



Convention, Sports & Entertainment
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June 7, 2024

Sherrie Bakke, Executive Director
Visit Visalia
112 E Main Street
Visalia, CA 93291
559-334-0141
Sherrie@VisitVisalia.com

Re: Economic Impact Study

Dear Ms. Bakke,

HVS Convention, Sports & Entertainment Facilities Consulting ("HVS") is pleased to present this proposal to provide an Economic Impact Study of the group meeting business in Visalia and an assessment of the overall impact of tourism on the City of Visalia.

To provide the most comprehensive analysis, you will need a consulting firm with a broad range of skills. These skills include the ability to conduct relevant and accurate analysis, intimate knowledge of best practices for the event and meeting industries, and specialized skills in assessing economic and fiscal impacts. Our previous work studying the VCC will provide valuable insight into current operations and market positioning.

HVS is the leading market, feasibility, and impact consulting firm with extensive event, meeting, and tourism experience. Our team is well-positioned to provide you with analysis for assessing the impacts of group business and the tourism industry.

Should you wish to proceed with our services and engage us in this pivotal project, we kindly request your signature on the attached confirmation page. Our team is enthusiastic about contributing to this significant initiative and eagerly anticipates your response.

Sincerely yours,

A handwritten signature in black ink that reads "Thomas Hazinski". The signature is written in a cursive, flowing style.

Thomas Hazinski, Managing Director
HVS Convention, Sports & Entertainment Facilities Consulting
thazinski@hvs.com

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Economic Impact Study Proposal

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1. Firm Overview

HVS Convention, Sports & Entertainment Facilities Consulting

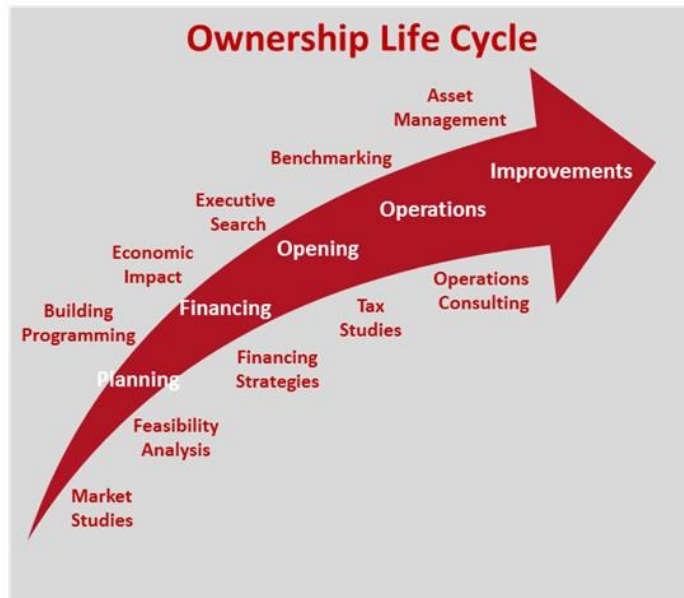
HVS Sports, Convention & Entertainment Facilities Consulting (“HVS”) has completed over 600 assignments worldwide analyzing convention and conference centers, event and civic centers, performing arts facilities, museums, sports facilities, mixed-use hospitality developments, tourism attractions, and other development initiatives. Our clients include municipalities and public facility authorities, tourism agencies, economic development agencies, educational institutions, developers, non-profit organizations, and non-governmental entities involved in publicly supported development projects.

HVS is a division of **HVS Global Hospitality Services**, the leading global hospitality consulting organization that has performed over 60,000+ assignments worldwide for nearly every major industry participant. Our professional staff of more than 350 industry specialists (including staff in California) offers a wide range of services, including market and financial feasibility studies, impact analyses, strategic analyses, tax analysis, development planning, and litigation support. With over 30 offices in 10 countries, we offer one of the most comprehensive knowledge bases in the industry. Annually, HVS completes more than 3,000 feasibility studies, consulting engagements, and appraisals. We operate independently as consultants and have no ownership interest in any venues.

