Study of the Potential Extension of the Monterey Conference Center Through a Renovation of the State Theater



Presented to the: City of Monterey March 12, 2003



Conventions, Sports & Leisure International



March 12, 2003

Mr. Dan Concepcion Monterey Conference Center One Portola Plaza Monterey, California 93940

Dear Mr. Concepcion:

We have completed the study of the potential extension of the Monterey Conference Center ("Center") through the reuse of the State Theater. The attached report presents our research, analysis and findings, and is intended to assist the Monterey Conference Center and the City of Monterey ("City") in future project planning.

All findings and recommendations presented as a part of this study reflect the analysis of primary and secondary information, including information provided by the Center and City. Information provided by third parities has not been audited or verified, unless otherwise noted and is assumed to be correct. As any projected information provided as a part of this study is based on various trends and assumptions, there will be differences between the information presented and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

Findings and recommendations made by CSL are based on the scope of services agreed to under contract with the City. CSL cannot be held responsible for any future marketing efforts and/or other management actions on which the future performance of the State Theater and/or Center will depend.

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

Very truly yours,

CSL International

CSL International

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Executive Summary

The Monterey Conference Center, located in downtown Monterey, represents the area's primary convention, meeting and event facility, serving as an important local resource and a generator of non-local economic activity. Given the Monterey Conference Center's high utilization levels and the limited practicality for on-site expansion, the City is exploring the viability of utilizing a renovated State Theater as an extension of the Conference Center. As such, the intent of the study is to evaluate market, financial and economic issues associated with the use of the State Theater for convention and conference activity. This information is used to provide guidance as to potential involvement of the City in the renovation, operation and marketing of the Theater.

This summary is divided into two sections. The first addresses key issues related to market feasibility and economic performance. The second addresses various options for Theater development and operation.

I. Market and Economic Issues

Primary research and findings of the study related to market and economic performance of the Theater as a venue for meetings and conferences are summarized below.

What are the demand levels for the existing Conference Center?

- Between 2000 and 2001, the Center hosted an average of approximately 277 for-profit events per annum. As the analysis was conducted during 2002, final data for that year was not complete. Also, given current economic conditions and world events, the 2002 data may not be reflective of a typical year of operations.
- Excluding government and internal events, total utilization days (event days, move-in/out days) over the past two years have averaged approximately 683 days per annum. Hosting multiple events on the same day accounts for the high utilization day level.
- The heavy use of the Steinbeck Forum is a further indication of demand for fixed seating space in the market, potentially supporting the concept of using the State Theater as a meeting venue.



What are the primary strengths and weaknesses of the Monterey area as a meetings and convention destination?

- A community's hospitality infrastructure in terms of hotels, restaurants, entertainment and other such factors contributes heavily to the potential success of a public assembly facility.
- Key strengths of the Monterey market as they relate to attracting conventions, meetings and other events include the national and international reputation of the area as a resort/tourism destination; significant golf, water-based, historic and natural attractions and amenities; and the mild climate.
- Weaknesses from the point of view of the meeting planner include the lack of direct air access, the cost structure in the area and a relatively small corporate base.

How do the existing Monterey Conference Facilities compare to competitive destinations?

- Of the 14 comparable facilities reviewed, the average center incorporates approximately 68,000 square feet of sellable space. This compares to the approximate 25,100 square feet incorporated into the current Monterey Conference Center. When space at the adjacent Double Tree and Marriott hotels is included in the analysis, the Monterey Conference Center package can offer up to 57,800 square feet of total sellable space. This analysis provides one indication that the Monterey Conference Center itself is somewhat undersized, and supports the rationale for considering the State Theater as a possible meeting facility to be marketed in conjunction with the Center.
- The 826 rooms available in Monterey at the Hotel Pacific, Double Tree and Monterey Marriott rank fifth among the facilities reviewed. The availability of headquarter hotel rooms in Monterey, and the willingness of the properties to commit rooms to Conference Center events, represents a competitive advantage for the market.

How do meeting planners perceive Monterey as a destination, and the State Theater as a meeting site?

To form a basis for the market analysis, nearly 300 individual telephone interviews were completed with representatives of state, regional, national corporate and association event planners. In addition, surveys of past Conference Center users were also conducted to gauge overall satisfaction with the current product.



Corporate Meetings Market

- A primary focus of this analysis is on corporate events originating from within California. However, Monterey has a truly international reputation as a resort destination. Corporate events focusing on incentive trips, high level board retreats, key customer events and related functions from a national perspective may represent an important target market for the Center, and the State Theater may play a role an attracting this market.
- Approximately 53 percent of California non-local corporations and 72 percent of non-local corporations outside of California had a positive response to utilizing Monterey facilities. These response levels are very high relative to studies we have conducted in other markets around the country. The strength of the response overall denotes the significant appeal the Monterey market has with the non-local corporate event market. Just as importantly, the positive response level from non-California corporations highlights the national appeal of the destination and suggests that the facility needs of this event segment should be considered when evaluating the future of the State Theater.
- Air access and the size of the market were cited as reasons for not considering Monterey as an event destination.
- There is a fairly strong interest in utilizing in tiered seating or auditorium space by corporations. Specifically, 64 percent of California events and 44 percent of nationally sponsored events would definitely, likely or possibly consider use of tiered seating space. This represents a significant base of event activity that could be positioned to use general session/meeting space associated with the State Theater, particularly when the Conference Center is booked for other activity.

National and Regional Convention Event Potential

- Interviews with national convention and tradeshow representatives preliminarily indicated a moderate to moderately strong interest in using an expanded Center, assuming it met their needs. The specific positive response levels are consistent with or superior to surveys previously conducted by CSL for other markets.
- On average, national and regional convention groups tend to utilize a host facility
 for an average of 6.4 days, nearly half of which comprise event days. Beyond the
 3.5 days during which event attendees are located in the host city, it is likely that
 many of the delegates would extend their stay given the visitor amenities in the
 Monterey area, thereby increasing the overall economic impact of the event.
- Overall, 53 percent of positive respondents are definitely, likely or possibly interested in using the State Theater during their event for general sessions or other large group events. The average attendance per session is approximately



- 490, while 25 percent of the events require seating for over 500. It is this larger market segment in particular that cannot be accommodated at the Steinbeck Forum and would be targeted for the State Theater.
- Approximately 83 percent of national and regional convention event planners surveyed require dedicated space for food functions or other events during the course of their event. There are several implications of this data on the potential use of the Monterey Conference Center and the State Theater. The fact that such a high percentage of national and regional association events require ballroom space for food functions limits the space available for either exhibits or general session. Currently, not all of the primary aspects of an event (food functions, exhibits, general sessions and breakout meetings) can be accommodated. This data indicates that the availability of the State Theater may significantly increase the ability to further penetrate the national and regional association event market.
- The average national and regional event with a positive interest in an expanded Center generates a delegate attendance of approximately 970. This is slightly larger than historic Center average attendance levels. Approximately 65 percent of the Center's potential national and regional convention market draws 500 or less. As a result, the Steinbeck Forum can accommodate this 65 percent of the market in terms of general sessions. The remaining 25 to 35 percent of the market suitable for Monterey would require the larger general session space associated with the State Theater in order to be accommodated.

Current, Past and Lost Business

- Several larger space users at the Center were contacted as part of this analysis. Most events contacted typically had an attendance of more than 400 and were non-local in nature.
- Most planners of events contacted had been to the Center multiple times. Nearly half of the events interviewed have experienced steady growth, and there are some events that believe they will be outgrowing the Center within the next several years. Event planners interviewed were very satisfied with the staff and the level of service at the Center and cited it as one of the primary reasons for the continued use of the facility.
- Despite a high level of satisfaction with the Center, there were several recommendations made by interviewees including added space, an enclosed walkway between the Center and the Marriott, improved vendor loading and parking, and an improved method of tracking room nights for events.
- Overall, the most frequent suggestion to improve the Center made by event planners was to increase the space offering. Approximately 44 percent of events would like to see an expansion in order to allow for more exhibits.



• Approximately 43 percent of event planners interviewed would likely use the renovated State Theater. Events that would not use the facility cited the belief that their event was too small for the 1,200 seats and the distance of the Theater from the Center as reasons for their negative response.

How many meeting/convention events would a renovated State Theater attract?

- Based on market analysis findings, a renovated State Theater positioned as an extension of the Monterey Conference Center would alleviate some facility space pressures at the Center.
- The Theater would allow Monterey to capture the portion of its event market that requires up to 1,200 seats with other concurrent space needs, to retain certain events that it is in risk of losing due to growing space needs, and to provide meeting planners with a unique option (beyond traditional conference center space) in which to hold certain event functions.
- Taken together, it is estimated that 13 to 20 Monterey Conference Center events per year could utilize a renovated State Theater for one or more functions (i.e., general sessions, seminars, keynote speaker lectures, etc.). These are events that Monterey would not otherwise be able to accommodate (due to seating capacity constraints, concurrent function space availability and overall facility date availability issues.)
- It is expected that the estimated 2,900 square feet of meeting space that could be incorporated into the upper floors of the State Theater would primarily serve as breakout and pre-function space for seated Theater functions (as opposed to stand-alone meeting functions not using the fixed seating). In order to market the State Theater as an extension of the Conference Center, it will be important to integrate technology and amenity features that are consistent with other conference/convention-industry auditoriums. This technology includes state-of-the-art audiovisual presentation equipment, Internet and data transfer wiring and capabilities and telecommunications technology.

What are the economic impacts and financial operating levels associated with Theater renovation?

- Direct delegate spending in a community and the associated economic impact represents an important benefit of hosting convention and meeting events. One of the primary sources of direct spending involves attracting event attendees from outside the local area to make purchases in area hotels, restaurants and retail establishments.
- The existing Monterey Conference Center generates \$21.9 million in economic activity, weighted towards the hotel, restaurant and visitor industry. The



- existing Center supports approximately 39,000 room nights, generating over \$630,000 in transient occupancy tax (TOT) for the City annually.
- The use of the State Theater as a meetings venue would generate between \$4.6 million and \$6.7 million in total economic activity, with an associated 7,800 to 11,600 room nights and \$132,000 to \$190,000 in annual TOT revenue.
- When making adjustments to only consider revenues and expenses for traditional conference center operations, the Monterey Conference Center generated a net operating deficit of approximately \$115,000 in FY2001. This level of operating deficit is considered favorable relative to other similar public facilities throughout the region and country.
- The total revenue associated with the incremental meeting and convention events at the Theater is estimated at approximately \$54,000 to \$82,000 annually, depending on the event levels. In many cases, the events using the Theater will also be using space in the Conference Center and area hotels. It is assumed that the large majority of food and beverage revenue generated from events at the Theater would therefore accrue to these facilities.
- Therefore, combined direct revenue and TOT revenue would range between \$186,000 and \$272,000 annually from Conference Center type use.

