

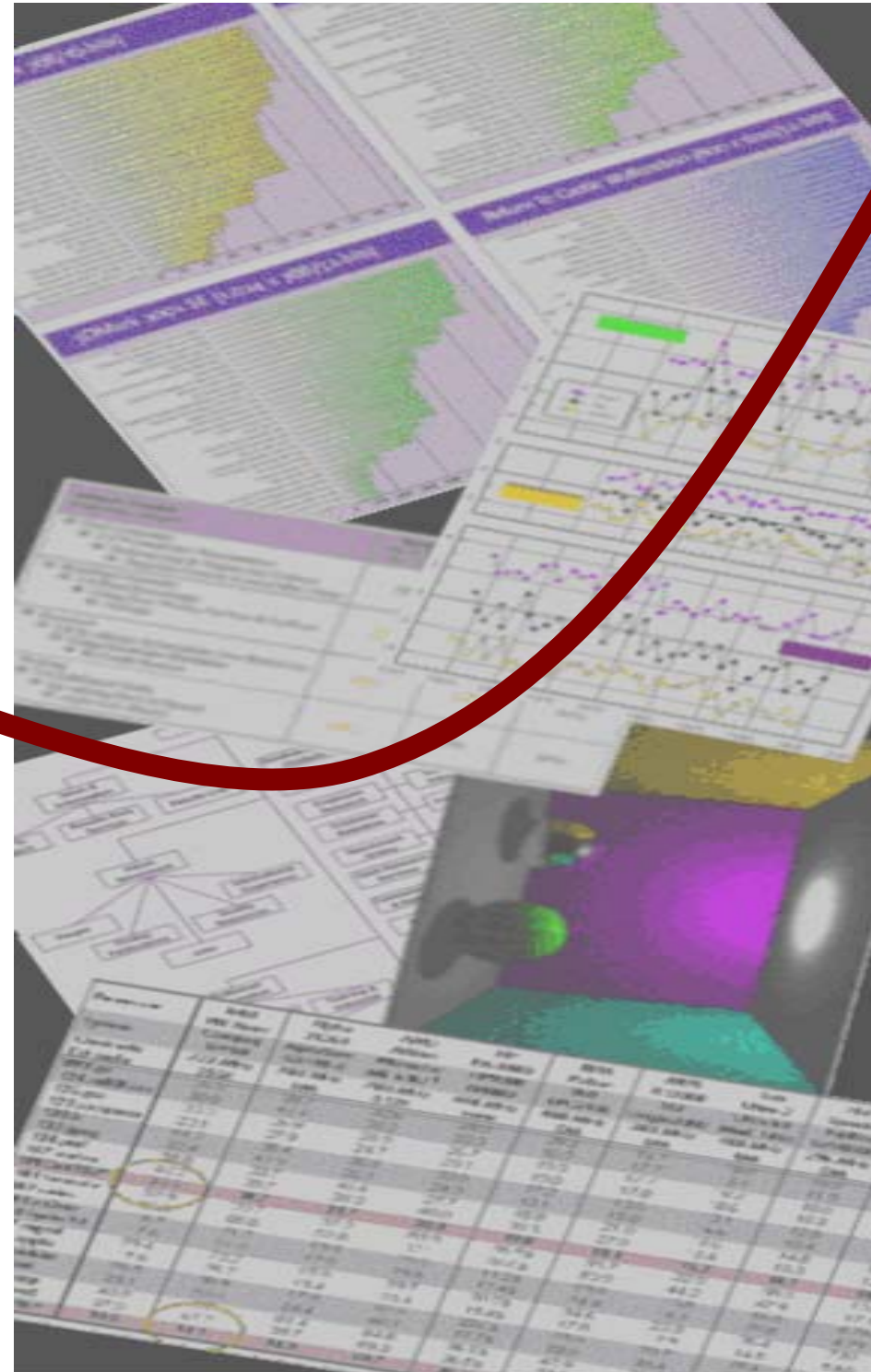
City of Temple



Frank W. Mayborn Convention Center Renovation/Expansion Study

STRATEGIC ADVISORY GROUP

November 2007



November 19, 2007

Mr. Chuck Ramm
Special Facilities Superintendent
City of Temple
3303 N. 3rd St
Temple, TX 76502

Dear Mr. Ramm:

We have completed our engagement to help you assess the need for renovation or expansion to the Frank W. Mayborn Civic and Convention Center in accordance with our contract dated May 9, 2007.

The data included in this report has been extracted from information supplied to us during discussions with representatives of the City of Temple and various other primary and secondary sources. We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. Moreover, estimates and analyses regarding the project are based on trends and assumptions and, therefore, there will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

We have enjoyed working on this project and our relationship with the project team. We look forward to providing you continued services in the future.

