

C.H. JOHNSON CONSULTING, INC.  
*EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING*

August 19, 2013

Mr. Ed Bee  
347 Gerod Street  
Mandeville, LA 70448

Via email: ebee@tamerica.com

RE: Madison County Conference Center - Feasibility Study

Dear Mr. Bee:

Johnson Consulting is pleased to submit this proposal to conduct an update on its feasibility study for a conference center project in Madison County. As we understand it the community has completed a Quality of Life analysis, and this project is included in that assessment.

**Johnson Consulting** is a real estate and hospitality consulting firm with specific expertise in the development and operation of conference centers, convention centers, and hotels. Our firm is nationally recognized as one of the most comprehensive advisors on convention and conference centers environments, and has developed a reputation for quality, integrity, and success within the public finance community. Our clients include both public and private sector entities. As a result, we are not only sensitive to the business needs of the private sector, but also the economic development objectives of the public sector.

Johnson Consulting is noted for its expertise in assisting the private sector and developers in public/private partnerships, and we have extensive experience in feasibility analysis for projects similar in nature the one being contemplated in Madison County. Among the applicable projects that we have recently completed or are currently working on:

- Feasibility study and development strategy for the Telecom Center in **Jackson, Mississippi**.
- Feasibility study for a proposed conference center at Jackson State University in **Jackson, Mississippi**.
- The recently approved hotel and conference center in **Starkville, Mississippi**.
- Feasibility study for a new conference center in **Daytona, Florida** to serve the joint needs of Embry Riddle Aeronautical University, Daytona Beach Community College, and the Daytona International Speedway.

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Our scope of work, timing and fees are outline in the attached document. If you have any questions about our proposal, please contact me at 312-447-2001. We truly look forward to the opportunity of serving you.

Sincerely yours,  
C.H. JOHNSON CONSULTING, INC.

A handwritten signature in cursive script that reads "Charles Johnson" followed by a stylized monogram.

CHARLES H. JOHNSON IV  
PRESIDENT

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## **SCOPE OF SERVICES**

Many of our projects involve mixed-use developments. Pertinent to the demand at a proposed conference center is an understanding of the potential demand generators, current and proposed hotel supply, combined with an evaluation of the leverage gained by combining these uses. Our expertise involves measuring the demand potential from these offerings as well as measuring market support for the conference center element of the project.

Our scope of work is presented below.

### **Task 1. Project Orientation and Field Work**

Johnson Consulting will meet with Client officials to confirm objectives of the study, develop clear lines of communication, review project methodology, and conduct initial fieldwork. Among the tasks to perform during this step are:

- Hold a workshop with Client representatives to review the various projects that our team has worked on and are familiar with, and discuss their attributes, as well applicability to Jackson.
- Review our prior report and discuss elements that need most attention in the update.
- Review the site and area masterplan, and discuss the underlying economic development objectives.

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- Obtain information and data from client representatives, including operating and attendance information at facilities that will contribute to the project's package of offerings.
- Tour existing meeting and hotel offerings in the area.
- Gather and analyze background information related to the project.
- Identify appropriate contacts and resources necessary to ensure complete review and assessment of issues and specific data.
- Hold various meetings pertaining to the tasks below.

## **Task 2. Economic and Demographic Analysis**

Johnson Consulting will evaluate Madison County's appeal as a location for state and regional meeting activity and assess the ability of the area to penetrate the convention, meeting, and general tourism markets. This analysis will provide a realistic assessment of Madison County's strengths, weaknesses, opportunities, and threats (SWOT). Among the data gathered and analyzed will be:

- Population and demographic trends.
- Income and employment trends, including any major employers expected to enter or leave the market.
- Analysis of the hotel, commercial, office, and industrial development in the cities of Madison and Ridgeland (as well as the County) that may affect the performance of the prospective facility.
- Hotel supply and trends.
- Community marketing resources and strategies.
- Transportation and access, including air service
- Portfolio of facilities, including hotel meeting space, banquet capacity, conference centers, theaters, arenas, stadiums, and fairgrounds.
- Fair share of event demand and relative penetration of demand compared to peers.