II. Options for State Theater Development and Operations

There are several issues that should be kept in mind as the discussion of the State Theater progresses. These relate to fund raising, construction, marketing, booking and operating the Theater, and are summarized below.

- It may be difficult for a City-led Theater renovation project to solicit funds from institutions, endowments and other private entities. It would be more appropriate for a non-profit organization, or consortium of organizations, with assistance from the City, to lead the efforts to fund-raise for the renovation of the Theater.
- It will be difficult to raise funds for the project unless a very credible plan for operating the facility is laid out.
- The Theater will likely generate high levels of use from a wide spectrum of event types. The entity responsible for booking the Theater will have to develop contacts within the entertainment industry to ensure that the event potential of the Theater is met.



- Given the event activity at a renovated Theater, there may be competition for dates between event types. Without the appropriate booking policy, this may negatively impact the ability to book conventions and meetings.
- The pricing of the Theater will impact the ability to attract room-night generating events. In many cases, discounted rent may be needed to attract these events.
- The quality of the operations of the Theater in terms of maintenance and event coordinating will impact customer satisfaction and financial performance. The City's Public Facilities department has demonstrated a very high level of quality service with respect to these areas.

Each of these issues should be considered as the discussion of the Theater project continues.

What are the options for State Theater development/renovation?

There are two primary options for the development/renovation of the State Theater. First, the City could take the lead, coordinating a combination of public funds with private donations. The City would then oversee the actual construction process. Secondly, the private sector, through various non-profit organizations, could lead the efforts, which includes participation from the City.

Originally, the Jazz Festival had entertained the concept of purchasing the State Theater and the Regency Theater to create a performance, museum and entertainment environment. The \$20.0 million cost of the project was generally considered out of reach, and there were concerns as to the Jazz Festival actually operating a facility as opposed to its current function of producing a festival. Other non-profit entities that have considered a purchase of the State Theater include State Theater Preservation.

Given the potential for difficulties in fund raising for a City controlled process, it is recommended that a consortium of organizations, likely including the Jazz Festival and State Theater Preservation, lead the fund-raising/development efforts. They would serve as the public "face" for the project. The City's role would involve assistance in funding the project, and in lending expertise during the construction process for a major public assembly facility.

From a public funding standpoint, consideration should be given to an increase in the TOT tax, dedicated to the renovation of the State Theater, and potentially to marketing the facility to event planners. Any increase to the TOT should not result in a competitive disadvantage for the Monterey area in terms of total tax on rooms.



There are numerous subtleties within this concept that would have to be discussed including:

- Who coordinates the fund raising efforts?
- Is any added hotel tax revenue dedicated to the project, in which a two-thirds majority vote is needed, or to the general fund of the City, in which a simple majority of the vote is needed?
- If funds are dedicated to the general fund, what assurances can the City give to the visitor industry that the revenue will actually be spent on the desired projects/efforts?
- How would bonds be issued for the project?
- What role does each of the entities play in hiring an architect?
- Which entity should contract with construction firms to develop the project?

As a general concept, it would be useful to form an executive committee made up of all participating entities to address these issues. The City's role would focus more on securing the public funding component of the project and potentially issuing any bonds for the project. The City would also take the lead in managing the construction process. The non-profit organizations would focus on fund raising efforts. The executive committee would jointly hire the architects for the project under a competitive bid process.

What are the options for State Theater operations?

Developing a credible plan for operations of the Theater will be very important, even before the fund raising efforts begin. Fund raising in an environment of uncertainty as to how the project will be operated can be unnecessarily difficult.

There are two basic options for the operating of the Theater. First, one or more of the non-profit entities interested in the project could take the lead in Theater management. A qualified theater manager would be hired to operate facility, reporting to the board of the managing entity. Potential controlling entities could include the Jazz Festival and State Theater Preservation.

Secondly, the City could take responsibility for management of the Theater. Under this option, the Public Facilities department would most likely operate the Theater in conjunction with the Conference Center.



In evaluating these options, consideration has to be given to several issues:

- Who will set the booking policies of the Theater?
- Who will market the Theater and work to maintain event levels?
- How will the Theater be maintained and how will events be coordinated?
- What are the implications of the financial operations of the Theater?
- How can the economic impact generating potential of the Theater be realized?

Summary

Given the evaluation of key issues summarized above, the Public Facilities department offers significant advantages with respect to setting booking policies to benefit the community, experienced Theater maintenance and event coordination, potential to minimize financial operating costs, and to maximize overall community-wide economic impacts. Non-profit entertainment organizations such as the Jazz Festival offer the benefit of contacts within the entertainment industry to assist in marketing the Theater.

A suitable Theater management structure would involve the Public Facilities department taking the lead role in management issues, with a Theater executive committee or board formed to assist in marketing the facility. The committee would consist of City leadership and representatives of the Jazz Festival and other community entertainment organizations with both an interest in using the Theater and contacts within the entertainment industry. The committee could be relied on to ensure that the entertainment needs of the community are met in an environment of high quality facility management and event coordination provided by the City.



1. Introduction

The Monterey Conference Center, located in downtown Monterey, represents the area's primary convention, meeting and event facility, serving as an important local resource and a generator of non-local economic activity. The Center is owned and operated by the City of Monterey through its Public Facilities Department. The facility offers approximately 19,600 square feet of ballroom/multipurpose space through its Serra Ballroom (subdivisible into two halls of 11,200 and 8,400 square feet). In addition, the facility integrates the Steinbeck Forum (offering 500 fixed seats) and 5,500 square feet of breakout meeting space.

The Monterey Marriott and the Double Tree Hotel Monterey represent the Center's two headquarters hotels and are both located directly adjacent to the Center. In some cases, the Center rents the Double Tree's 10,670-square foot city-owned De Anza ballroom to accommodate overflow space needs. Additionally, the approximate 11,300 square feet of meeting space available at the adjacent hotels is continually used to assist in the accommodation of large Conference Center events.

The State Theater was originally built in 1926 as a traditional performing arts theater and served as such for many decades. Minor renovations have periodically occurred over the years; however, much of the original structure and furnishings remain. Presently, it is being operated as a movie cinema house by United Artists and is generally considered to exist in a state of disrepair.

Recently, several groups have expressed interest in the potential purchase and renovation of the State Theater, most notably the Monterey Jazz Festival and the State Theater Preservation Group. Several concepts have been developed that would restore the structure, resulting in the creation of a functional performing arts theater, incorporating between 1,000 and 1,200 fixed seats and approximately 2,900 square feet of meeting space.

Given the Monterey Conference Center's high utilization levels and the limited practicality for on-site expansion, the City has opted to explore the viability of utilizing a renovated State Theater as an extension of the Conference Center. As such, the intent of this study is to evaluate market, financial and economic issues associated with the use of the State Theater for convention and conference activity. This information is used to provide guidance as to potential involvement of the City in the renovation, operation and marketing of the Theater.

The specific areas of focus contained in this report are as follows.

Historical Monterey Conference Center Use Analysis – We have summarized the utilization levels for the Conference Center for the past two years. The purpose of this review is to identify areas in which the existing facility may not



be able to meet its full market potential due to space availability, date availability, lack of particular types of space and other such issues.

<u>Local Market Conditions</u> – We have provided information regarding the unique visitor industry attributes of the Monterey area. The analysis provides an indication as to the ability of the community to accommodate conventions, conferences, meetings and other potential events.

Competitive and Comparable Facility Analysis – We have analyzed the physical and operational characteristics of competitive venues, both public and private. Case studies have been conducted which focus on typical event mix, plans for future space development, use of fixed seating space and other such characteristics. There are also facilities across the country that in some way have faced issues similar to those being addressed in Monterey. We have analyzed the physical and operational features of several of these facilities to gain an understanding of potential successful facility development initiatives, and efforts that have not met expectations.

Market Survey Analysis – We have contacted over 250 current, past and potential users of the Monterey Conference Center. The event markets we have analyzed consist of California corporate events, national corporate events, national and regional association events and state association events. We have also contacted planners that have held events at the Conference Center in the past to gain a perspective on the positive and negative aspects of the existing space, and recommendations for future improvements.

Event, Financial and Economic Impact Analysis – Based on the detailed market analysis prepared as part of this study, the potential for added events associated with the State Theater have been estimated. The resulting financial operating impact associated with the use of the Theater for conference and meeting activity has been assessed, and the overall economic impact associated with these events to the community has been estimated.

Summary of Options for State Theater Development and Operations - The purpose of this section of the report is to identify potential next steps that the City, in partnership with other organizations in the community, could undertake to restore and operate the State Theater. We have segmented this discussion into three areas. First, we present a summary of guiding principals that have to be considered as any discussion of the future of the State Theater is undertaken. Secondly, the strengths and weaknesses associated with options to develop/renovate the Theater are evaluated. Finally, the strengths and weaknesses associated with options to operate the Theater are evaluated.

The remainder of this report summarizes the analysis conducted, and key findings associated with the use of the State Theater for conference and meeting activity.



II. Historical Monterey Conference Center Use Analysis

The purpose of this chapter is to provide an analysis of the Monterey Conference Center's recent event utilization to assist in the evaluation of how the State Theater may be used to increase event activity and economic impact in the community. Understanding utilization levels, event mix and other such characteristics of the Center is important to provide a basis from which to evaluate potential unmet event demand in the market. As the analysis was conducted during 2002, final data for that year was not complete. Also, given current economic conditions and world events, the 2002 data may not be reflective of a typical year.

Historically, the Monterey Conference Center has hosted a variety of association, corporate, SMERF (social, military, educational, religious and fraternal), government/internal and other such events. Between 2000 and 2001, the Center hosted an average of approximately 420 events per annum. The largest segment of Center activity, in terms of number of events, has historically consisted of government/internal (i.e., Center and City) events (an average of 145 for each of the past two years).

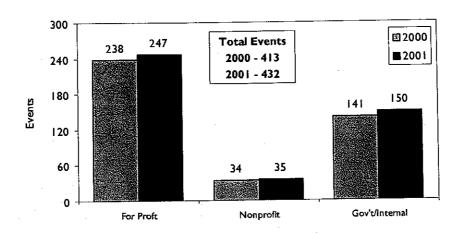
Exhibit II-I below summarizes a breakdown of event levels associated with profit, nonprofit and government/internal users of the Monterey Conference Center for both 2000 and 2001.



Exhibit II-1

Monterey Conference Center –

Number of Events Hosted (2000 & 2001)



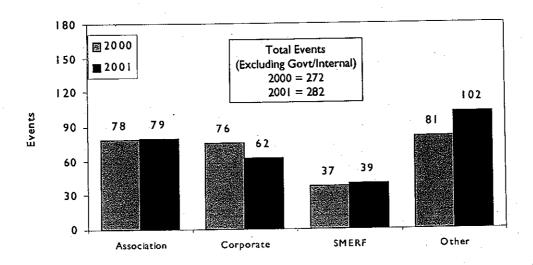
Source: Monterey Conference Center, 2002.