Strategic Advisory Group

Introduction

To understand the viability of expanding and/or renovating the Frank W. Mayborn Civic and Convention Center, the City engaged Strategic Advisory Group (SAG) to prepare an independent feasibility study. The City of Temple desired to understand whether expanding and/or renovating the Frank W. Mayborn Civic and Convention Center could potentially increase visitation and revenues at the Mayborn Center. The goals of the study were to:

- Understand the local competitive environment;
- Test the proposed renovated or renovated and expanded facility scenarios in the marketplace;
- Define the facility that best meets the needs of the market;
- Project convention center revenues and expenses;
- Propose a renovation or renovation and expansion plan and cost estimate; and
- Outline potential funding sources.

SAG was responsible for performing the market and financial analysis portions of the study, and teamed with architects Thompson, Ventulett, Stainback & Associates (TVS) to address physical and cost issues.

The following summarizes the findings and conclusions of the feasibility study.

Views of Community Leadership and Staff

SAG and TVS spent several days in Temple meeting with and interviewing various stakeholders of the project to gather viewpoints on the project. These stakeholders included City elected officials, community leaders, Mayborn Center staff, current users of the Mayborn Center, and facility caterers.

There were three overriding viewpoints mentioned during the discussions:

1. *There needs to be a reinvestment in the Mayborn Center* –There has been a lack of investment into the Mayborn Center and the event space, pre-function space, kitchen, storage areas and exterior are in need of renovation.
2. *The event space is unappealing* – The exposed ceiling and the draped walls are unattractive and difficult and costly to decorate for events. The meeting rooms are in need of new carpet, new wall covering and new ceilings.
3. *The Center needs equipment, technological and electrical upgrades* – The kitchen needs new equipment, the main hall, meeting rooms and pre-function areas need wired and wireless internet capability, the entire facility needs house sound and dimmable lighting. Lastly, additional power is needed in the main hall.

Facility Overview

The primary purpose of this study was to fully understand the future market potential that the City and Mayborn Center has to offer as a convention destination.

Convention destinations and convention centers focus primarily on bringing in out of town delegates to utilize the center and generate overnight stays in hotels. The convention center industry is highly competitive on a national, regional and state level. On a state and regional basis, the area offers over 50 facilities for events planners to choose.

On the other hand, civic centers focus primarily on serving the local community and are not effected to a large extent by the competitiveness of convention centers and destinations.

Upon analyzing the Mayborn Center, the facility operates primarily as a civic center, serving as a meeting place for the local community's meetings, banquets and special events. The facility hosts minimal conventions and tradeshow.

Meeting Industry

Overview

According to *Meetings and Conventions Magazine*, the meetings industry is comprised of 1.2 million events annually, with corporate and small association events accounting for the majority of the activity. Hotels or conference centers host 83% of the meetings that occur annually throughout the country. The remaining 17% use convention centers, civic centers or other venues.

Supply and Demand of Exhibit Space

The unprecedented growth in hotel tax receipts in the late 1990's fueled significant convention center supply growth. This growth, coupled with the recession in demand, resulted in a significant increase in industry vacancy. The industry has struggled with this phenomenon. There has been pressure on facility rental rates, food and beverage pricing, local transportation subsidies, and even hotel pricing. Many cities have gone to the extent of offering free rent as an inducement for events. While the industry has tempered supply growth, it is still projected to grow more than demand. If the projects are developed that are currently planned, this state of high vacancy will remain for the next several years.

Type of Hotel Product Utilized

As the graphic indicates on slide 14, the majority of meeting delegates generally utilize full-service hotels for their lodging while attending their event. The majority of convention delegates are accustomed to staying in higher-quality hotels than those offered in Temple. One measure of this is the average rate paid by delegates. Only 4%± of convention attendees primarily stay in the type of hotels offered in Temple. In other words, Temple's hotel infrastructure is generally not appealing to the majority of the association and corporate event attendees.

Texas Facilities

Many communities in Texas offer sizable event space. A comparison of communities offering public events space shows that the Killeen-Temple metropolitan statistical area (MSA) offers the 6th largest event square feet in the state. Only College Station, Austin, San Antonio, Houston and Dallas offer more square feet of space. The Killeen-Temple event space includes the Mayborn Center, the Bell County Expo Center and the Killeen Conference Center.

Overview of the Temple Area Meeting Facilities

Bell County Expo Center – The facility offers 125,200 square feet of space, including an arena. The facility focuses primarily on equestrian and livestock events, concerts and banquets.

Killeen Conference Center – The 31,700 square foot facility offers state-of-the-art hotel-like event space with success in hosting local events, banquets and a few conventions. Similar to the Mayborn Center, the majority of the conference center events are local events.

Mayborn Center – The 22,700 square foot facility focuses primarily on local events, banquets and consumer shows.

The Mayborn Center competes with the Killeen Conference Center more so than the Bell County Expo Center. The Bell County Expo Center focuses primarily on larger events as well as events that are geared toward utilizing the arena, such as concerts, truck shows, equestrian events and large assemblies.

Facilities Servicing Area Residents

The Temple Area was compared to communities in Texas, excluding the larger metro areas, and similar-sized communities throughout the country to understand total function square feet offered per 1,000 residents. For this analysis, El Paso, Austin, San Antonio, Houston and Dallas were excluded due to their large population.

