Latent Demand

Latent demand reflects potential room night demand not absorbed by the existing competitive supply; unaccommodated demand and induced demand make up latent demand.

Unaccommodated Demand

Unaccommodated demand refers to individuals who do not secure accommodations in the market because of unavailable rooms. These travelers must defer their trips, settle for less desirable accommodations, or stay in properties located outside the market area. Because this demand does not yield occupied room nights, estimates of historical accommodated room night demand do not include it. If the market expects additional lodging facilities, guests could secure hotel rooms in the future. We must quantify this demand when making projections.

Based on an analysis of monthly and weekly peak demand and sell-out trends, we estimate that the market fails to accommodate 1.2% of the base-year demand. The high summer demand supports the unaccommodated room night demand estimate for unaccommodated leisure demand. The following figure presents our estimate of unaccommodated demand in the subject market.

FIGURE 8-13
UNACCOMMODATED DEMAND ESTIMATE

Month	Percentage of Total Room Nights	Leisure Room Nights
January	0.0 %	0
February	0.0	0
March	0.0	0
April	0.0	0
May	0.0	0
June	1.8	1,411
July	3.5	3,130
August	3.5	3,107
September	1.8	1,287
October	0.0	0
November	0.0	0
December	0.0	0
Total	1.2 %	8,934

Induced Demand

Induced demand represents the additional room nights the Medford market could gain following the introduction of a new demand generator. Situations that could result in induced demand include the opening of an events center, or the addition of a new hotel with a distinct chain affiliation or unique facilities.

When the proposed Medford Event Center ("MEC") opens in January 1, 2020, the facility would induce new demand in the meeting and group segment of the hotel market. The MEC will features 500 of total function space containing a 50,000 multi-purposed hall, 7,000 square feet of meeting space, and two boardrooms. These facilities will number events into the local market including conferences, meetings, sports tournaments, tradeshows, assemblies, and banquets. The expected annual attendance of 10,800 for conferences and 6,000 for sports tournaments generate approximately 95% of the projected induced room nights. The demand for events at the MEC is expected to take three years to stabilize, which causes a ramp-up of the projected induced demand, starting the first year of operation. The following figure summarizes our estimate of induced room night demand in the regional hotel market.

FIGURE 8-14
INDUCED DEMAND CALCULATION

Calendar Year	Meeting & Groups
2020	13,100
2021	17,100
2022	19,300

Accordingly, we incorporated approximately 19,000 room nights into our analysis, phased in over a three-year ramp-up period from the opening of the MEC.

Total Project Increase in Demand

Based on historical growth rates and our understanding of the regional market, HVS assumed growth rates in room night demand for each market segment as shown in the figure below.

FIGURE 8-15
AVERAGE ANNUAL COMPOUNDED MARKET SEGMENT GROWTH RATES

Segment	2015	through	2025	CAGR*
Commercial	422,262		465,474	0.9%
Meeting and Group	76,775		104,318	2.8%
Leisure	268,712		340,423	2.2%
Total	**767,749**		**910,216**	1.6%

Supply Changes

Based on information provided by the local officials, STR, local news sources, and the internal HVS database, HVS assumes that the 125-room Hilton Garden Inn under construction would enter the regional market. The figure below shows the increase in rooms for the regional hotel market.

FIGURE 8-16
PROJECTED REGIONAL HOTEL MARKET NEW SUPPLY

Property	Competitiveness	Rooms	Opening
Under Construction			
Hilton Garden Inn	100%	125	2016

Accommodated Demand and Market-wide Occupancy

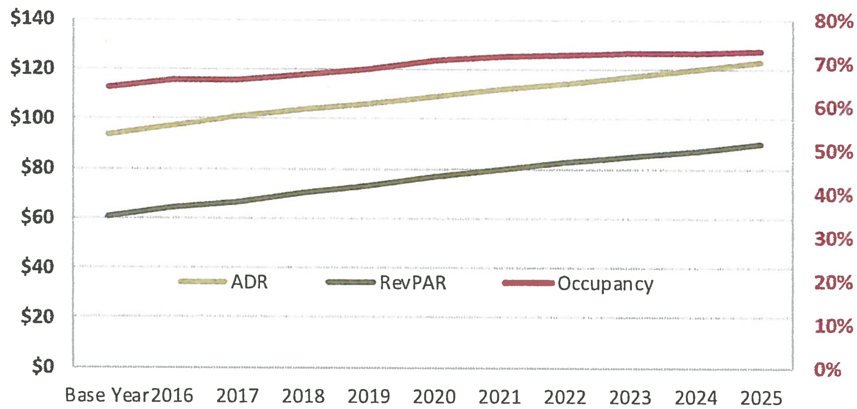
The following figure details our projection of lodging demand growth for the local hotel market. It includes the total number of occupied room nights and any residual unaccommodated demand in the market, assuming the impact of the MEC.