As shown on the previous page, for profit use of the facility accounts for approximately 57 percent of overall use, representing 247 of 413 total events in 2001. Government and internal use of the Center have historically comprised in excess of one-third of total usage, while nonprofit users make up less than ten percent of overall event activity at the facility. In general, for profit and nonprofit events receive priority booking status for Center dates. Dates for government and internal events are typically finalized within a short-term window to the extent that dates are available.

Exhibit II-2 below presents a summary of event activity at the Center throughout 2000 and 2001 excluding government and internal events to illustrate usage from traditional markets.



Exhibit II-2
Monterey Conference Center –
Number of Events Hosted (2000 & 2001)



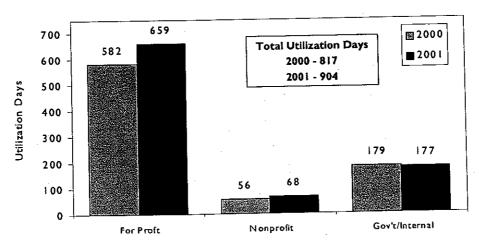
Source: Monterey Conference Center, 2002.

Excluding government and internal events, the Center hosted 282 events in 2001, compared to 272 in 2000. Other events, including job fairs, hotel-booked events, chamber of commerce functions and festivals, have comprised the largest portion of the Center's event calendar for both 2000 and 2001, averaging approximately 91 such events per annum. SMERF events comprise the smallest portion of total events, at fewer than 40 each of the two years for which data was made available.



Exhibit II-3 presents utilization day statistics for profit, nonprofit and government/internal users of the Monterey Conference Center for both 2000 and 2001. A utilization day is generated whenever an event is in the Center. Several utilization days can be generated in a single calendar day due to multiple simultaneous events.

Exhibit II-3 Utilization Days (2000 & 2001)



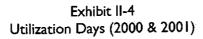
Note: A utilization day is generated whenever an event is in the Center. Several utilization days can be generated in a single calendar day due to multiple simultaneous events.

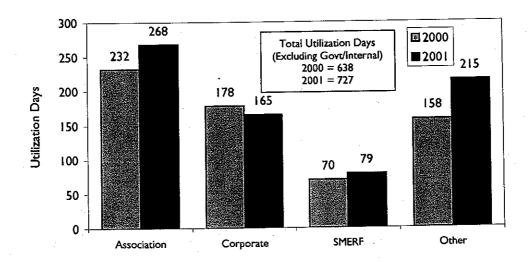
Source: Monterey Conference Center, 2002.

In terms of total utilization days, for profit groups utilizing the Center accounted for nearly 73 percent of total utilization days at the facility in 2001. This compares to nearly 20 percent for government/internal use of the venue and approximately seven percent by nonprofit organizations.



As shown in Exhibit II-4 below, excluding government and internal events, total utilization days (event days, move-in/out days) over the past two years have averaged approximately 683 days per annum.





Total utilization days (excluding government and internal events) at the Center increased by nearly 15 percent between 2000 and 2001. In particular, association functions comprise the greatest number of utilization days at the Center, averaging approximately 250 over the two-year period. SMERF events comprise the smallest number of utilization days at the Center, averaging approximately 75 in recent years. The number of "other events" utilization days at the facility increased from 158 to 215 over the period, representing an approximate 36 percent increase.

This is a relatively high level of utilization indicating a potential for turn-away business that could potentially be accommodated at the State Theater.



Exhibit II-5 below summarizes Monterey Conference Center's Serra Ballroom and Steinbeck Forum utilization for 2000 and 2001.

Exhibit II-5
Monterey Conference Center Utilization

| | Total Events 2000 2001 | | Total U 2000 | se Days 2001 |
|-----------------|-------------------------------|-----|------------------------|------------------------|
| Serra Ballroom | 96 | 97 | 274 | 271 |
| Steinbeck Forum | 106 | 115 | 276 | 262 |

Source: Monterey Conference Center, 2002.

As detailed above, the Center's Serra Ballroom hosted a total of 97 events in 2001, comprising 271 total utilization days. This compares to 115 total events, representing 262 utilization days, for the Steinbeck Forum in 2001. Overall, event and utilization day levels for both the Serra Ballroom and the Steinbeck Forum experienced little variance over the two-year period.

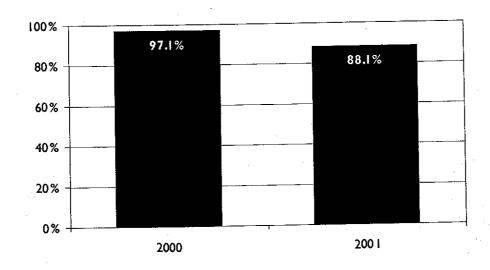
The heavy use of the Steinbeck Forum is a further indication of demand for fixed seating space in the market. This indicates support for convention and meeting demand for the State Theater.

It is also useful to measure the usage of primary function space on a square footage basis. The utilization of a facility is determined to be within a practical maximum capacity range when the actual utilized space in a facility reaches a level of 70 to 90 percent of total sellable capacity. Below 70 percent utilization, a facility may be holding excess capacity. Above 90 percent utilization, a facility has reached "practical maximum capacity" and may be turning away significant business. Total sellable capacity is determined by multiplying the total primary function space of a facility by 365 days and then multiplying the resulting figure by 70 percent. The 70 percent adjustment factor accounts for the reality that a portion of the facility's total capacity is un-sellable due to holidays, maintenance days and inherent booking inefficiencies that result when events cannot be scheduled immediately back-to-back.



Exhibit II-6 below presents historical occupancy figures for the Serra Ballroom for 2000 and 2001.

Exhibit II-6 Serra Ballroom Annual Occupancy - (2000 & 2001)



Note: Figures based on total square footage utilized. Total square feet per area was reduced by 30 percent to better reflect total space availability.

Source: Monterey Conference Center, 2002.

As shown, the Serra Ballroom has consistently experienced occupancy percentages of over 80 percent for the entire period. In particular, square footage occupancy levels for the hall have ranged between 88 and 97 percent. Occupancy decreased by nine percent over the two years reviewed. Overall, occupancy levels at the hall are estimated at the high end of the practical capacity range, preliminarily indicating the potential need for added space.

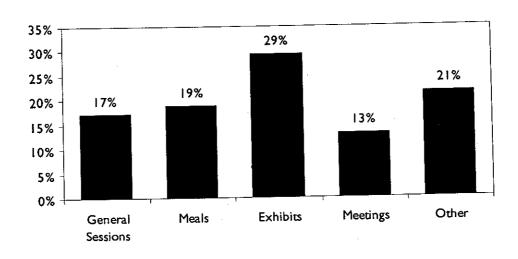
This is further indication of the potential for turn-away business, and the role the State Theater may play in capturing event activity for the community.



Exhibit II-7 outlines the history of types of functions making use of the Serra Ballroom over the two-year period. Data presented combines 2000 and 2001 information.

. Exhibit II-7

Types of Functions Utilizing the Serra Ballroom (2000 & 2001 Combined)



Note: Other events include proms, concerts and other special events Source: Monterey Conference Center, 2002.

As shown, nearly 30 percent of all functions hosted in the Serra Ballroom in 2000 and 2001 were exhibit-based events, the most frequently occurring event type in the space. Twenty-one percent of Serra Ballroom events are considered other events such as concerts, graduations, proms or dances. Meal functions hosted comprised approximately 19 percent of total Serra Ballroom events. Seventeen percent of total events were general sessions, while meetings accounted for just 13 percent of total activity.



To further assess historical use patterns, an analysis of usage seasonality by month for the primary functional areas under consideration has been undertaken. This type of analysis can identify any potential that a significant level of "clustering" in one or two months may have on event levels. A high percentage of use centered in one or two months may indicate that the hall is unable to fully accommodate its total demand.

Exhibit II-8 presents seasonality utilization for the Serra Ballroom for 2000 and 2001. As outlined, event seasonality for the Serra Ballroom appears well distributed throughout the year, following no significant detectable pattern.

100%
90%
80%
70%
60%
50%
40%
30%
2000
10%
0%
10%
0%

Exhibit II-8
Serra Ballroom Seasonality Utilization (2000 & 2001)

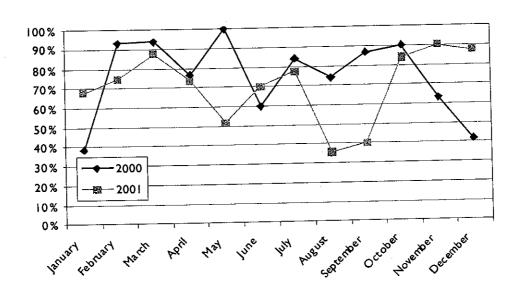
Source: Monterey Conference Center, 2002.

As shown, monthly utilization over the two-year period at the Serra Ballroom ranged between a high of approximately 97 percent (in May 2000) and bottomed out at just 37 percent (in June 2000). Overall, square footage occupancy levels at the Center (in terms of Serra Ballroom usage) indicate high facility usage and are estimated to represent effective capacity levels.



Exhibit II-9 presents seasonality utilization for the Steinbeck Forum for 2000 and 2001.

Exhibit II-9
Steinbeck Forum Seasonality Utilization (2000 & 2001)



Source: Monterey Conference Center, 2002.

As shown, seasonality at the Steinbeck Forum has followed a similar overall pattern to that of the Serra Ballroom each of the past two years for which data was made available. Specifically, monthly utilization over the period at the Steinbeck Forum ranged between 100 percent (in May 2000) and 35 percent (in August 2001). As is the case with the Serra Ballroom, square footage occupancy levels at the Steinbeck Forum also indicate high levels of facility usage and the achievement of effective capacity levels.