When comparing the Temple Area to the Texas benchmarks, the Temple area ranks near the top in function square feet available per 1,000 residents. Similarly, when comparing the Temple Area to comparable-sized communities throughout the country, the Temple Area also ranks near the top.

The analysis of the Texas and similar community benchmarks indicates that the Temple Area offers sufficient square feet to service the area resident base.

Target Market Surveys

To understand the level of interest in utilizing the Mayborn Center, more than 200 target event planners were contacted. The list of target event planners was assembled by the Mayborn Center and the Tourism Bureau and included current users, lost business, prospective clients, and potential new events. Responses totaled 75 events from current users, local companies and state associations.

After describing the Mayborn Center, its location and amenities, and the Temple hotel infrastructure, the meeting planners were asked how likely they would be to utilize the Mayborn Center if it :

1. *Stayed as is, with no renovation or expansion*
2. *Was renovated only, with no expansion*
3. *Was renovated and expanded to a size that met the event needs*

Current Users – 96% of the current users surveyed indicated they will continue to use the facility regardless of renovation or expansion. *However, they desire renovation.* It was mentioned that the Center is the only facility in Temple where many of the events can fit, without going out of town to Belton or Killeen. Generally, current users want to stay in Temple and not go to other cities. Only one event would leave if the facility is not expanded.

New Local Users – New local users were interested in utilizing a renovated facility. Renovation increases propensity to book from 15% that definitely would use and probably would use the facility in its current state to 50% with renovation. Renovating and expanding increases propensity to book only marginally to 62%. Renovation makes more of an impact than expanding.

New Non-Local Users – These events primarily include state associations and are the types of events that would generate additional hotel stays in Temple. Neither renovation nor expansion will entice new non-local users to utilize the Mayborn Center. None of the events surveyed definitely would or probably would use the center if it stayed as is; 8% definitely would or probably would use the center with renovation; and 18% definitely would or probably would use the center with renovation and expansion. The primary reason for lack of interest in the Mayborn Center related to inadequate hotel infrastructure and the lack of things to do in Temple during the attendees' free time.

Target Market Survey Summary

New local users provide the best opportunity to increase facility utilization.

The target market surveys indicated that the best opportunity for the facility is to renovate and not expand. Only one current user desires expansion and the majority of the potential new local users can fit in the existing facility but will not use the facility in its current state.

Historical and Incremental Facility Utilization

Over the past three years, the Mayborn Center's events have been declining, from 163 to 138. Attendance and total hotel room nights generated by these events has remained relatively stable.

In addition to the target market survey analysis, facility utilization data from five comparable facilities in Georgia, Mississippi, Louisiana and Texas was analyzed in order to project the potential number of events and attendance that the Mayborn Center could generate if the facility were renovated. The comparable facilities were chosen based mainly upon size of function square feet each facility offers, area population and facility quality.

Based on this analysis, should the facility be renovated, it is estimated that the Mayborn Center could potentially double the number of events, from 140 events in 2006 to anywhere from 180 to 280 events. It is estimated that the attendance could potentially increase from approximately 62,000 to 90-120,000, primarily by increased local event utilization.

To achieve these results, sales and marketing efforts will need to be enhanced.

Historical and Potential Financial Operating Performance

Generally, civic and convention centers throughout the country require operating support. The financial support required can range from thousands of dollars to several millions.

An analysis of the past five years of financial performance of the facility showed that the center's average annual operating support required was \$438,000, or \$20 per function square foot. Operating revenues have ranged from \$139,000 to \$205,000 while operating expenses have ranged from \$494,000 to \$761,000. It should be noted that capital expenditures are included in the expenses. A detailed listing of these expenditures can be found on page 26.

The level of support required for the Mayborn Center is in the range that is required for facilities of comparable size. The comparable facilities analyzed ranged from \$16 per square foot to \$23 per square foot for annual operating support.

In projecting potential revenues and expenses of a renovated facility that could be generated by the increased events, event revenues and expenses generated by current users were analyzed and then increased based on the potential number of new events. The analysis assumed no policy changes related to rental rates, food and beverage charges, etc.

Based on the analysis, it is estimated that the operating subsidy could potentially decrease from \$20 per square foot to \$19 per square foot (40 new event scenario) to \$17 per square foot (140 new event scenario). In actual dollars, this would equate to a potential decrease in operating support from \$30,000 to \$60,000 annually.

Renovation Plan and Budget

In order to understand different levels of finishes, several facilities were visited and their respective managers interviewed. Based on these site visits and the target market interviews, it was concluded that the Plano Centre offered a level of finish that was felt to be a benchmark in which to aim for renovation.

The Plano Centre is very successful in attracting conventions, tradeshows, consumer shows, banquets, weddings and corporate meetings. Similar to the Mayborn Center, the facility offers a large, subdividable main hall and is flanked by several meeting rooms. The facility offers several interesting features, including the addition of carpet in the main hall and a tile-like dropped ceiling that covers the majority of the ceiling, but also exposes the support structure required for lighting, power, etc. that many events require. Renovation to a level similar to Plano would allow the Mayborn Center to remain flexible enough to attract, as well as maintain, many different types of events.