HVS has been highly successful in helping clients to achieve their facility development goals. Services our firm regularly provides include:

- Market and financial feasibility studies
- Operational and management assessments
- Surveys
- Demand projections
- Building program recommendations
- Site analysis
- Financing recommendations
- Economic and fiscal impact analysis
- Tourism assessments
- Tax revenue projections

Since 2001, HVS has served public and private convention, sports, and entertainment facilities owners. Our studies often appear in municipal bond offering statements, and our staff has presented these studies to rating agencies, bond insurers, and investors. We serve owners through the life cycle of public facilities ownership from the project inception and throughout their operation and ongoing improvement.



Objective Advice to the Public Sector

HVS prides itself on providing public and tourism sector clients with independent and objective analysis that promotes efficient and equitable use of public resources. If our operational review or impact analysis shows results that suggest inefficient investment of public resources, we can work alongside venue owners and operators to suggest alternative scenarios. When considering public-private partnerships, we seek to minimize the level of public investment and mitigate financial risks.

Experience

In 2008, HVS Convention, Sports & Entertainment staff provided a market and expansion analysis of the VCC. HVS Consulting and Valuation offices have conducted four hotel studies in Visalia since 2018. As part of these recent analyses, we have current and historical data on the hospitality market in Visalia.

While each HVS consulting engagement presents unique challenges, many of our assignments are similar to the study requested by the Visit Visalia. Following are some examples of our relevant work.

HVS Convention Center Experience	Market/ Feasibility	Operational Review	Expansion Analysis	Impact Analysis
Albany Capital Center, Albany, New York	✓			✓
Albuquerque Convention Center	✓	✓	✓	
Amarillo Civic Center, Texas	✓	✓	✓	✓
American Bank Center Complex, Corpus Christi	✓	✓	✓	✓
Arlington, TX Convention Center and Hotel	✓			
Atlanta Cobb Galleria Centre and Headquarters Hotel	✓	✓	✓	✓
Austin Convention Center	✓	✓	✓	✓
BMO Centre, Calgary	✓	✓	✓	
Boston Convention and Exhibition Center	✓	✓	✓	✓
Buffalo Niagara Convention Center	✓	✓	✓	✓
Cedar Rapids Convention Complex	✓	✓		
Century Center, South Bend, Indiana	✓	✓		
CenturyLink Center, Omaha	✓	✓		
Chicago McCormick Place District Development	✓	✓	✓	
Dallas Convention Center and Omni Hotel	✓	✓	✓	
El Paso Convention and Performing Arts Center	✓	✓	✓	✓
Ernest N. Morial Convention Center and Hotel	✓	✓	✓	✓
Fargodome, North Dakota	✓	✓	✓	✓
Farmington Civic Center, New Mexico	✓	✓	✓	
Ft. Lauderdale Convention Center and Hotel	✓	✓	✓	✓
Georgia World Congress Convention Center and Hotel	✓	✓	✓	
Hawai'i Convention Center District Assessment	✓	✓	✓	✓
Henry B. Gonzales Convention Center, San Antonio	✓	✓	✓	
Indiana Convention Center	✓	✓		
Javits Convention Center	✓	✓	✓	
Los Angeles Convention Center	✓			✓
Memphis Cook Convention Center	✓	✓		
Mesa, AZ Convention Center	✓	✓	✓	✓
Meydenbauer Convention Center, Bellevue, WA	✓	✓	✓	✓
Mid America Center, Council Bluffs, IA	✓	✓		
Modesto Centre Plaza and Proposed Hotel	✓		✓	✓
Monona Terrace Community and Convention Center	✓	✓	✓	✓
Music City Center and Omni Hotel, Nashville	✓			✓
Oakland Convention Center	✓	✓	✓	
Overland Park, KS Convention Center	✓			✓
Phoenix Convention Center	✓	✓		✓
Raleigh Convention Center	✓	✓		✓
Riverside Convention Center, California	✓		✓	✓
Robinson Center, Little Rock	✓		✓	
Salem, OR Convention Center	✓	✓	✓	
Schaumburg, IL Convention Center	✓	✓		
Sydney, Australia Convention Center	✓		✓	
Tallahassee Convention Center, Proposed			✓	
Tinley Park Convention Center, Illinois	✓	✓	✓	
Tucson Convention Center and Hotel	✓	✓	✓	
Virginia Beach, Virginia Convention Center	✓		✓	✓
Visalia Convention Center	✓	✓	✓	✓
Washington State Convention Center, Seattle	✓	✓	✓	
Wisconsin Center, Milwaukee	✓	✓	✓	✓