III. Local Market Conditions

A community's hospitality infrastructure in terms of hotels, restaurants, entertainment and other such factors contributes heavily to the potential success of a public assembly facility. The strength of the local market, in terms of its socioeconomic attributes, can provide an indication as to the ability of a community to accommodate large numbers of public show, tradeshow, convention, and other event attendees. CSL conducted an analysis of these attributes as they relate to the Monterey market area. The analysis of existing Monterey market conditions addresses the following areas:

- Local market attractions and resources
- Existing event facilities and hotels
- Conclusion

Local Market Attractions and Resources

The Monterey area is a nationally-known tourist destination, attracting millions of tourists each year. Given the considerable supply of tourists, the area possesses a significant array of visitor amenities and recreation/leisure opportunities that could be attractive to convention, tradeshow, corporate, and other event planners. This combination of strong reputation, high tourism levels, significant hotel rooms and other visitor amenities and natural resources makes Monterey a very unique destination for event planners. Tourism amenities include:

- Golf The Monterey area offers 17 challenging and diverse golf courses including
 the world famous Pebble Beach Golf Links, Spyglass Hill Golf Course and the
 Links at Spanish Bay. A number of the golf courses feature resort properties
 such as the Lodge at Pebble Beach, Old Del Monte (Hyatt), the Inn at Spanish
 Bay and the new 24-Room Casa Palmero estate.
- Outdoor Activities In addition to golf, visitors to the region have numerous other outdoor activity options. Scuba diving, surfing, fishing, sailing and whale watching are popular with tourists. The Monterey Bay National Marine Sanctuary provides an excellent setting for kayakers and there are numerous trails for rollerbladers and bikers.
- Historical and Cultural Attractions A number of nationally known attractions are located throughout the region including Fisherman's Wharf and Cannery Row and the Mission Trail. Nearby are communities such as Carmel-by-the-Sea, which features Ocean Avenue, Carmel Mission and the Tor House, Pacific Grove, home to the Pacific Grove Museum of Natural History, and Big Sur,

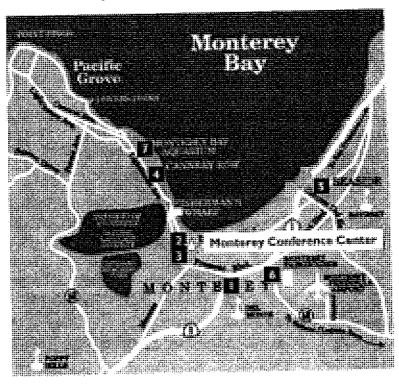


- which possesses the Esalen Institute, Henry Miller Memorial Library and Point Sur Lighthouse.
- Wineries Monterey County is the fourth largest wine grape growing region in the world. Besides local labels, over 70 California wines produced outside of the county are made from local grapes.

Existing Event Facilities and Hotels

The number of existing event facilities in the local market is an important consideration with respect to the overall viability of a potential public assembly facility. In addition, the hospitality infrastructure is often an important determinant in the selection of a conference center and destination by out-of-town events. Exhibit III-I below presents the location of selected event facilities with respect to the Monterey Conference Center.

Exhibit III-I
Primary Event Facilities in Monterey





Background information concerning primary existing Monterey event facilities and hotels is provided below.

1. Hyatt Regency

Known as Monterey's largest single hotel property, the Hyatt offers a total of 575 guestrooms. In terms of sellable event space, the Hyatt offers over 30,000 square feet, comprised of nearly 19,000 square feet of ballroom space and 11,500 square feet of meeting space (over 20 rooms). Additionally, the facility provides a fitness center, two pools and spas, tennis center, game room and a variety of restaurants.

2. Double Tree Hotel

Located on the Plaza at Fisherman's Wharf, the Double Tree provides 380 recently redecorated total guestrooms. The facility offers more than 20,000 square feet of sellable event space, including 15 breakout meeting rooms. The 10,700-square foot De Anza Ballroom, capable of hosting groups of up to 1,000, is the hotel's largest contiguous space.

3. Monterey Marriott

This recently renovated hotel incorporates 341 guestrooms, as well as more than 15,000 square feet of indoor event space. The 6,900-square foot San Carlos Ballroom serves as the property's largest contiguous space. A total of 15 meeting rooms combine to provide approximately 8,400 square feet of meeting space. Additionally, numerous events also take advantage of available event space outdoors.

4. Monterey Plaza Hotel and Spa

Centrally located on Cannery Row, the hotel offers 290 guestrooms. In terms of meeting space, the facility incorporates 10 conference and banquet rooms that can accommodate groups of between 10 and 300. The hotel's outdoor terrace can accommodate groups of up to 500.

5. Embassy Suites

The Embassy Suites property offers 225 two-room suites approximately two blocks from the beach. The largest meeting space, the Laguna Grande Ballroom, is



approximately 9,100 square feet and can seat approximately 1,000 in a theater style setting.

6. Hilton Monterey

Located minutes away from an assortment of Monterey attractions, the hotel offers 204 total rooms. A total of approximately 6,600 square feet of meeting and ballroom space is incorporated at the hotel. The divisible, 2,300-square foot Big Sur room is the facility's largest contiguous space.

7. Monterey Bay Aquarium

In addition to its famous exhibit galleries, portions of the Aquarium are available for private rental to host various special events. The facility hosts events of all types and sizes (for up to 3,000 people), including banquets, parties, receptions and speaking engagements. Though much of the event space is non-traditional in nature, the venue does offer a conference room for 40 people and a 273-seat auditorium.

Exhibit III-2 presents a summary of the largest hotel properties and their respect event space offerings (in terms of largest capacity) in the Monterey area.

Fxhibit III-2 Primary Monterey Hotel Properties

| • | Guestrooms | Largest Capacity (Number of People) | Number of Meeting Rooms |
|------------------------------|------------|-------------------------------------|----------------------------|
| Hyatt Regency Monterey | 575 | 1,000 | 38 |
| Double Tree Hotel | 380 | ١,000 | 16 |
| Monterey Marriott | 341 | 600 | 15 |
| Monterey Plaza Hotel and Spa | 290 | . 300 | 19 |
| Embassy Suites | 225 | ١,000 | 13 |
| Hilton Monterey | 204 | 250 | 6 |
| The Beach Resort | 196 | 380 | 9 |
| Casa Munras Garden Hotel | 166 | 175 | 7 |
| Hotel Pacific | 105 | 40 | 3 |
| Bay Park Hotel | 80 | 100 | . 2 |

Source: Monterey Convention & Visitors Bureau

As presented in the exhibit above, the Hyatt Regency Monterey offers the largest number of sleeping rooms at one property, with 575 rooms. It is estimated that the



Monterey area possesses a total of approximately 4,500 hotel rooms. The review of the event space incorporated in area facilities indicates that, overall, the Monterey possesses a fair amount of meeting and event space in its existing facilities.

Industry-wide, certain important non-facility related community characteristics and resources are typically associated with many "successful" convention centers. Exhibit III-3 presents a summary of specific key variables that influence the success of convention facilities and a subjective assessment of how Monterey presently ranks among each.

Exhibit III-3
Assessment of Key Convention Market Success Factors

Variable

"Destination" market attractiveness
Convention-quality hotel rooms
Air accessibility
Proximity to major drive markets
Retail and restaurants
Recreation, entertainment, attractions
Number of companies in market area
Size of market area population
Inter-city transportation/shuttling
Dedicated convention & visitors bureau
Hotel tax rates
Limited meeting space in local market
Limited competitive facilities in region

| Monterey Characteristics | | | | |
|--------------------------|----------|----------|----------|-------------|
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Strength of Existing

Based on our experience with similar small to medium-sized communities, Monterey ranks very highly overall in terms of the strength of its existing "success characteristics". In particular, the overall visitor attractiveness of the destination, recreation amenities, retail/restaurants, hotel inventory, a dedicated marketing operation and competitive hotel tax rates represent significant advantages for the market. Air access, local transportation and corporate base are several of the weaknesses of the market. Several major competitors to Monterey are located within a major metropolitan area, thereby benefiting from access to corporate base. Monterey does not have this specific advantage, however the drive from the San Jose/San Francisco metropolitan areas clearly does not preclude significant business generation from these areas. Taken together, the convention and meeting character of the Monterey market focuses on those events that



are local/regional in nature, or events that are seeking a higher end "out of the way" destination.

For many communities, overcoming market characteristic weaknesses can be very challenging. In Monterey, the weaknesses are limited, and there are numerous strengths that assist in attracting convention and tradeshow activity.

Conclusion

Based on the analysis performed and with regard to local market conditions, key strengths and weaknesses of Monterey, as they relate to attracting conventions, tradeshows and other events, are summarized on the following page.

Strengths:

- <u>National/international recognition/reputation</u> The Monterey market has been a
 popular tourist destination for many years. With an assortment of
 entertainment amenities, the community has been able to draw visitors from
 across the country and the world.
- <u>Coastal location</u> Located on the Pacific Ocean, the region's coastal location is a
 unique community attribute that has contributed to the area's strong history of
 tourism. This aspect of the community will likely be a prominent component of
 any marketing effort targeting out-of-town groups for a potentially expanded
 Center.
- Tourist attractions and amenities Besides the actual convention/conference space, event planners also place an emphasis on the entertainment amenities that exist outside of the facility. With golf, historical and cultural attractions, outdoor activities and an assortment of other amenities, the region is attractive for planners.
- <u>Climate</u> Relative to other event destinations across the country, the Monterey region maintains mild weather throughout much of the year. This allows the community to be considered year round as an event destination.

Weaknesses:

 Air accessibility and expense - The Monterey Peninsula Airport is presently served by seven airlines with direct air service to approximately three airports, an amount considerably less than many convention destinations. In addition, air travel costs from many U.S. metropolitan areas to the area are high.



- Relative costs of goods and services Relative to other convention destinations
 in the region and nationwide, the cost of living in the Monterey area and, in
 particular, costs with respect to visitor amenities is perceived as expensive. This
 is an important aspect in today's economic climate as event planners are now
 more often considering economical markets for their events.
- Modest corporate base Large users of convention facilities in many markets across the country are corporations. Currently, there are a relatively limited number of large corporations in the area.



IV. Competitive and Comparable Facility Analysis

This chapter provides a review of the various physical characteristics and resources of competitive facilities and communities, as well as communities that are comparable in some way to Monterey. This data is useful in understanding how other markets are performing within current industry conditions, the level of space and hotel room inventory offered by competitors, and other such characteristics. The specific factors reviewed within this chapter include the following.

- Metropolitan Statistical Area (MSA) population
- Effective buying income (EBI)
- Corporate inventory
- Exhibit/ballroom space
- Meeting space
- Total sellable space
- Hotel room availability
- Headquarter hotel room inventory
- Hotel room tax rates

Based on industry data and discussions with facility and CVB representatives, the exhibit below presents the 14 facilities throughout the region that were identified as potential competitive facilities and 12 facilities identified as comparable facilities. In particular, the competitive facilities represent venues that are considered to be competitive with an expanded Monterey Conference Center with respect to one or more key event segments (i.e., state associations, regional associations, SMERF [social, military, educational, religious, fraternal] groups, etc.). The comparable facilities are in some way facing issues similar to those being addressed in Monterey.

Competitive and Comparable Facilities and Markets

| Competitive/Regional Facilities and Markets | | Comparable Facilities and Markets | | |
|--|---|---|--|--|
| Fresno Convention Center Hilton Anaheim Hilton San Francisco Hyatt Town and Country Ontario Convention Center Palm Springs Convention Center Parker's DoubleTree Resort Pasadena Center Redding Convention Center Riverside Convention Center S. San Francisco Conference Center Sacramento Convention Center San Jose McEnery Convention Center Santa Clara Convention Center | Fresno, CA Anaheim, CA San Francisco, CA San Diego, CA Ontario, CA Palm Springs, CA Santa Barbara, CA Pasadena, CA Redding, CA Riverside, CA S. San Francisco, CA Sacramento, CA San Jose, CA Santa Clara, CA | Arlington Convention Center Boise Center on the Grove Gatlinburg Convention Center Greenville Convention Center Hot Springs Convention Center Meydenbauer Center Northern Kentucky Convention Center Ogden Eccles Conference Center Pontchartrain Center Powell Convention Center Pueblo Convention Center Tucson Convention Center | Arlington, TX Boise, ID Gatlinburg, TN Greenville, SC Hot Springs, AR Bellevue, WA Covington, KY Ogden, UT Kenner, LA Ocean City, MD Pueblo, CO Tucson, AZ | |



Competitive Facilities

General case studies for the 14 competitive facilities have been prepared to help understand their market focus, physical amenities and other such features. A "side by side" comparative analysis of these markets/facilities focusing on demographics, space availability and hotel availability follows the case studies.