TVS utilized the Plano Centre as the benchmark when completing the renovation plan and budget. TVS' methodology and estimated budget are located in Appendix I. A minimum scenario and a complete scenario are contemplated. The complete scenario also includes construction of a new, larger kitchen and a new, larger storage facility.

TVS is estimated that the cost of renovation could range from \$1.5 million to \$4.7 million. The lower end of the range includes the minimum items that must be completed to remain competitive. The higher end of the range included items such as construction of a larger kitchen and storage areas that should also be contemplated if funding allows. SAG recommends the higher range of renovation be completed. The higher range of renovation will need to be completed to achieve the higher projected increase in utilization and largest decrease in financial support.

Potential Funding Sources

There are several public funding sources that communities utilize to fund convention center projects. The most common of these are summarized below.

Food & Beverage Tax – This is a tax on prepared food and beverages and is utilized in several communities throughout the country. This tax is not enabled in the State of Texas.

Liquor by the Drink Tax – This tax is enabled in the state; however, the City's portion of the collections are already allocated.

Car Rental Tax – This tax is enabled in the state; however, the state receives all of the generated funds.

Local Sales Tax – This rate is at the maximum and cannot be increased. All of the funds are allocated to the City's General Fund.

Hotel Tax – The hotel occupancy tax is the most common source of public funds for convention centers. This tax is currently utilized for funding of the operations of the Mayborn Center, Tourism Bureau and the Railroad Museum. The tax generates approximately \$1m annually. The dollars remaining after the funding of the three facilities could be used for to fund the debt service on the renovation.

Property Tax – If the property tax is used, this would require an increase in the current property tax rates.

Funding Source Analysis

Hotel Tax

The historical hotel tax collections and funding obligations (Mayborn Center, Tourism Bureau and Museum) were estimated for the next 25 years. The collections and obligations were trended based upon 10 year historical data. This analysis revealed that the unencumbered hotel tax revenues, or the excess revenues that would be available after current obligations are funded, ranges from approximately \$130,000 to \$165,000 annually. The net present value of these unencumbered funds is approximately \$2m. This analysis assumes the hotel taxes and obligations continue to grow at a similar pace as they have grown over the past 10 years.

Property Tax

According to the City, 1 mill of property tax generates approximately \$285,000 annually.

The following shows how the Hotel Tax and Property Tax might be utilized to provide for renovation.

| | |
|-------------------------------------|---------------|
| Minimum Renovation Scenario | \$1.5m |
| Unencumbered Hotel Tax | 1.5m |
| -OR- | |
| 0.46 Property Tax | 1.5m |
| Complete Renovation Scenario | \$4.7m |
| 1.39 Property Tax | 4.7m |
| -OR- | |
| 0.88 Property Tax | 2.7m |
| Unencumbered Hotel Tax | 2.0m |
| | <u>\$4.7m</u> |

Summary

Based upon the market research, the Temple area offers sufficient square feet of function space and there is not a need to expand. However, the Mayborn Center is in need of renovation.

The current users of the facility desire renovation but will not leave if the facility is not renovated – they will continue to use the facility but are not satisfied with its condition. If the facility is renovated, new local users propensity to book increases from 15% to 50%. These new local users represent the best opportunity for the Mayborn Center. New non-local users, such as state associations, are not interested in utilizing a facility in Temple regardless of size.

Investing \$4.7 million in renovation the Mayborn Center could lead to doubling the total number of events, increasing the attendance and decreasing the level of annual operating support.

Approximately \$2.0 million of the \$4.7 million could be funded by the existing hotel tax. The additional funding would have to come from other sources.

- Community Leader and Staff Perceptions
- Industry Overview
- Target Market Survey
- Historical Operating Performance
- Potential Operating Performance
- Renovation/Expansion Plan
- Cost Estimates
- Funding Analysis

City Leadership

Mayor

Mayor Pro Tem

City Council Members

City Manager

City Finance Director

Tourism Board Member

Tourism Coordinator

Hoteliers

Ms. Mayborn

Community Volunteers

Center Staff

Facility Manager

Facility Coordinators

Other Staff

Caterers

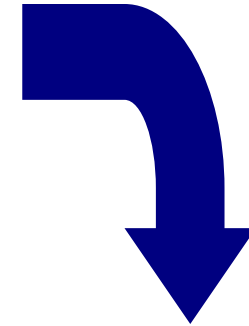
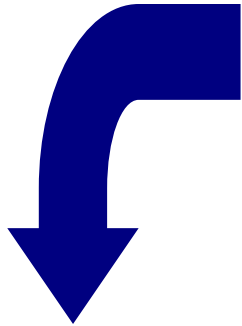
Classic Catering

The Range



- *There needs to be a reinvestment in the Mayborn Center*
- *Event space is unappealing*
- *Needs equipment, technological and electrical upgrades*