2. Scope of Work

Approach to the Scope of Services

We designed our scope of services to meet your goals and allow us to provide our findings and recommendations according to schedule. The figure below summarizes the tasks involved in our proposed scope of services.

SUMMARY OF THE SCOPE OF SERVICES

Task	Description
Task 1: Group Meeting Business Economic and Fiscal Impacts	
1	Economic and Fiscal Impacts
2	Employment Impacts
Task 2: Citywide Tourism Economic and Fiscal Impacts	
1	Tourism and Visitor Trends and Data
2	Economic and Fiscal Impacts
3	Employment Impacts

TASK 1: GROUP MEETING BUSINESS ECONOMIC AND FISCAL IMPACTS

HVS will determine the economic and fiscal impacts of the group meeting business in the City of Visalia for the calendar year of 2023. Our analysis will estimate the new visitation and the associated spending caused by the group and meeting events at the Visalia Convention Center (“VCC”) and Marriott, the Wyndham Hotel, and other venues that draw significant group and meeting business. The impact analysis will include the direct, indirect, and induced economic impacts and employment and fiscal impacts on the City of Visalia.

HVS uses its proprietary software, the HVS CSE Impact Model® (the “Impact Model”), for economic impact analysis. Using the Impact Model, we will combine visitation estimates with per capita spending parameters for various spending types to produce estimates of gross direct spending that the project will generate. Using the IMPLAN input-output model, HVS will estimate the net direct, indirect, and induced economic impacts of direct spending.

HVS will collect daily visitation information for Visalia from Placer.ai, a provider of location-based data services. Placer.ai provides anonymized location data from mobile devices, and using output generated by their advanced algorithms, we analyze visitation behavior patterns more effectively. By utilizing this data, we can estimate where attendees go before and after events in the market. Using this data will allow us to provide a more precise understanding of the impact of the group meeting business on new visitation and spending.

Spending Estimates: Using information from the above data sources, HVS will calculate the associated spending. HVS will measure the following types of new spending impacts:

- Overnight visitor spending
- Day visitor spending
- Event-related spending

Spending estimates will be based on the STR Global trends report, Longwoods International visitor spending survey, Destination International survey data, Placer.ai locational data, and other primary research. As necessary, we will adjust the survey numbers for inflation and local market characteristics.

HVS will estimate the following types of spending impacts in the analysis:

- **Direct impacts** include visitor expenditures, payroll, and employment resulting from the events and operations occurring at the venues due to group meeting business.
- **Indirect impacts** are the supply of goods and services from initial direct facility-related spending.
- **Induced impacts** represent the change in local consumption due to the personal spending by employees whose incomes are affected by direct and indirect spending.

Indirect and induced impacts are often referred to as the multiplier effects, which vary depending upon the types of spending and the characteristics of the local economy.

HVS will use the IMPLAN input-output model to estimate net direct, indirect, and induced impacts. IMPLAN is a nationally recognized and commonly used model to estimate economic impacts. An input-output model generally describes the commodities and income that normally flow through the various sectors of the economy. The net direct, indirect, and induced expenditures, payroll, and employment effects result from the estimated changes in the flow of income and goods caused by the projected direct impacts.