FIGURE 8-17
FORECAST OF AVERAGE MARKET OCCUPANCY

Source	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Base Accommodated	796,000	818,000	835,000	849,000	863,000	877,000	889,000	902,000	914,000	926,000
Previously Unaccommodated	1,000	10,000	10,000	10,000	10,000	11,000	11,000	11,000	11,000	12,000
Induced	0	0	0	0	13,000	17,000	19,000	19,000	19,000	19,000
Total Available Demand	797,000	828,000	845,000	859,000	886,000	905,000	919,000	932,000	944,000	957,000
(Less Residual Demand)	(9,000)	0	0	0	(3,000)	(10,000)	(19,000)	(28,000)	(38,000)	(48,000)
Total Accommodated Demand	788,000	828,000	845,000	859,000	883,000	895,000	900,000	904,000	906,000	909,000
Accommodated Demand Change	3.8%	3.8%	2.0%	1.7%	2.8%	1.3%	0.6%	0.5%	0.3%	0.3%
Available Room Night Change	1.6%	3.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Marketwide Occupancy	66%	66%	68%	69%	71%	72%	72%	72%	73%	73%

The high growth in demand in 2017 is due to the additional supply of room nights from the opening of the 125-room Hilton Garden Inn. The property will meet a need in the market for additional quality hotel rooms and allow unmet summer demand for rooms to be accommodated by the market.

FIGURE 8-18
FORECASTS OF AVERAGE MARKET OCCUPANCY AND ADR



The forecast shows an increase in occupancy in 2016. In 2017, occupancy rates decline as the market absorbs the new supply from the opening of the 125-room Hilton Garden Inn. Occupancy rates begin to increase in 2018 as market room night demand continues to grow with the local economy. Occupancy continues to grow until the market reaches the point where useable demand, which is seasonal, can no longer continue to grow. Starting in 2021, residual demand starts to grow at a significant rate.

We expect ADR to increase on an annual basis as occupancy rates increase and the 125-room Hilton Garden Inn adds rooms with superior accommodations to the market.

Conclusion

The regional hotel market experienced a 1.8% annual growth in room night demand from 2004 to 2015, while supply grew at a lower rate of 1.3% over the same time. This difference led to a modest increase in the average occupancy rate over the last decade. After a period of modest economic contraction in the late 2000's, the regional hotel market entered into a period of demand growth. The area's diversity in leisure attractions forms the basis for a growing hotel market. Medford experienced a positive growth rate in both ADR and occupancy for the first eight months of 2016. The market will continue positive demand growth, but HVS expects a lower growth rate than the high growth experienced in the last few years.

While occupancies and room rates currently support new hotel development, anticipated new supply will negatively affect market occupancy rates. Additional hotel development will have to wait until room night demand absorbs the new rooms supply. The green box in the following figure shows the possible future opportunity for additional new hotel rooms to enter the Medford market.