Mayborn Center Operates More as a Civic Center



Convention Center

Focus on bringing in out of town delegates

Highly competitive on a state and regional basis with over 50 facilities

Civic Center

Focus on serving local population with minimal competitive pressures

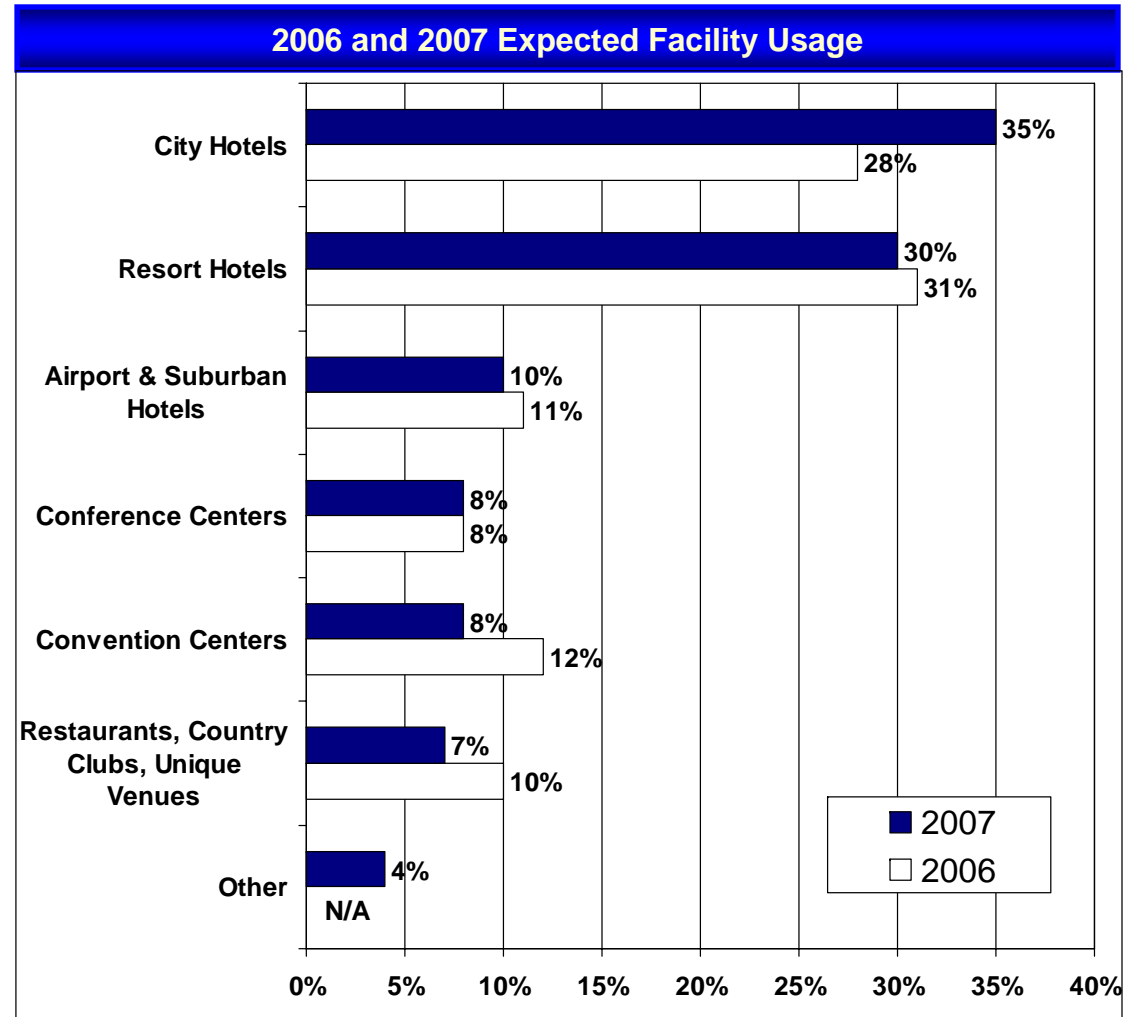
Regional/National competition has minimal impact

The Meetings Industry is Large and Prefers Utilizing Large Hotels and Resorts

| Meeting Market Size | | |
|----------------------------|--------------------|--------------------|
| | Number of Meetings | Meeting Attendance |
| Corporate Events | 1,020,300 | 79,742,000 |
| Association Conventions | 12,700 | 18,930,000 |
| Other Association Meetings | 210,600 | 37,847,000 |
| Total | 1,243,600 | 136,519,000 |