Fresno Convention Center - Fresno, CA

The Fresno Convention Center opened in 1966. Originally the complex consisted of three separate buildings: the William Saroyan Theatre, an exhibit hall, and the Selland Arena. At that time, the exhibit hall was 32,000 square feet and provided 12 meeting rooms, and the Selland Arena seated only 6,500. The complex now spans five city blocks and boasts five separate facilities. The expansion of Selland Arena in 1981 took the seating capacity to 11,300. The exhibit hall was converted to a ballroom in December 1999, upon the construction of the new 77,000 square foot exhibit hall.

On average, the Center hosts approximately 650 events per year. A majority of these events are SMERF or local in nature. The lack of convenient, affordable air travel into Fresno, as well as limitations in hotel inventory proximate to the facility have limited the facility's convention and tradeshow business. Facility representatives are optimistic about the future of the facility.

The state association segment could become a good market for the Center as a number of state associations are becoming too small for centers in major California markets that are expanding (i.e., San Diego, San Francisco, Anaheim, etc.) and are now looking elsewhere. With a large amount of exhibit, meeting and ballroom space and two venues for plenary session events, the Center is beginning a new campaign to attract out-of-town business.

Future plans for the Center include renovation of the old exhibit hall, the construction of a large, on-site parking deck and a possible new headquarters hotel facility.



Ontario Convention Center - Ontario, CA

Located in Ontario, California, the facility opened in 1997. Possessing approximately 114,000 square feet of total sellable space, the Center is able to accommodate events ranging from local shows to national conventions. Specifically, approximately 70,000 square feet of exhibit space (divisible into two sections), 24,000 square feet of breakout meeting space and 20,000 square feet of divisible ballroom space are incorporated. Located next to Ontario International Airport and within 30 miles of Los Angeles, the facility has hosted tradeshows, meetings, sporting events, conventions, concerts and other special events. The highly utilized venue plays host to approximately 260 events per annum. Additionally, the venue is within walking distance of over 2,100 hotel rooms

Although the venue has hosted relatively few technology-based events, the center is actually one of the most technologically up-to-date convention centers in California. As such, the facility will begin to heavily market this aspect beginning in 2003. Technology and telecommunications offerings at the state-of-the-art facility include fiber-optic ports (stationed every 30 feet in the exhibit hall and ballroom) for computers, computer networking (LAN), telephones, fax machines and high-speed ISDN data line connections for enhanced telecommunications speed. Uplink and downlink capabilities for satellite communications and computer connections are provided in all meeting rooms and booth locations. The center's video teleconferencing facilities are often utilized for domestic and international video conferencing.

Rental rates at the center were recently increased, in effort to meet budget goals (as was not the case in FY 2001-2002). Also, booking rates for the upcoming year are ahead of where they were last year at this time, a sign that event levels are on the rebound following September 11, 2001.



Pasadena Center - Pasadena, CA

Originally built in 1931, the Pasadena Center is located in downtown Pasadena, where event attendees are within walking distance of an array of hotels, shopping and restaurants.

The Center is comprised of three distinct meeting venues: a conference building, exhibition building and a 3,029-seat Civic Auditorium. Combined, the complex comprises a total of approximately 61,000 square feet of sellable space, made up of nearly 29,000 square feet of breakout meeting space and a 32,000-square foot exhibit hall. The venue incorporates no dedicated ballroom space. In fact, the level of flexibility, functionality and finish within the existing Pasadena Center's exhibit space is below the level set by nearly all newer centers developed.

The region's strong air access (serviced by three area airports), coupled with the area's reputation as a desirable vacation destination have kept event levels high at the Center, despite the recent economic downturn and the events surrounding September 11, 2001.

A history of high occupancy levels at the Center and the nature of existing facility space have resulted in management's exploration of potential expansion options for the venue.

Plans are currently being developed for extensive future center expansion and call for varying levels of exhibit, meeting and ballroom space configured for efficient event production, with a level of finish similar to competitive state-of-the-art convention facilities.



Redding Convention Center - Redding, CA

The Redding Convention Center opened in 1969 and is a multipurpose building that was designed to serve as an auditorium, convention center, and exhibition hall. The facility is primarily focused on hosting entertainment/spectator events. The Center can accommodate over 2,000 people for performance events. The lower level consists of 1,200 seats, while the balcony level has a seating capacity of 822. Facility expansion is currently being considered to enable the venue to better accommodate larger conventions and tradeshows.

Convention and meeting space at the Center is not considered industry-standard or traditional. When the facility is hosting conventions, tradeshows, and exhibit shows, the auditorium seats are removed on the main floor and the balcony sections are raised, allowing the entire area to be used for display space, exhibits or banquets.

Events, excluding performing arts, hosted are generally local in nature. As such, space demands are not very large. Based on the historical event mix hosted, it is rare that a hosted event requires both exhibit space and plenary session space at the facility. If such demands are required, the Center will work with nearby hotels to provide the exhibit space.

Public shows are the most prevalent non-performing arts event hosted at the facility annually. Because the facility serves as a civic center for the community, the Redding Convention Center did not experience any effects from issues related to September 11th and the overall economy. Overall, the Center hosts approximately 200 events per annum.

South San Francisco Conference Center - South San Francisco, CA

Located in South San Francisco (approximately ten miles from downtown San Francisco) the facility offers approximately 16,500 square feet of total sellable space. The Grand Ballroom can be divided into as many as ten meeting rooms, while the Baden Room can be divided into two meeting rooms. All meeting rooms are sound insulated with no visual obstructions or columns. Located minutes from the San Francisco International Airport, complimentary parking is provided for all events.

Completed in 1993, the South San Francisco Conference Center represents the South San Francisco area's primary conference facility. However, there are several existing public assembly facilities in the greater San Francisco market area, including the Moscone Center, San Mateo County Expo and the Cow



Palace. In addition, there are numerous hotel properties offering sellable space levels consistent with the South San Francisco Conference Center. As such, the venue has secured a market niche, primarily focusing on the hosting of a variety of small to midsize product launches, conferences, conventions, tradeshows, seminars, receptions, and other corporate, association and private functions.

In a recent year, square footage occupancy levels for both ballroom and meeting space were strong (between 82 and 95 percent). Overall, these levels that indicate that the facility has reached "practical maximum capacity" and may be turning away some level of business. As a result, expansion options for the Center are currently being considered--either expanding the current facility or building an entirely new facility.

Additional case study data based on information provided to us is summarized below.

Hilton Anaheim - Anaheim, CA

This award-winning 1,572-room hotel property is adjacent to the to the recently expanded Anaheim Convention Center. Further, the hotel lies one block from Disney's California Adventure theme park and the Downtown Disney district of restaurants, nightlife and shopping, as well as Disneyland Park. The hotel provides in excess of 75,000 square feet of indoor event space, comprised of 52 individual meeting rooms (totaling nearly 19,000 square feet). Although no traditional exhibit space is incorporated, two 28,500-square foot ballrooms are often used to host exhibitions, conventions and small tradeshows

Hilton San Francisco - San Francisco, CA

Located in downtown San Francisco, the hotel features 1,900 guestrooms. With approximately 94,000 square feet of sellable event space, the Hilton San Francisco is one of the largest hotels on the West Coast. The Hilton's five ballrooms combine for nearly 73,000 square feet of high-finish event space. Numerous meeting rooms of various sizes combine for approximately 21,500 square feet of breakout space. The Grand Ballroom, at nearly 30,000 square feet, is the facility's largest contiguous space. Examples of typical events hosted include banquets, private parties, weddings, dances, meetings, conventions, lectures and tradeshows.



Hyatt Town and Country - San Diego, CA

The Town and Country Resort is located seven miles from the San Diego International Airport and seven miles from downtown San Diego in Mission Valley. The 966-room property is set on 40 acres. The facility incorporates nearly 72,000 total sellable square feet, made up of more than 55,000 square feet of dedicated ballroom space. In terms of meeting space provided, up to 26 breakout rooms combine for a approximately 16,600 square feet. The full-service resort features four swimming pools, restaurants and lounges, men's and women's salons, a day spa and complete workout facilities. Nearby attractions include the San Diego Zoo (six miles) and Sea World (six miles).

Palm Springs Convention Center - Palm Springs, CA

Located in Palm Springs, California, the Center expanded in 1995 and now incorporates approximately 89,000 square feet of total sellable space, including 66,000 square feet of exhibit space. Completed in 1985, the center is attached to the Center is the Wyndham Hotel, a 410-hotel room facility, which provides additional ballroom space. The award-winning and state-of-the-art facility hosts numerous conventions, conferences and meetings each year.

Parker's DoubleTree Resort – Santa Barbara, CA

Located on the waterfront, the resort property features 360 total guestrooms, 24 of which are suites. Nearby attractions include sailing, whale watching, deep sea fishing, shopping, wine tasting, golf, hiking, etc. The resort hosts a variety of events, often including meetings, conferences, incentive trips, weddings, parties and other social gatherings. The venue incorporates approximately 22,000 square feet of function space. Specific offerings include a 12,000 square foot ballroom, a 4,000 square foot ballroom, a 3,600-square foot ocean view banquet room, and two 1,000 square foot ocean-view boardrooms. Ceiling heights range from 10' in the boardrooms to 16' in the Grand Ballroom.



Riverside Convention Center - Riverside, CA

Located in Riverside, California, the center offers approximately 37,000 square feet of total sellable space throughout 15 rooms. Situated in historic downtown Riverside, the facility recently undertook an expansion and renovation so that it could better accommodate events demanding more space, such as medium-sized conventions, tradeshows and banquets. The center's 20,000-square foot Ben H. Lewis Hall, the facility's largest meeting area, is capable of accommodating over 100 10' x 10' tradeshow booths and seating over 1,250 people for a meal function. In addition, a new Business Center located on the mezzanine level provides phone, computer, fax and copying services for guests of the center.

Sacramento Convention Center - Sacramento, CA

Located in downtown Sacramento, California, the center was built in 1971. The facility offers approximately 183,000 square feet of total sellable space, including 136,000 square feet of prime exhibit space, 31 breakout meeting rooms (totaling approximately 23,000 square feet) and a 24,000-square foot ballroom. The center plays host to a wide variety of events, including many state association events, as Sacramento is the capital city. Adjacent to the Center are two performing arts venues: Memorial Auditorium and The Sacramento Community Center Theater.