FIGURE 8-19
PROJECTED MARKET DEMAND, OCCUPANCY, ADR, REVPAR, AND RESIDUAL DEMAND

Year	Average Daily Room Count	Available Room Nights	Annual Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Annual Change	Supply Change	Residual Demand
2016	3,311	1,208,380		797,124		66%	97.39		$64.24		11	9,000
2017	3,425	1,250,130	3.5%	827,654	3.8%	66%	100.80	3.5%	66.73	3.9%	114	0
2018	3,425	1,250,130	0.0%	844,618	2.0%	68%	103.82	3.0%	70.14	5.1%	0	0
2019	3,425	1,250,130	0.0%	858,849	1.7%	69%	106.42	2.5%	73.11	4.2%	0	0
2020	3,425	1,250,130	0.0%	883,092	2.8%	71%	109.08	2.5%	77.05	5.4%	0	3,000
2021	3,425	1,250,130	0.0%	894,923	1.3%	72%	111.80	2.5%	80.04	3.9%	0	10,000
2022	3,425	1,250,130	0.0%	900,544	0.6%	72%	114.60	2.5%	82.55	3.1%	0	19,000
2023	3,425	1,250,130	0.0%	904,967	0.5%	72%	117.46	2.5%	85.03	3.0%	0	28,000
2024	3,425	1,250,130	0.0%	907,809	0.3%	73%	120.40	2.5%	87.43	2.8%	0	38,000
2025	3,425	1,250,130	0.0%	910,216	0.3%	73%	123.41	2.5%	89.85	2.8%	0	48,000

Sources: STR and HVS

By 2018, the local hotel market is expected to have occupancy levels above 68%, significantly higher than the average over the last 12 years for the regional hotel market.

The conclusion that the market can add new hotel rooms by 2018 is supported by the following historical data and expected movement:

- The demand for room nights in the regional hotel market has grown faster than supply,
- The regional hotel market had successfully developed new hotels when market occupancy rates were over 60%,
- Residual demand begins to grow at a significant rate in 2021, indicating a strong need for additional hotel rooms,
- The 125-room Hilton Garden Inn projected to open by late 2016 will be absorbed by the market by 2018, and
- The opening of the MEC in January 1, 2020 will continue to increase the demand for quality hotel rooms in the market.

The market is currently at a 12-year high in occupancy rates and room night demand. The 125-room Hilton Garden Inn, which will open at the end of 2016, will be quickly absorbed by the market. We expect that planning for the construction of additional hotel rooms will begin in the near future and that several new hotels can be accommodated by the market as demand grows over the next 10 years.

9. Statement of Assumptions and Limiting Conditions

1. This report is to be used in whole and not in part.
2. All information, financial operating statements, estimates, and opinions obtained from parties not employed by HVS are assumed to be true and correct. We can assume no liability resulting from misinformation.
3. Unless noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the proposed subject property.
4. The proposed facility is assumed to be in full compliance with all applicable federal, state, local, and private codes, laws, consents, licenses, and regulations (including a liquor license where appropriate), and that all licenses, permits, certificates, franchises, and so forth can be freely renewed or transferred to a purchaser.
5. We are not required to give testimony or attendance in court by reason of this analysis without previous arrangements, and only when our standard per-diem fees and travel costs are paid prior to the appearance.
6. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material presented in this report, it is recommended that the reader contact us.
7. We take no responsibility for any events or circumstances that take place subsequent to the date of our report.
8. The quality of a facility's on-site management has a direct effect on a property's economic performance. The demand and financial forecasts presented in this analysis assume responsible ownership and competent management. Any departure from this assumption may have a significant impact on the projected operating results.
9. The analysis presented in this report is based upon assumptions, estimates, and evaluations of the market conditions in the local and national economy, which may be subject to sharp rises and declines. Over the projection period considered in our analysis, wages and other operating expenses may increase or decrease due to market volatility and economic forces outside the control of the hotel's management.

10. We do not warrant that our estimates will be attained, but they have been developed on the basis of information obtained during the course of our market research and are intended to reflect reasonable expectations.

11. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers have been rounded. Thus, these figures may be subject to small rounding errors.

12. It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the client, and use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.

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

14. HVS, is not a municipal advisor and HVS is not subject to the fiduciary duty set forth in section 15B(c)(1) of the Act (15 U.S.C. 78o-4(c)(1)) with respect to the municipal financial product or issuance of municipal securities. The reader is advised that any actual issuance of debt would be done under the advice of its bond counsel and financial advisors. Financial advisor would provide advice concerning the specific structure, timing, expected interest cost, and risk associated with any government loan or bond issue. Potential investors should not rely on representations made in this report with respect to the issuance of municipal debt.

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

16. This report is set forth as a feasibility study of the proposed subject project; this is not an appraisal report.

10. Certification

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

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

DRAFT DOCUMENT

Thomas Hazinski
Managing Director

DRAFT DOCUMENT

Alex Moon
Associate