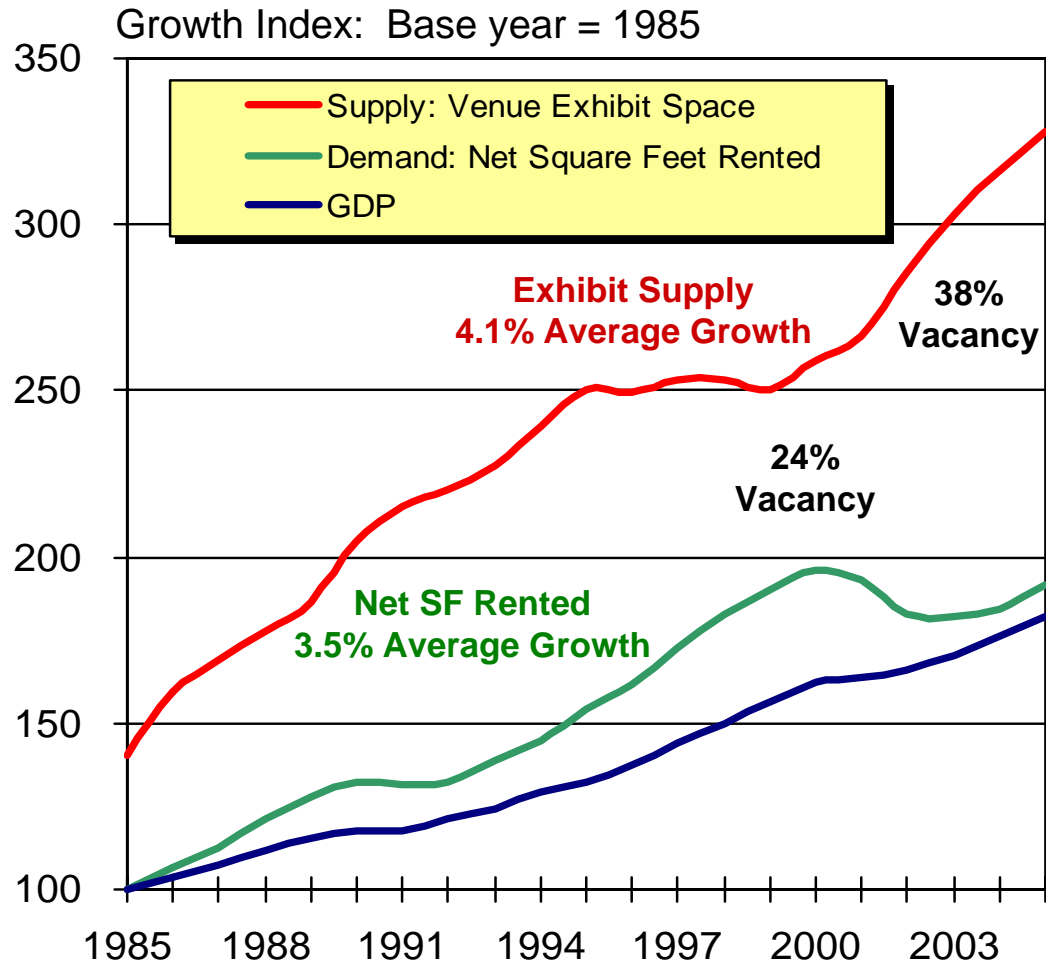
Excludes local and consumer events.

