



Las Vegas Convention and Visitors Authority

MEMORANDUM

Date: February 8, 2016
To: Southern Nevada Tourism Infrastructure Committee
From: Rossi Ralenkotter, President/CEO
Re: Las Vegas Convention Center District (LVCCD)

The following information is provided in response to a committee member's request subsequent to the delivery of our LVCCD Financial Planning Document. The document was prepared by internal staff; the LVCVA did not incur any direct consultant costs related to the compilation or production of the document. However, much of the financial content is founded on expertise derived from separate prior engagements with leading industry experts. This table reflects those cumulative costs from 2012 through 2015.

Specialized Public Finance Inc; Debt Capacity Analysis and Projections	\$ 20,000
PKF Consulting USA;	62,500
HVS Convention, Sports & Entertainment Facilities Consulting; Financial Strategy Study	91,563
Piercy, Bowler, Taylor and Kern; Land Valuation Concepts and Analysis of Alternatives	25,000
JNA Consulting Group; LLC; Funding Projections and Analysis	6,000
TOTAL FINANCIAL CONSULTING SERVICES	\$ 205,153

In full transparency, the LVCVA has incurred costs for other financial services related to the issuance of debt. The following table reflects costs for financing activities including refunding bonds for savings, as well as bank facilities and new money bonds for Phase One land acquisitions. The following table summarizes those cumulative costs from 2012 through 2015.

JNA Consulting Group; LLC; Funding Projections & Analysis	\$ 311,644
Sherman & Howard, Bond Counsel	331,655
Hobbs, Ong & Associates	50,435
IPREO, POS & OS Services	3,000
Moody's Ratings Services	96,650
Standard & Poor's Ratings Services	89,482
TOTAL DEBT FINANCING COSTS	\$ 882,866

In addition to our response to the SNTIC's request for information regarding the development of our LVCCD financial booklet, we are pleased to provide the attached summary of key information related to the LVCCD. We appreciate the opportunity to further the discussion on this critical project at your meeting scheduled on February 25, 2016.



LAS VEGAS CONVENTION CENTER DISTRICT

KEY INFORMATION SUMMARY

THE LAS VEGAS CONVENTION CENTER (LVCC) IS A PROVEN COMMUNITY ASSET AND ECONOMIC DRIVER

The LVCC has a 56-year proven track record of driving midweek demand for Las Vegas. Hosting over 1.3 million annual tradeshow attendees, the LVCC generates nearly \$1.9 billion in economic impact according to a study by Applied Analysis.

SIGNIFICANT INCREMENTAL ECONOMIC IMPACT

Per a study by Tourism Economics, the LVCCD could attract **69 new events worth \$4 billion in economic impact and more than 1.8 million additional attendees over a ten-year period.** Notably, this estimate does not include the important additional impact of existing shows that will be able to grow with our expanded facility. Between the addition of new shows and growth of existing shows that the facility expansion will allow, the incremental economic impact of the LVCCD is estimated to be between **\$400 million- \$700 million annually**, depending on show rotation cycles.

TRADESHOWS PAY TO BE IN LAS VEGAS

Conventions and tradeshow require no special fees to induce them to come to Las Vegas, unlike some major special/sporting events that can demand sponsorship/host costs and/or community expenditures that can exceed millions of dollars. Conversely, tradeshow customers pay to use our convention facilities and book space years in advance. The LVCC is currently booking tradeshow into 2030.

THE LVCCD SUPPORTS MIDWEEK HOTEL OCCUPANCY AND ROOM RATES

The biggest opportunity to increase occupancy is during midweek. Annual average midweek occupancy in 2015 was 85.2%. The original and ongoing role of the LVCC has been to attract conventions to reduce otherwise dramatic dips in midweek occupancy between weekend spikes. Even in January, the month when Las Vegas hosts the 175,000 attendees of CES, followed by 60,000 attendees of the International Homebuilders Show, overall midweek occupancy for the month was still below 80% (79.3%) last year.

MIDWEEK OPPORTUNITY

Midweek Occupancy: **85.2%**

Weekend Occupancy: **93.7%**

LVCC ECONOMIC IMPACT

CURRENT

ANNUAL ECONOMIC IMPACT:

\$1.9 Billion

ADDITIONAL

LVCCD INCREMENTAL

ANNUAL ECONOMIC IMPACT:

\$400m-\$700m

For comparison, 2015 average weekend occupancy was 93.7%. In 2015, half of the weekends of the year saw occupancy exceed 95%, and all but ten weekends saw occupancy reach at least 90%. Unlike conventions and tradeshow, many special events, such as sporting events and concerts, overlap with weekend periods that already enjoy high occupancy levels.