San Jose McEnery Convention Center – San Jose, CA

Built in 1989, the award-winning, high-tech facility offers approximately 143,000 square feet of exhibit space, 27,500 square feet of meeting space and 22,000 square feet of ballroom space. Some of the many services offered include event webcasting, cyber cafe's, network operations centers, kiosks, satellite up/down links, voice and video over IP, conferencing, messaging, unicasting, multicasting, broadcasting and fiber optic and copper cabling throughout the facility with DS-3 high-speed Internet access. In addition, the center offers 30-foot-high finished ceilings, 12 loading bays with drive-on access to the exhibit hall floors and recessed utility boxes with electricity, water and drainage capabilities. The center is within easy walking distance are world-class hotels, gourmet cuisine and a variety of shops and entertainment.



Santa Clara Convention Center - Santa Clara, CA

Located in the heart of Silicon Valley, the state-of-the-art meeting, trade and convention complex provides approximately 135,000 square feet of sellable event space, as well as a 607-seat theater. The 90,000-square foot exhibit hall is the venue's largest contiguous space offered. The multipurpose venue is often accommodates tradeshows, conventions, public shows, expositions, concerts, theatrical productions, meetings, lectures, parties and more. The center is the only complete resort-style convention center in the Bay Area, featuring an 18-hole championship golf course and complete tennis facility. The City of Santa Clara is currently considering expansion options for the Santa Clara Convention Center.

Comparison of Specific Market/Facility Features

A side-by-side comparison of various demographic, facility, hotel and related features of the competitive markets and facilities are summarized below.

Regional Demographics

The socioeconomic and general demographic profile of the Monterey market will likely have an impact on the overall success of an expanded Center, as a portion of facility users will likely originate from Monterey and the surrounding area. Public shows, corporate meetings, service club functions, private banquets and other miscellaneous private meetings typically derive the majority of attendees from the local area.

For purposes of this analysis, information was collected from industry periodicals, our existing database, the City of Monterey, the Convention and Visitors Bureau and other sources.

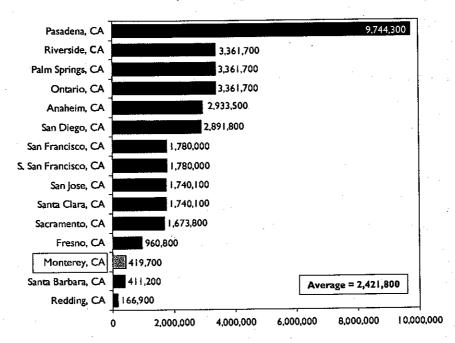
A variety of socioeconomic characteristics have been reviewed. The Metropolitan Statistical Area (MSA) used in this analysis is defined as a geographical area with a significant population nucleus, along with any adjacent communities that have a high degree of economic and social integration with that nucleus meeting certain quantitative population thresholds. This information was obtained from various industry sources and is based on the most recent revisions announced by the federal government's Office of Management and Budget.

The selected socioeconomic statistics were compiled based on data provided by Sales and Marketing Management, who regularly publishes demographic estimates utilizing U.S. Census data.



Exhibit IV-I below presents a summary of the MSA populations of the competitive/regional markets reviewed.

Exhibit IV-I
Comparison of MSA and County Population
Competitive/Regional Markets



Note: Metropolitan Statistical Area population. Source: Sales and Marketing Management, 2002.

As shown, in terms of population, Pasadena, California ranks first of the 13 competitive/regional markets analyzed, with an MSA population of more than 9.7 million drawing from the Los Angeles metropolitan area. The average population of the markets reviewed is approximately 2.4 million. Redding, California ranks last, with a population of fewer than 167,000 people. This compares to the population of Monterey, at approximately 420,000, ranking toward the bottom of the communities reviewed.

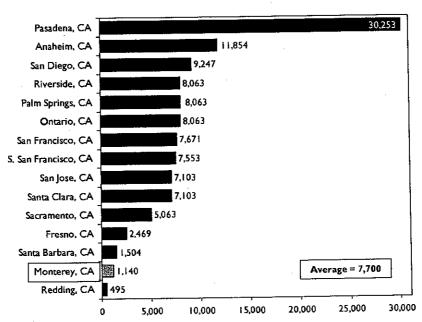
Corporate Base

The breadth and characteristics of the inventory of local corporations and employers also provide an indication of general potential for corporate meeting activity in a given market. Often, the major employers in a local market are a key source of facility usage with regard to corporate meetings, banquets and other similar uses, all of which are important to maintain the utilization and financial viability of an expanded Monterey facility.



Exhibit IV-2 compares the number of companies with 25 or more employees, on an MSA level, among the competitive and regional markets reviewed. Mid-sized and large companies in a local market can provide a significant base of off-site meetings for local conference facilities.

Exhibit IV-2
Number of Companies with 25 or more Employees
Competitive/Regional Markets



Note: Figures represent metropolitan statistical areas. Source: Dun & Bradstreet Marketplace, 2002.

As shown in the exhibit, there is wide variation among the markets reviewed in terms of number of companies with 25 or more employees. The estimated 1,140 companies with 25 or more employees in Monterey again ranks toward the bottom of the competitive and regional set of markets reviewed. This figure is well below the overall average of the selected markets, which is approximately 7,700, or 6,100 excluding Pasadena, which draws from the Los Angeles metropolitan area.

It should be noted that the attractiveness of the Monterey product in terms of meetings, conferences and conventions reflects a truly international destination. As such, the corporate base in the immediate area, while a useful measure of potential event activity, does not reflect the overall ability of Monterey to draw events from throughout California, and indeed throughout the country. Additional research on the market potential from these sources is presented later in this report.



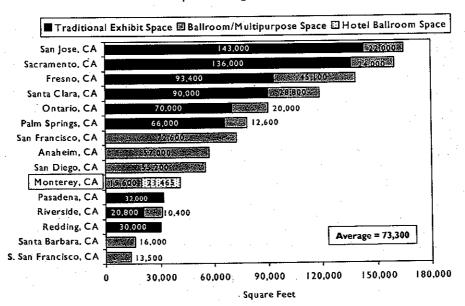
Exhibit/Ballroom Space

There are two types of exhibit space offered at the facilities reviewed: prime space and gross space. Prime space refers to the dedicated exhibition area that is column-free or with minimal columns, has high ceilings, utility grids and other such amenities. Gross space refers to the total area that can be used for exhibits, and includes surrounding areas such as lobbies, meeting space, ballrooms and other such space.

Ballroom space is an important characteristic that event planners review when selecting a potential facility. Planners have increasingly placed a premium on such space in their selection of host cities. In general, traditional ballroom space is desirable in that it tends to keep event delegates in the convention center during food function periods. Further, adjacent hotel ballrooms may be occupied with unrelated events that may prevent their use by convention center events. Development of dedicated, state-of-the-art ballroom space has taken place in many recently-built centers, while many older centers do not offer dedicated ballroom space. The inclusion of some meeting/banquet/multipurpose space is typically necessary to allow the facility to compete for important economic impact generating events with attendees originating from outside the local area.

Exhibit IV-3 presents a comparison of total prime exhibit space, in addition to the level of dedicated ballroom space offered at the competitive and regional facilities reviewed.

Exhibit IV-3
Comparison of Exhibit/Ballroom Space
Competitive/Regional Facilities



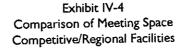
Source: Interviews with facility management, 2002.

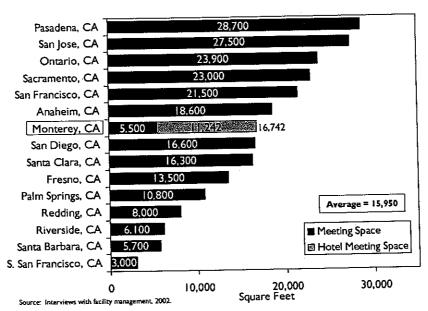


As presented in the previous exhibit, the San Jose McEnery Convention Center, incorporates the largest amount of prime exhibit space among the competitive/regional facilities, with approximately 143,000 square feet. The Hilton San Francisco incorporates the most dedicated ballroom space, offering nearly 73,000 square feet. The South San Francisco Conference Center offers the least amount of combined exhibit and ballroom space, with less than 14,000 square feet. This compares to the approximate 19,600 square foot Serra Ballroom combined with the 21,465 square feet of ballroom space offered in three halls at the adjacent Double Tree and Marriott hotels operating as part of the Monterey Conference Center package. Five facilities, in addition to the Monterey Conference Center, do not provide traditional exhibit space. The average amount of exhibit/ballroom space offered among reviewed facilities is approximately 73,300 square feet.

Meeting Space

Sufficient modern meeting space is very important in both attracting and accommodating events in the convention, conference and meetings industry. Event organizers often see it as an important factor in their selection of host cities. Exhibit IV-4 compares the square feet of meeting space offered at the competitive and regional facilities.





As shown above, the level of meeting space is broadly distributed among the competitive and regional centers, ranging from nearly 29,000 square feet at the Pasadena Center, to just 3,000 square feet of breakout meeting space at the South San Francisco

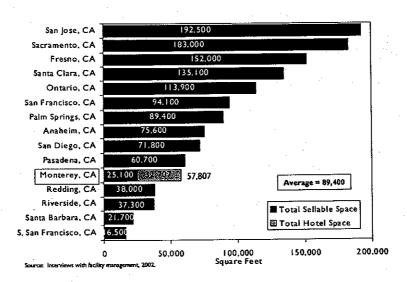


Conference Center. The Monterey Conference Center currently offers 5,500 square feet of dedicated meeting space, which would rank second from the bottom of the competitive and regional facilities and well below the average of 15,950 square feet. However, there is an additional 11,242 square feet of meetings space that is regularly available at the adjacent Double Tree and Marriott hotels, significantly improving the Monterey ranking. This does not include the Steinbeck Forum, which seats 500 and is used as a meeting environment. On a per square foot basis, the Steinbeck Forum would represent approximately 3,500 to 5,000 square feet of flat space, depending on the type of function.

Total Sellable Space

As presented in Exhibit IV-5, the amount of total sellable space (which includes exhibition, meeting and ballroom space) offered at the competitive and regional facilities reviewed varies widely, averaging nearly 89,400 square feet. The largest facility in terms of total sellable space is the San Jose McEnery Convention Center, with approximately 192,500 total sellable square feet. The South San Francisco Conference Center offers the least total sellable space, at approximately 16,500 square feet. This compares to the approximate 25,100 square feet incorporated into the current Monterey Conference Center. When space at the adjacent Double Tree and Marriott hotels is included in the analysis, the Monterey Conference Center package can offer up to 57,807 square feet of total sellable space.