Source: 2006 Meeting & Conventions Meetings Market Report



Source: Meeting Professionals International

Supply Growth Has Outpaced Demand Growth

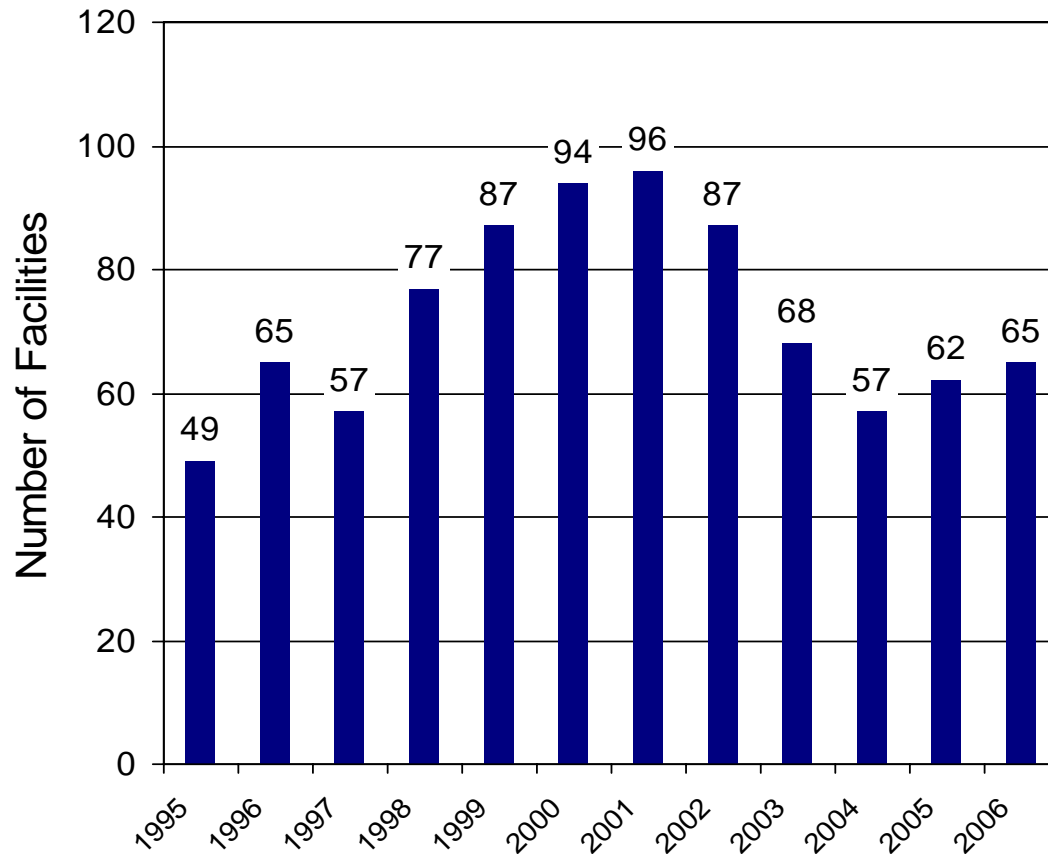


- Demand tracks GDP and has grown on average at 3.5%
- Supply has grown at a higher rate of 4.1%
 - Over supply of convention center space
- Buyers market
 - Free rent
 - Transportation incentives
 - Pressure on hotel rates
 - Pressure on F&B pricing

Source: TradeShow Week

High Industry Vacancy is Expected to Continue

In-Process New Venues and Expansions



Example New Venues or Expansions

Large Facilities

- McCormick Place* 470k
- Phoenix CC* 438k

Exhibit SF

Medium Facilities

- Raleigh CC 150k
- Ocean Center* 100k
- VA Beach CC* 94k
- Anchorage CC 75k
- Tulsa CC* 70k

Small Facilities

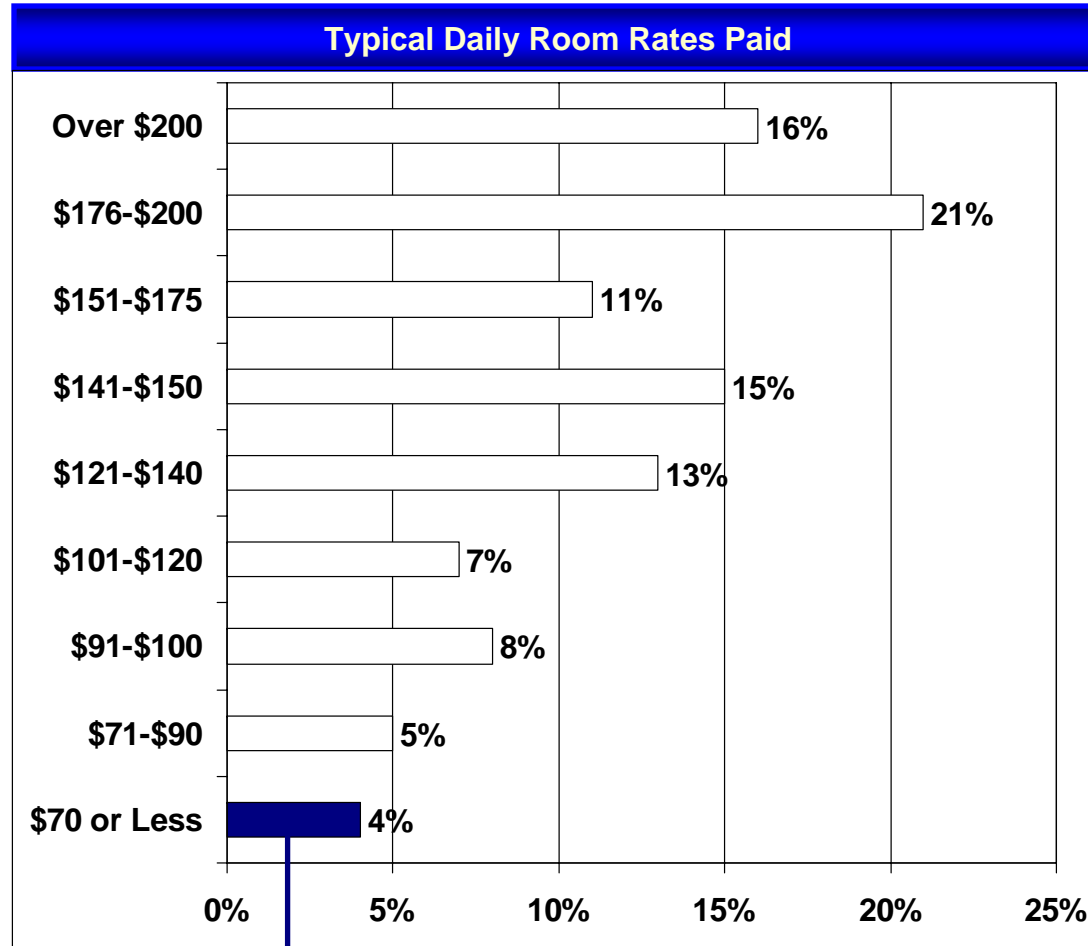
- Bayfront CC 50k
- Lancaster CC 49k
- Branson CC 47k
- Valley Forge CC* 10k