During otherwise slower midweek periods, LVCC conventions and tradeshow, many of which are booked years in advance, provide a base of visitor demand from which resorts can yield up their room rates.

OUR COMPETITION IS NOT STANDING STILL

The threat from competition is real. Our major competitors are planning to expand and enhance their facilities to attract trade shows away from Las Vegas:

- Chicago has prepared to invest \$1.1B for extensive improvements and expansion to their convention center district.
- New York has approved and funded a \$1B expansion and enhancement of the Javits convention center.
- San Francisco began construction last year (2015) for a \$1B expansion of their facilities including an additional 300,000 sq. ft. of new exhibit & meeting room space.
- Seattle has proposed a \$1B expansion including a 5-story exhibition hall connected to the downtown Washington State Convention Center. Construction is planned to begin the first quarter of 2017.
- Houston is planning to invest \$1.5B to transform the area surrounding their convention center creating a more attractive visitor experience in order to attract more trade show customers.
- The long range master plan of Orlando's convention center highlights 480 acres of land on which they can expand their current facilities, including such elements as a potential transportation system connecting the convention center directly to the airport.

The loss of a 50,000 attendee show represents more than **\$70M of economic loss** to Las Vegas.

Major cities across the US and abroad are investing significant \$\$\$ to attract trade shows away from Las Vegas.

BOTH EXPANSION AND RENOVATION ARE REQUIRED TO KEEP, GROW AND ADD TRADESHOWS

Key goals of the LVCCD program are to protect the calendar dates of our current trade show customers and minimize disruption to our customers during the renovation of the existing facilities. To achieve these goals, the proposed expansion will create 'swing' space enabling us to locate our trade shows within the convention center campus and away from construction activities during renovation. The expansion and the renovation are necessary, interdependent elements of the LVCCD program.

Evidence of the impact of convention center renovation to a trade show can be seen in the most recent departure of VMware from San Francisco's Moscone Center. Due to the anticipated construction disruption, VMware decided to relocate its 2016 convention from San Francisco to Las Vegas.

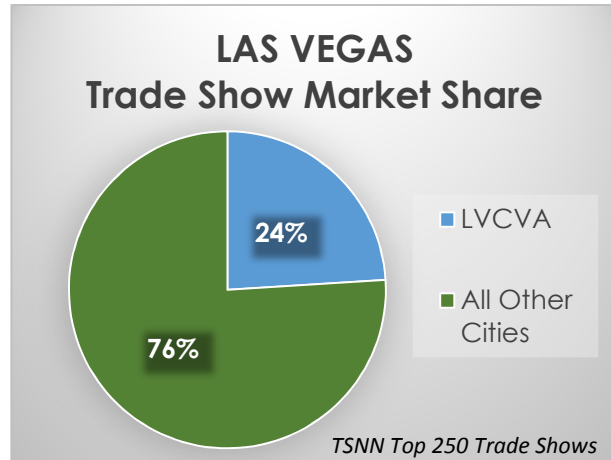
The loss of a 50,000 attendee show would represent more than \$70M of economic loss to Las Vegas. Whether the departure is a result of construction disruption or the attraction to another city because of the facility's amenities, the resulting negative impact remains the same.

THE LVCC NEEDS TO MODERNIZE

The LVCC has been a work horse for more than 55 years. While we have maintained the building through significant annual budgets for repair and capital improvements, the time has come that many parts of the building must be replaced in order to meet the demands of our customers.

Keeping pace with the ever evolving needs of our tradeshow clients is tantamount in keeping our position as the #1 trade show destination in North America!

As the industry leader, we must continue to create the customer experience with a business environment that meets the changing demands and opportunities of a very dynamic

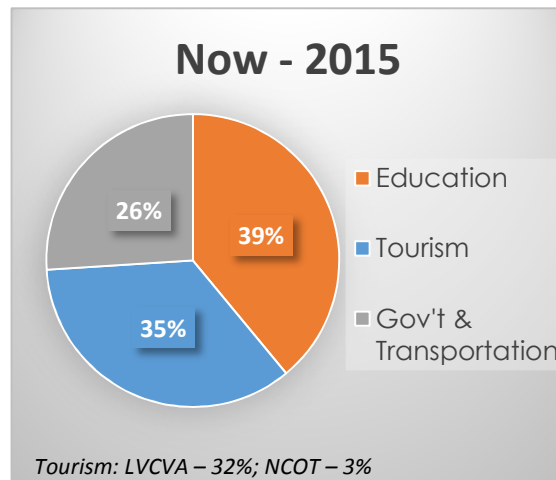
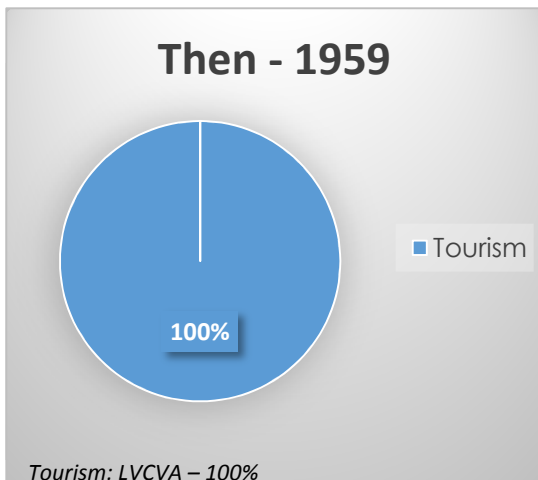