Employment impacts can also be used to measure economic impact. Using the IMPLAN model, HVS will estimate the direct, indirect, and induced jobs supported by the spending and group meeting events at the venues. IMPLAN defines employment as the number of full-time equivalent jobs.

Fiscal impacts represent the incremental tax revenue collected by the City of Visalia associated with the net new spending related to the group meeting events at the venues.

HVS will gather data on various applicable tax rates from the City of Visalia. Combining this tax rate information with our spending projections, HVS will estimate the impact on various taxes, including sales, income, hotel, food & beverage, car rental, school, gas, property, airport passenger fees, and other taxes as applicable. The analysis will estimate new tax revenue associated with the spending and group meeting events at the venues.

Combining the tax and fee rate information with our spending projections, HVS will estimate the impact on the appropriate city taxes.

County and state impacts are not included in this analysis.

Reporting

We will submit a draft summary impact report upon completing our impact study. After you have had the opportunity to review it, we will convene a conference call to discuss our findings. After our conference call, we will incorporate any agreed-upon changes. Reports will be provided electronically in PDF format.

TASK 2: OVERALL TOURISM ECONOMIC AND FISCAL IMPACTS

HVS will provide an economic and fiscal impact assessment to the tourism industry in the City of Visalia for the 2023 calendar year. County and state impacts are not included in this analysis.

Tourism Visitation Data and Trends

HVS will gather historical 2023 visitor statistics and trends data from Visit Visalia, STR, Placer.ai, Longwoods, and other sources. Key tourism visitation variables and economic data would include:

- Trends in market-wide visitation and its relationship to overall economic conditions and per-capita spending for visitors,
- Demographic and economic characteristics of visitors
- Geographic sources of visitation
- Means of transportation
- Seasonal patterns of visitation
- Length of stay
- Assess the market demand drivers, including:
 - Hotel market assessment – assess the existing hotel supply and demand and determine its capacity to accommodate demand for overnight stays. Demand will be analyzed by market demand segment (commercial, leisure, group, contract). Supply will be analyzed by hotel size, brand, and chain scale, as well as occupancy rates, average daily room rate (“ADR”), and revenue per available room (“RevPAR”).
 - Attractions – develop a list of attractions and estimate visitation to each major attraction using locational data. These may include arts and entertainment, brew trail and wine tasting venues, national parks and

outdoor attractions, sports and recreation, retail centers, and others as identified.

- Events – analyze annual festivals and events and estimate the number and types of visitors each event draws from outside the market.
- Group and meeting demand - HVS will use the information gathered in Task 1 as the data inputs for the group and meeting demand drivers.

The analysis will identify key demand generators and gather data on the number of visitors to the market. Using data sources from the respective venues and locational data provided by Placer.ai, HVS will estimate the current visitors and visits to each venue. Locational data will enable us to assess the origin of visitors and quantify their contribution to tourism.

Tourism Economic and Fiscal Impacts

HVS will use the methodology outlined above in the Task 1: Group Meeting Business Economic and Fiscal Impact scope to determine the economic and fiscal impacts of the tourism industry on the City of Visalia.

Our analysis will determine the number of total visitors (overnight and day trippers) by sector.

Spending estimates will use the information provided by Visit Visalia and Longwoods spending data to determine total visitor spending by sector - lodging, recreation and entertainment, food & beverage, retail, business, transportation, etc.

Using the IMPLAN input-output model, we will determine the tourism industry's direct, indirect, and induced impacts. Our impact analysis will also include fiscal impacts (tax revenues) from visitors, the number of tourism sector support jobs, and tourism labor income.

Reporting

Upon completion of our study, we will submit a draft summary impact report in PowerPoint format. After you have had the opportunity to review it, we will convene a conference call to discuss our findings. After our conference call, we will incorporate any agreed-upon changes. Reports will be provided electronically in PDF format.

3. Schedule and Costs

We propose a 12-week schedule, beginning from the date of our fieldwork, to complete the scope outlined above.