Exhibit IV-5
Comparison of Total Sellable Space
Competitive/Regional Facilities



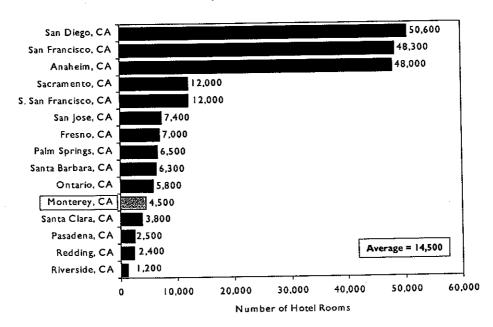


Hotel Room Availability

The availability of hotel rooms to serve the requirements of the convention industry is a critical factor in the success of a public assembly facility.

Exhibit IV-6 details the range of total available hotel rooms in each of the competitive/regional facilities/markets.

Exhibit IV-6
Available Hotel Rooms
Competitive/Regional Markets



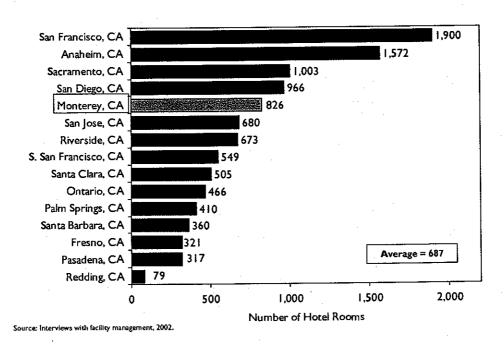
(1) Figure represents San Mateo County, CA (in which S. San Francisco lies) Source: Convention & Visitor Bureaus, 2002.

As shown in the exhibit, there is a wide range in the number of hotel rooms in the markets/facilities reviewed, with San Diego, California offering the greatest hotel inventory, at approximately 50,600 rooms. The estimated 4,500 total hotel rooms available in Monterey ranks in the bottom half of the competitive/regional set and above the overall average of approximately 14,500.



The difficulty in interpreting this data lies in the fact that not all hotel inventory reviewed is as attractive from a location and quality standpoint. Certainly, the 1,572 rooms contained within the Anaheim Hilton are very marketable as compared to the 12,000 rooms spread throughout the South San Francisco market. It is therefore useful to measure room inventory on a headquarters property basis, eliminating rooms that are outside the immediate area of the convention center. This data is summarized below.

Exhibit IV-7
Inventory of Headquarter Hotel Rooms
Competitive/Regional Markets



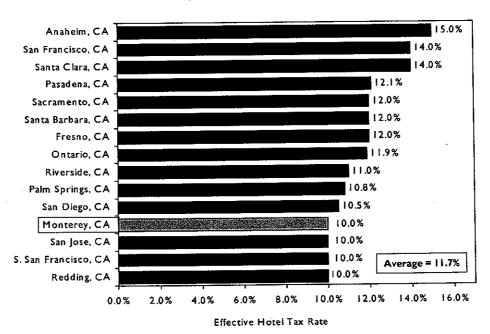
As shown, the inventory of headquarter hotel rooms ranges from a low of 79 (in Redding, CA) to a high of 1,900 at the San Francisco Hilton. This compares to the 826 available in Monterey at the Hotel Pacific, Double Tree and Monterey Marriott. The availability of headquarters hotel rooms in Monterey, and the willingness of the properties to commit rooms to Conference Center events, represents a competitive advantage for the market.



Hotel Room Tax Rate

In addition to hotel room availability, the total tax charged on hotel rooms may sometimes be a factor that event planners consider when making their site selection. A location with taxes on rooms that are considerably higher than competitive and comparable cities can negatively impact the likelihood of the selection of the particular location. Exhibit IV-8 provides a summary of hotel room tax rates among the competitive and regional markets reviewed.

Exhibit IV-8
Comparison of Hotel Tax Rates
Competitive and Regional Markets



(1) Figure represents San Mateo County, CA (in which S. San Francisco lies) Source: Convention & Visitor Bureaus, 2002.

Many of the competitive and regional markets utilize hotel tax revenue to fund convention and visitors bureau and facility operations. Of the competitive and regional markets reviewed, Anaheim, California charges the highest such rate (15.0 percent), while Monterey, along with three other markets, collects the least (10.0 percent). Of the markets reviewed, approximately 11.7 percent is collected on average. Monterey's present effective rate represents a competitive advantage relative to its regional competition.



Comparable Facilities

As previously noted, there are facilities across the country that in some way have faced issues similar to those being addressed in Monterey. We have analyzed the physical and operational features of several of these facilities to gain an understanding of potential successful facility development initiatives, and efforts that have not met expectations.

Case Studies

The 12 facilities described below represent facilities comparable to the Monterey Conference Center.

Arlington Convention Center - Arlington, TX

Located in Arlington, Texas, near Dallas/Ft. Worth metro area and within 15 miles from Dallas Fort Worth Airport, the center offers approximately 49,000 square feet of column-free exhibit space and 36,000 square feet of meeting/ballroom space. The Center represents a secondary convention center within driving proximity to larger convention centers in Dallas and Ft. Worth. The facility was originally built in 1985; however, in June 1999, the center completed an extensive expansion and renovation project, incorporating a 30,000-square foot Grand Hall ballroom among other improvements. The Arlington Convention Center is within walking distance of Six Flags Over Texas, The Ballpark in Arlington and Hurricane Harbor, America's largest water park. Typical events hosted include association, trade, corporate and public show events.

Boise Center on the Grove - Boise, ID

Located in Boise, Idaho, the Centre on the Grove was constructed in 1990. The current facility offers approximately 32,300 square feet of total sellable space. A majority of the center business is comprised of events hosted by Boise area corporations, as well as public shows and tradeshows. The facility is operating at effective capacity levels and is essentially "land-locked", preventing a contiguous expansion of space. The Boise market is similar to Monterey in a number of ways, including its relatively modest local population, the landlocked nature of the highly-utilized current facility and the consideration of additional space in the market. Specifically, facility management and community leaders are presently considering developing a non-attached facility expansion nearby in the downtown. To effectively tie the two facilities together, the project would include landscaping between the facilities to improve the aesthetics of the walk, and a trolley program to move delegates between buildings.



Gatlinburg Convention Center - Gatlinburg, TN

Located in Gatlinburg, Tennessee, this state-of-the-art convention center features nearly 67,000 square feet of exhibit space, in addition to approximately 16,500 square feet of meeting space. The Great Hall (the largest contiguous space offered) provides approximately 67,000 square feet of contiguous exhibit space, 50,000 square feet of which is column-free. Able to accommodate 350 $10' \times 10'$ booths, the hall features 30-foot ceilings. The hall is divisible into three separate portions. The City of Gatlinburg is presently planning a renovation of the Center, which is expected to include the conversion of Mills Auditorium into a state-of-the-art ballroom as well as the addition of more functional breakout meeting space. The existing Center complex is largely landlocked, preventing a significant expansion of overall facility space. In the past, certain local area hotels have been able to absorb some demand for dedicated ballroom/banquet space; however, some larger events have held food functions in the Center's exhibit The Center typically hosts tradeshows, public shows, seminars and conferences, sporting events, association events, festivals and various meetings. Other relevant issues with respect to Gatlinburg include its small population base from which to draw event attendees to its modern facility and the tourism focus of the community.

Greenville Convention Center - Greenville, SC

Located in Greenville, South Carolina, the center is currently under construction and is to be completed in the late Spring of 2002. The smallest of the competitive/regional facilities reviewed (in terms of total sellable space), the new center will provide a total of approximately 43,000 sellable square feet. The facility is set on a 32-acre campus that features two award-winning full service hotels, the Hilton Greenville and the City Hotel and Bistro, which combined provide 330 guestrooms.



Hot Springs Convention Center - Hot Springs, AR

Located in Hot Springs, Arkansas, the Hot Springs Convention Center includes four exhibit halls containing approximately 76,000 square feet of clear-span exhibit space. The center also incorporates 14 meeting rooms, which provide an additional 14,000 square feet of space. There is also a dedicated ballroom, which offers 16,500 square feet of space. Although the center originally opened in 1998, the center is currently expanding, with completion scheduled for late 2003. The facility does not have a headquarters hotel; however, a 200-room Hilton hotel property is within walking distance. The tourism focus of the Hot Springs region, along with its relatively small resident population and novel convention center are similar to that of Monterey.

Meydenbauer Center - Bellevue, WA

Located in Bellevue, Washington, the facility was completed in 1993. The center, which serves as a secondary convention facility in a larger metropolitan market, incorporates approximately 48,000 square feet of total sellable space. Nine miles from Seattle, the center also offers a 410-seat theater. The center generally accommodates a wide variety of conventions, corporate and local events, such as corporate, SMERF and other groups. However, the facility does not currently have a headquarters hotel, a situation that has affected the acquisition of out-of-town events.

Expansion is planned for that includes construction of additional meeting and ballroom space as well as a headquarters hotel. The theater facility is heavily focused on the performing arts industry, and therefore is used relatively little for conferences, meetings or conventions. For example, the Center accommodates three to four convention events that use the entire facility including the theater. Contracts with performance events at the theater require that the event be able to "strike back" any set or other equipment to allow for a front of stage meeting event. The Center staff recently took over control of facility bookings, and anticipate that use of the theater for meetings may increase slightly into the future, but the focus of the space will remain performing arts.



Northern Kentucky Convention Center - Covington, KY

Located in Covington, Kentucky, the center was completed in 1998 and incorporates approximately 89,000 square feet of total sellable space. The Center incorporates approximately 46,000 square feet of exhibit space within two halls. Ten minutes from downtown Cincinnati's business center, the facility is actually closer to Cincinnati's Airport than Cincinnati's own convention center. Additionally, the venue is located near such attractions as thoroughbred racing and riverboats. The Center has successfully worked with the City and its CVB in attracting business to the area. The facility has drawn state and regional events, public shows and numerous corporate events during its short history. A recent expansion study recommended against a major expansion to the facility. However, due to the high level of corporate event activity, improvements to the exhibit area in terms of floor coverings (i.e., the addition of permanent carpet), and light fixtures were recommended.

Ogden Eccles Conference Center - Ogden, UT

Located outside of Salt Lake City, in Ogden, Utah, the facility hosts a variety of meetings, including many from the local university, which had originally contributed money towards the facility's construction. Although it does not offer any exhibit space, the conference center facility does offer approximately 9,000 square feet of meeting space and approximately 20,000 square feet of ballroom space. The venue is attached to the 855-seat Peery's Egyptian Theater. Similar to what is being conceived for the Monterey market, the theater is sometimes used in conjunction with the Ogden Eccles Conference Center in hosting events requiring large amounts of fixed seating (i.e., meetings, lectures, symposiums, training sessions, etc.). Specifically, facility management indicated that the theater is utilized for convention/conference-related assemblies, presentations, corporate functions and lectures between six and 12 times per year (more than half of which are events associated with larger events held at the Conference Center. Management also indicated that the theater does allow it to accommodate certain events that it might not otherwise be able to host, as Center space is freed to be used for concurrent exhibit and food functions (while the theater hosts assemblies).