industry. With the proposed LVCCD Expansion and Renovation, the LVCC will continue in its role of industry leader, setting the bar that others can only hope to reach.

Through investment in the proven community asset that is the LVCC, opportunities abound for Las Vegas to continue to grow its share of the tradeshow market.



CLARK COUNTY ROOM TAX RE-INVESTED IN TOURISM



LAS VEGAS CONVENTION AND VISITORS AUTHORITY

THE LVCCD BUDGET IS APPROPRIATE

The proposed budget for the LVCCD expansion and renovation is consistent with national and regional trends. The following charts show a comparison of the published hard cost of similar convention center programs in other US cities to the proposed budget for the hard cost of the LVCCD program. The additional costs associated with OH&P, Management, Contingency and Soft Cost varies from city to city and program to program, but the percentages of each of these elements to the hard cost is consistent with national and regional industry standards.

COMPARABLE FACILITY CONSTRUCTION HARD COSTS¹

	Pittsburgh	San Diego	Kansas City	Chicago	Nashville	Average	Median
Demolition & Site Clearing	(\$0)	\$0	\$0	\$5	\$1	\$1	\$0
Utility Relocation and New Services	\$5	\$9	\$2	\$9	\$9	\$7	\$9
Excavation and Foundation	\$19	\$18	\$29	\$36	\$5	\$22	\$19
Structural Frame	\$90	\$98	\$107	\$90	\$83	\$94	\$90
Roofing and Waterproofing	\$18	\$20	\$10	\$7	\$14	\$14	\$14
Exterior Wall	\$34	\$17	\$42	\$37	\$59	\$38	\$37
Interior Finishes	\$50	\$52	\$43	\$43	\$58	\$49	\$50
FF&E	\$8	\$9	\$10	\$2	\$11	\$8	\$9
Equipment & Specialties	\$5	\$10	\$14	\$5	\$10	\$9	\$10
Food Service Equipment	\$4	\$2	\$6	\$3	\$4	\$4	\$4
Vertical Transportation	\$5	\$7	\$11	\$7	\$12	\$9	\$7
Plumbing	\$10	\$7	\$7	\$17	\$14	\$11	\$10
Fire Protection	\$3	\$4	\$5	\$6	\$6	\$5	\$5
HVAC	\$32	\$26	\$41	\$32	\$46	\$36	\$32
Electrical	\$32	\$31	\$35	\$65	\$52	\$43	\$35
Plaza and Site	\$2	\$3	\$8	\$10	\$9	\$7	\$8
Direct Work Subtotal	\$320	\$314	\$371	\$375	\$393	\$355	\$339
General Conditions	\$19	\$47	\$45	\$44	\$54	\$42	\$45
*Construction Total Hard Cost	\$339	\$362	\$416	\$420	\$447	\$397	\$384

*Costs are for a construction start in 2018 adjusted for Las Vegas. Cost do not include OH&P.

LVCCD BUDGET¹

Category	Phase Two	Phase Three	
	Expansion	Additions	Renovation
Hard Cost	\$365 Per SF	\$385 Per SF	\$25 Per SF
OH&P	\$ 37 Per SF	\$ 39 Per SF	\$ 3 Per SF
Management	\$ 18 Per SF	\$ 21 Per SF	\$ 1 Per SF
Contingency	\$ 73 Per SF	\$111 Per SF	\$ 6 Per SF
Construction Budget	\$493 Per SF	\$556 Per SF	\$35 Per SF
Soft Costs	\$107 Per SF	\$139 Per SF	\$9 Per SF
Total Budget	\$600 Per SF	\$695 Per SF	\$44 Per SF

¹ Source: LVCVA presentation to the Southern Nevada Tourism Infrastructure Committee 12/03/15