## **Task 3. Comparable and Competitive Market Review**

In partnership with client representatives, Johnson Consulting will select up to three facilities in markets with similar attributes and with office parks or hotel/conference facilities of the size that may be appropriate for Madison County. This information will provide perspective on benchmark facilities and concepts that are working or performing poorly and why. Attributes to be analyzed include:

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- An analysis of overall conference and meeting market trends, reflecting new or planned facilities and expansions in the City, County, and State.
- Conference center size, quality, flexibility, and appeal.
- Existing and proposed local market and nearby hotel rooms.
- Adjacent land uses and level of attractiveness in relation to the offerings proposed for the County.
- Conference center expansion plans.
- Transportation and air service levels.
- Comparative demographic characteristics.
- Unique destination appeal characteristics.
- Tourism attractions.
- Educational institutions.
- Marketing resources.
- The level of demand being generated by major employers, attractions, or other demand generators in the existing market.
- The key issue facing facilities today, outside of market attractiveness is market distinctiveness. Facilities at the PGA's Golf Hall of Fame; Branson's new Convention Center, and Meadowview Conference Center Resort in Kingsport, TN serve as distinctive models we suggest.

The comparable facility information will be used to illustrate development strategies, marketing techniques, operating models, and as an estimate of demand for a potential facility in Madison County.

## **Task 4. Potential User Analysis**

Via meetings with County/City officials, representatives of the hospitality community, local hotel management, and potential users, we will obtain information and perceptions about facility size, quality, and hotel and conference center needs.

Subsequent surveys with area hoteliers, meeting planners active in the state, and telephone or groups interviews with local event producers and presenters will also be conducted to supplement the focused interviews.

We will update historical demand information for local facilities, with the intent of looking at trends and demand constraints that may be occurring due to market or facility limitations, including unmet needs. We will also work to analyze lost business reports and perceived market limitations.

### **Task 5. Conference Center Demand Projection**

Johnson Consulting will update its demand projection for the facility. We will also comment on the consequences if a hotel is developed as part of the project. The projection will include:

- Summary of demand calendars of two to three comparable or example facilities that are approximately the size of an indicated facility.
- Development of long-range demand projections addressing number of events, number of event days, number of attendees, and the amount of exhibit and meeting space needed for the following types of events:
  - Conferences.
  - Trade shows.
  - Local expositions.
  - Performing arts events and rehearsal needs.
  - Conferences/Corporate meetings.
  - Assembly events.
  - Public/Consumer shows/ local events.
  - Entertainment events.
  - Banquets.
  - Meetings.
- Testing of demand projections using two analytic methods:
  - 'Bottom-up' approach reflecting current demand, annual repeat events, events turned away, and transfers from other location, and
  - 'Top-down' approach reflecting analysis of comparable facility demand, relative levels of supply and demand in the overall market and anticipated future market share.

### **Task 6. Recommended Facilities and Themeing**

The market analysis will result in updating recommendations regarding facility offerings. We will develop a preliminary concept study for a proposed facility. Our recommendations will be developed regarding:

- Administrative space for the facility operations and other occupants, as identified in the preceding analysis.
- Exhibit space.

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- Meeting room requirements.
- Ballroom/banquet space.
- Theater/assembly seating.
- Food service preparation and points of sale.
- Restroom to patron ratios.
- Parking and loading dock requirements.
- Hotel linkages.
- Long-term phasing and expansion strategies.
- Themeing impacts, considering a trade center theme or other theme that could help distinguish the project from its competition.

At the conclusion of this task we will issue a draft market study, meet with you to discuss our findings and get direction on the preferred development options, given its funding parameters.

## **Task 7. Operating Pro Forma**

The demand profile, operating cost structures, and data from existing operations of comparable facilities will be used to update the model for operating revenues and expenses of the expanded facility. Johnson Consulting has modeled numerous similar facilities and will draw on its experience with these facilities. Projections will extend over a 10-year period.

Revenue and expense items are shown in the table below:

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Elements of Pro Forma	
Revenue	Expenses
Space Rentals	Staffing and Benefits
Food and Beverage	Contracted Services
User Labor Charges	Security
Equipment Rental	Utilities
Parking	Insurance
Advertising and Sponsorships	Repairs and Maintenance
Naming Rights	Advertising and Promotion
Premium Seating	Reserves for Replacement
Ticket Surcharges	Supplies
Telecommunications	Management Fees
Other Revenue	Other Expenses

Using the above operating projection and capital budget analysis, we will develop a cash flow analysis that will address both operating and debt service requirements. This analysis will provide the Client with information, informing it of annual financing requirements. Once the financing requirements are identified, we will:

- Work with appropriate members of the community to assess reasonable funding options available for the project.
- Present preliminary financing options.
- Perform sensitivity analysis to provide an assessment of coverage ratios and impacts on the underwriting, in the event of major changes in assumptions.