We propose to perform the scope of services presented in the proposal for the following fees:

Task 1: Group Meeting Business Economic and Fiscal Impacts	\$18,700
Task 2: Citywide Tourism Economic and Fiscal Impacts	\$38,500

A retainer of \$14,000 will be due upon authorization to proceed.

In addition to the above fees, you agree to reimburse us for reasonable out-of-pocket expenses incurred on your behalf. We will bill expenses at cost and include all travel-related expenditures for two-person trips for fieldwork, the cost of all data from third-party data sources, including ESRI, STR, IMPLAN, Longwoods, Placer.ai, Build Central and AirDNA, and the production of presentation materials and reports. We do not anticipate our expenses to exceed \$10,000 for all data and travel expenses. We will work with WDI to keep travel expenses as low as possible and use any available WDI data.

To engage our services, please return an executed agreement. Upon authorization to proceed, a retainer is due for \$14,000. After this initial payment, you will be invoiced monthly for fees based on the percentage of work completed and expenses incurred during the previous month. The final balance of fees and expenses is due upon receipt of the draft report. All outstanding invoices must be paid in full before delivery of report products.

Restrictions on the Use of Draft Reports

Until the time that all professional fees and other charges have been paid in full, the draft report, which is provided to you as a professional courtesy, remains the intellectual property of HVS and shall not be utilized in attempting:

- a) to obtain financial capital (whether debt or equity);
- b) to further any litigation, mediation, or arbitration processes or
- c) to assist the client in any cause, action, or endeavor.

Suppose HVS has not been paid in full for its outstanding professional fees and other charges, and the draft report is used in violation of this agreement. In that case, HVS will be entitled to seek injunctive relief, monetary damages, and the cost of attorney fees and collection expenses.



Rates

The following are our hourly rates for HVS staff for services requested outside our scope of services:

HVS HOURLY RATES

Position	Hourly Rate
Managing Director	\$400
Senior Director	\$300
Director	\$275
Senior Associate	\$250
Associate	\$200
Staff	\$90

AUTHORIZATION

Client: Sherrie Bakke, Executive Director, Visit Visalia

Date: June 7, 2024

Your signature beneath the words "Agreed to and Accepted" signifies your agreement to employ HVS for the services described in the accompanying proposal titled "Economic Impact Study".

To schedule our assignments and perform your study according to our proposed schedule, we ask that you return an executed copy of this agreement as authorization to proceed with the proposed scope of work. This proposal will remain effective 30 days from the date at the top of this page.

Payment must be made in U.S. dollars using a check drawn from a U.S. bank or a wire transfer to the HVS Convention, Sports & Entertainment Facilities Consulting account. If, after completing the fieldwork phase of this assignment, it becomes necessary to alter the study's parameters, HVS will be entitled to charge an additional fee based on our current per diem rates and the time required to incorporate the necessary changes into our analysis and reports. Material changes to the scope may include changes to the property description, financing conditions, management or ownership structure, or other factors that could change the final projections. In addition to adjusting our fees, we will adjust the project schedule to reflect the time required to complete the revised scope of services.

Notwithstanding the proposed fee payment schedule, if, at any time while performing this assignment, it becomes necessary to suspend work for 30 days or more, then HVS will be entitled to bill for the portion of the assignment completed up to the suspension (less any retainer paid) at its current per diem rates.

It is agreed that the liability of HVS, its employees, and anyone associated with this assignment is limited to the amount of the fee paid as liquidated damages. You acknowledge that any opinions, recommendations, and conclusions expressed during this assignment will be rendered by the staff of HVS acting solely as employees and not as individuals. Any responsibility of HVS is limited to the client, and use of our product by third parties shall be solely at the risk of the client and third parties. The study described in this proposal will be subject to certain assumptions and limiting conditions. Upon request, a copy of our normal assumptions and limiting conditions will be provided.



President
HVS Convention, Sports & Entertainment Facilities Consulting

AGREED TO AND ACCEPTED: Sherrie Bakke, Executive Director, Visit Visalia

Signature: _____ Date: _____