Pontchartrain Center - Kenner, LA

Located in Kenner, Louisiana, the center is a multipurpose event facility that possesses approximately 61,000 square feet of total sellable space. The facility was originally built in 1991; however, a new exhibit hall was added in 1997. The Kenner market is fifteen minutes from downtown New Orleans, which possesses the second largest convention center in the nation, the Ernest N. Morial Center. During its initial years of operation, the Pontchartrain Center was known as a secondary option for events coming to the New Orleans market. However, it has become a stronger meeting destination in recent years due to a strong marketing campaign and currently hosts a variety of trade shows, conventions, sporting and performing arts events. The Kenner Convention and Visitors Bureau typically works closely with the New Orleans Convention and Visitors Bureau in sharing event leads and coordinating certain marketing efforts.

Powell Convention Center - Ocean City, MD

The Powell Convention Center is located along the Atlantic Ocean in southern Maryland and possesses approximately 109,000 square feet of total sellable space. Specifically, the facility provides approximately 63,000 square feet of exhibit space, in addition to nearly 24,000 square feet of breakout meeting space and 22,000 square feet of dedicated ballroom space. The center opened in 1972, expanded in 1997 and is again considering further expansion. The latest expansion program envisions a modest expansion of its exhibit area as well as the addition of a second ballroom. Peak season for the Center is during spring and falls months, while summer is the slowest, in part, due to the high average daily rates charged at hotels. Relevant issues associated with the center include its coastal location, the area's reliance and focus on a significant tourist market, the local market's modest population base, and the driving distance to a major international airport. The Center has historically drawn largely from state and regional association markets, as well as certain corporate, consumer and trade segments.



Pueblo Convention Center - Pueblo, CO

Located in Pueblo, Colorado the facility opened in 1997. The center offers approximately 21,100 square feet of total sellable space. The Pueblo Convention Center has hosted events such as tradeshows, conventions, conferences and meetings, and private events. In-house services available at the center include food and beverage, electrical, security and telephone. There are a total of 300 on-site parking spaces available to event attendees, with additional parking within an eight to ten block radius. The highly-utilized facility is similar in size to the current Monterey Conference Center and is also located within the city's historic downtown core. The City recently completed work on the Historic Arkansas Riverwalk of Pueblo, a 26-acre urban water attraction adjacent to the Center.

Tucson Convention Center - Tucson, AZ

Located in Tucson, Arizona, the center was completed in 1976. The facility offers approximately 114,000 square feet of exhibit space and 33,000 square feet of meting and ballroom space. Halls A, B and C combine to provide approximately 90,000 square feet of contiguous exhibit space. Often the host of smaller lectures and general sessions, the complex's Music Hall and Leo Rich Theater primarily host performances by the Tucson Symphony, the Arizona Opera, the Arizona Friends of Music and the Theater League. Adjacent to the convention facility is a 9,300-seat arena, which at times also serves as general session space for the center during very large events. In sum, over a million guests utilize the facility annually. Of this number, approximately half are convention delegates and meeting and tradeshow attendees. Updates to the façade of the structure are currently underway.

Comparison of Specific Market/Facility Features

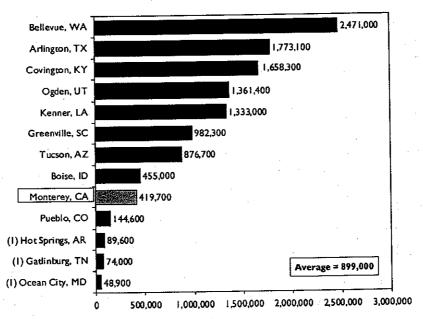
A side by side comparison of various demographic, facility, hotel and related features of the comparable markets and facilities is summarized below.



Regional Demographics

Exhibit IV-9 presents a summary of the MSA populations of the comparable markets reviewed. In the case that an MSA population was not defined, the population of the county in which the city lies was used as an alternative.

Exhibit IV-9
Comparison of MSA Population
Comparable Markets



Note: Metropolitan Statistical Area population.
(1) county population
Source: Sales and Marketing Management, 2002.

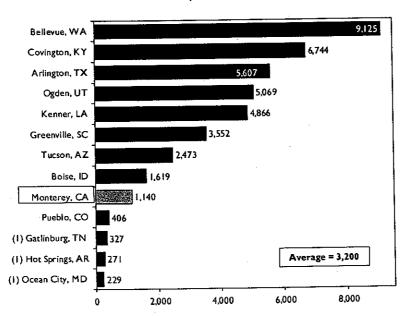
As shown, in terms of total MSA population, Bellevue, Washington (part of the greater Seattle market) ranks first among the comparable markets analyzed, with an MSA population of nearly 2.5 million. The average population of the markets reviewed is approximately 899,000. Worcester County (in which Ocean City lies) ranks last, with a county population of less than 50,000. This compares to the population of Monterey, at approximately 420,000, ranking toward the low-midpoint of the communities reviewed.



Corporate Base

Exhibit IV-10 compares the number of companies with 25 or more employees, on an MSA level, among the comparable markets identified. In the case that an MSA level was not available, the county in which the city lies was used as an alternative.

Exhibit 1V-10
Number of Companies with 25 or more Employees
Comparable Markets



Note: Figures represent metropolitan statistical areas.
(1) # of applicable companies in the county in which the community lies Source: Dun & Bradstreet Marketplace, 2002.

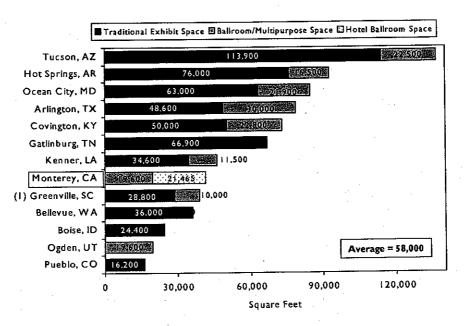
The estimated 1,140 companies with 25 or more employees in Monterey ranks toward the low to mid range of the comparable set of markets reviewed. This figure is below the overall average of the selected markets. The greater Seattle market is home to the most such companies, at approximately 9,125. Worcester County (in which Ocean City lies) again ranks last, with just 229 companies employing 25 or more people.



Exhibit/Ballroom Space

Exhibit IV-II outlines the amount of dedicated exhibit and ballroom square footage provided among the comparable facilities analyzed.

Exhibit IV-11
Comparison of Exhibit/Ballroom Space
Comparable Facilities



(i) includes planned space.
Source: Interviews with facility management, 2002.

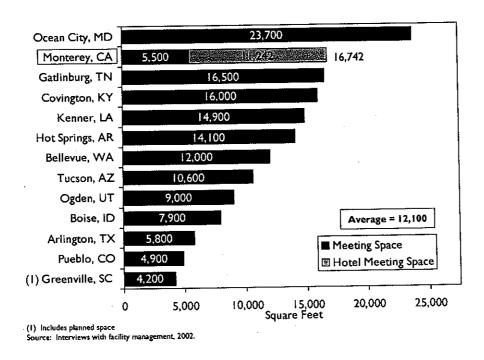
Of the comparable facilities, the Tucson Convention Center offers the greatest amount of exhibit space, with approximately 114,000 square feet. The exhibit space offered at the facility is flexible enough to host events such as concerts, conventions, banquets and sporting events. The Pueblo Convention Center, in Pueblo, Colorado, has the smallest amount of exhibit space among the comparable facilities reviewed, with just over 16,000 square feet. The Monterey Conference Center offers 19,600 square feet of space in the Serra Ballroom, and an additional 21,465 square feet in three ballrooms in the adjacent Double Tree and Marriott hotels. Four facilities offer no dedicated ballroom space, while just two venues (including the Monterey Conference Center) lack traditional exhibit space.



Meeting Space

Exhibit IV-12 below compares the square feet of meeting space offered at the comparable facilities. Ocean City's Powell Convention Center offers the largest amount of breakout meeting space, with nearly 24,000 square feet. The planned Greenville Convention Center will offer the least such space, with only approximately 4,200 square feet. This compares to 5,500 square feet at the Monterey Conference Center, or 16,742 square feet when combined with the adjacent Double Tree and Marriott hotels. The average comparable facility reviewed incorporates approximately 12,100 square feet of meeting space.

Exhibit IV-12
Comparison of Meeting Space
Comparable Facilities



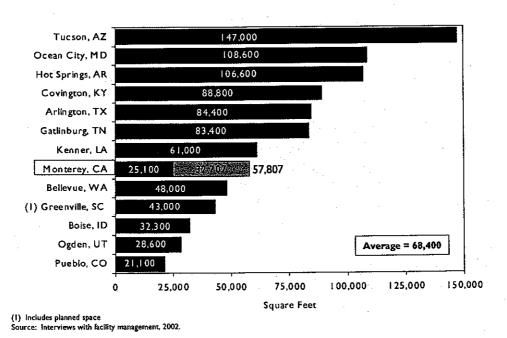
As previously noted, the Steinbeck Forum represents an added meeting facility, equating to between 3,500 and 5,000 square feet of flat floor space.



Total Sellable Space

The Tucson Convention Center, as presented in Exhibit IV-13, offers the largest amount of total sellable space, with approximately 147,000 square feet. The Pueblo Convention Center (in Pueblo, Colorado) provides the smallest amount of total sellable space, with approximately 21,000 square feet. Of the facilities reviewed, the average comparable center incorporates approximately 68,000 square feet of sellable space.

Exhibit IV-13
Comparison of Total Sellable Space
Comparable Facilities



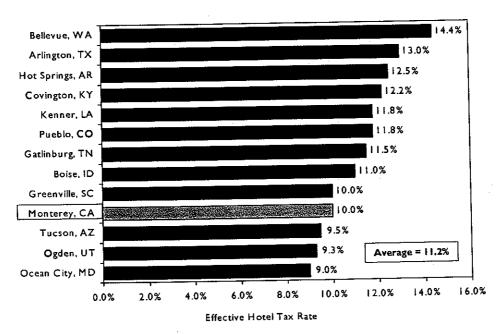
The Monterey Conference Center package includes 25,100 square feet at the Center itself, and an additional 32,707 square feet at the adjacent Double Tree and Marriott hotels that is regularly available for Conference Center events.



Hotel Room Tax Rate

Exhibit IV-15 provides a summary of hotel room tax rates among the comparable markets reviewed. Again, many of the markets studied utilize hotel tax revenue to fund convention and visitors bureau and facility operations.

Exhibit IV-15
Comparison of Hotel Tax Rate
Comparable Markets



Source: Convention & Visitor Bureaus, 2002.

As shown, Bellevue, Washington charges the highest total hotel tax rate, currently at 14.4 percent. Nine percent, the lowest overall rate among comparable markets, is collected in Ocean City, Maryland. Monterey possesses a total effective hotel tax rate of 10.0 percent, ranking favorably with the selected comparable markets and is below the average of 11.2 percent.