## Task 8. Economic and Fiscal Impact Analysis

Johnson Consulting has performed a variety of economic impact studies in various markets for various facilities, ranging from convention/conference centers to arenas and fairgrounds. For this project, it may be important to determine where impacts may occur as this data can be used to advance the project through the public review and approvals process. It will also be helpful in devising an appropriate funding strategy. For this analysis, we will:

- Use various tourism spending indices of the to estimate direct spending by delegates, associations, exhibitors and the facility itself; adjusted for local market prices.
- Identify from where attendance will likely originate.



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- Indicate the volume of hotel room nights generated by the project.
- Identify where spending will most likely be captured.
- Use the RIMS II model (an input-output model of the local economy) to estimate indirect and induced spending and employment impacts of the proposed facility for both the projected events and attendees in a stabilized year of operations, based upon the demand projections, and the construction of the facility.
- Summarize local and state tax structures, including all relevant State, County, City and other municipal taxes that may be appropriate.
- Analyze the impact of the one-time construction activity.
- Report that summarizes our findings.

## Meetings and Deliverable Products

The meeting and report schedule is described below:

- *Orientation and Kick-Off Meeting* - Upon selection and receipt of authorization to proceed, Consulting Team members will meet with client representatives to perform initial fieldwork.
- *Surveys, Interviews, and Follow-up Fieldwork* - Approximately two to four weeks into the engagement, Consulting Team members will conduct additional research in Ridgeland. This may include interviews with community leaders and tourism-related professionals.
- *Draft Market Report and Workshop* - A draft report that summarizes the analysis will be prepared and submitted to client representatives. A workshop with client representatives will be held to discuss the results, and if necessary, a presentation on report progress and initial findings.
- *Final Report* - The final report will incorporate the earlier draft reports with agreed-upon changes and supporting appendices.
- *Workshop* - A final workshop and presentation of final findings will be made to client representatives.

## Proposed Project Schedule

We estimate six to eight weeks will be needed to complete the assignment. We can commence the assignment within one week of authorization to proceed.

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## **Fee Proposal**

We propose to complete this study for a fee of \$24,500 plus expenses capped at \$4,000. We require a \$10,000 retainer and a signed copy of this letter as our authorization to proceed.

Expenses will be billed in addition to fees, as incurred. Out-of-pocket expenses will be billed in addition to fees at 1.1 times cost. Such expenses will be incurred for direct out-of-pocket costs such as report reproduction, telephone and messenger service, and travel and lodging, etc. We will also bill a \$7 per hour charge for indirect costs such as telephone, fax, computer time, report preparation and production, etc. We will submit progress bills at monthly intervals during the engagement.

Our estimated fees are based on the previously detailed scope of work. Should you determine that changes to the scope of work are necessary, our fees will be adjusted accordingly. We are prepared to commence work at your request and will complete the project in the time frame stated in this proposal.

## **CONTRACTUAL CONDITIONS**

Subject to the actual terms and conditions of any subsequent agreement with you, the following conditions are standard policy for Johnson Consulting and are customary for engagements of this type. Should you have any questions concerning any of these conditions, please feel free to contact us.

The findings and recommendations of our research will reflect analyses of primary and secondary sources of information. Estimates and analyses presented in our report will be based on economic trends, market assumptions, and financial data that are subject to variation. Johnson Consulting will use sources that it deems reliable, but will not guarantee their accuracy. Recommendations will be made from information provided by the analyses, internal databases, and from information provided by management.

It is understood in accepting this proposal that neither fees nor payment thereof is contingent upon the findings of the study. Upon receipt of invoices, payment is to be made within 30 days of receipt unless prior arrangements have been made with management. Additionally, all outstanding invoices must be current prior to the release of any draft and final reports.

Johnson Consulting will have no responsibility to update its report for events and circumstances occurring after the date of its report. If you decide not to proceed with the project, or if it appears that the study will result in a finding that the project cannot achieve its required results, Johnson Consulting would, at your request,

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terminate its work and would only bill you for fees and expenses incurred to that point in time.

If you require us to attend meetings and make presentations beyond the scope of services, Johnson Consulting will charge separately for its actual hours of professional time incurred in preparing for and attending the meetings. Professional time will be billed at Johnson Consulting's standard hourly rates plus travel and incidental expenses. Billing rates are subject to a minimum five percent increase as of January 1, 2014.

Invoices outstanding after thirty days of receipt shall accrue at the interest rate of one percent per month until paid. If we need to bring action to enforce the terms contained in this letter, you will be responsible to pay our reasonable attorney's fees, costs and expenses.

We commit to delivering the highest quality product within the timeframe we have proposed. If you have any questions, please feel free to call me at 312-447-2010.

## AUTHORIZATION TO PROCEED

If the above is acceptable, please indicate by signing and dating below.

**Company:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

**Print:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Date:** \_\_\_\_\_