* Expansions to existing facilities.
Source: TradeShow Week

Type of Hotel Product Utilized



Meeting Delegates Generally Utilize Full-Service Hotels for their Lodging



Temple Hotel Infrastructure

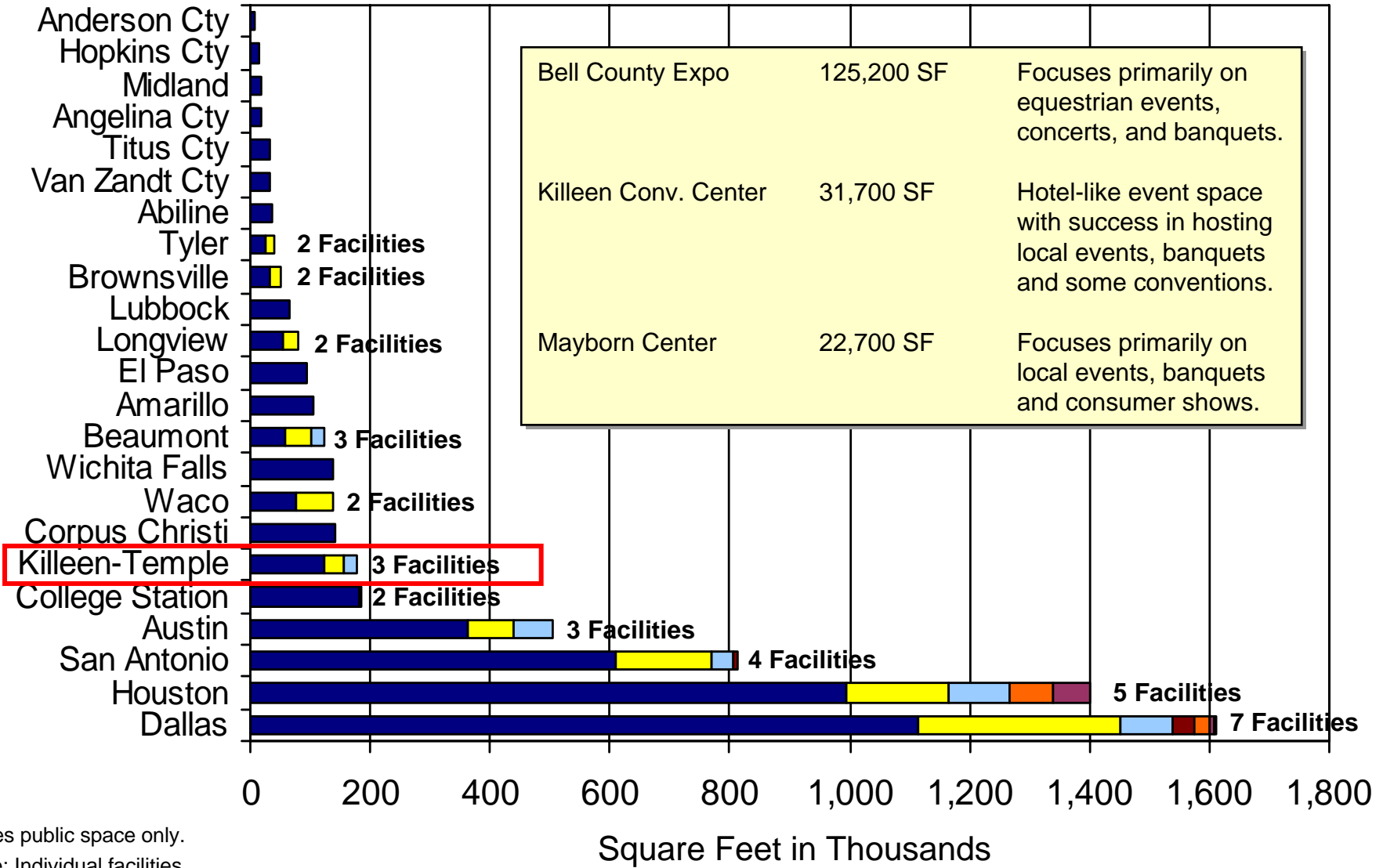
| | Rooms |
|--------------------------|--------------|
| Hilton Garden Inn | 133 |
| Travelodge | 110 |
| LaQuinta Inn | 106 |
| Residence Inn | 103 |
| Holiday Inn* | 99 |
| Super 8 | 96 |
| Motel 6 | 95 |
| Holiday Inn Express | 85 |
| Great Western Inn | 75 |
| Fairfield Inn | 62 |
| Hampton Inn | 62 |
| Continental Motor Inn | 62 |
| Best Western | 60 |
| Econo Lodge | 60 |
| Comfort Suites | 58 |
| Days Inn | 58 |
| Red Roof Inn | 54 |
| Budget Inn | 51 |
| Ranch House Inn & Suites | 51 |
| Howard Johnson | 50 |
| 10 Others | 233 |
| | 1,763 |

Temple Market ADR = \$60

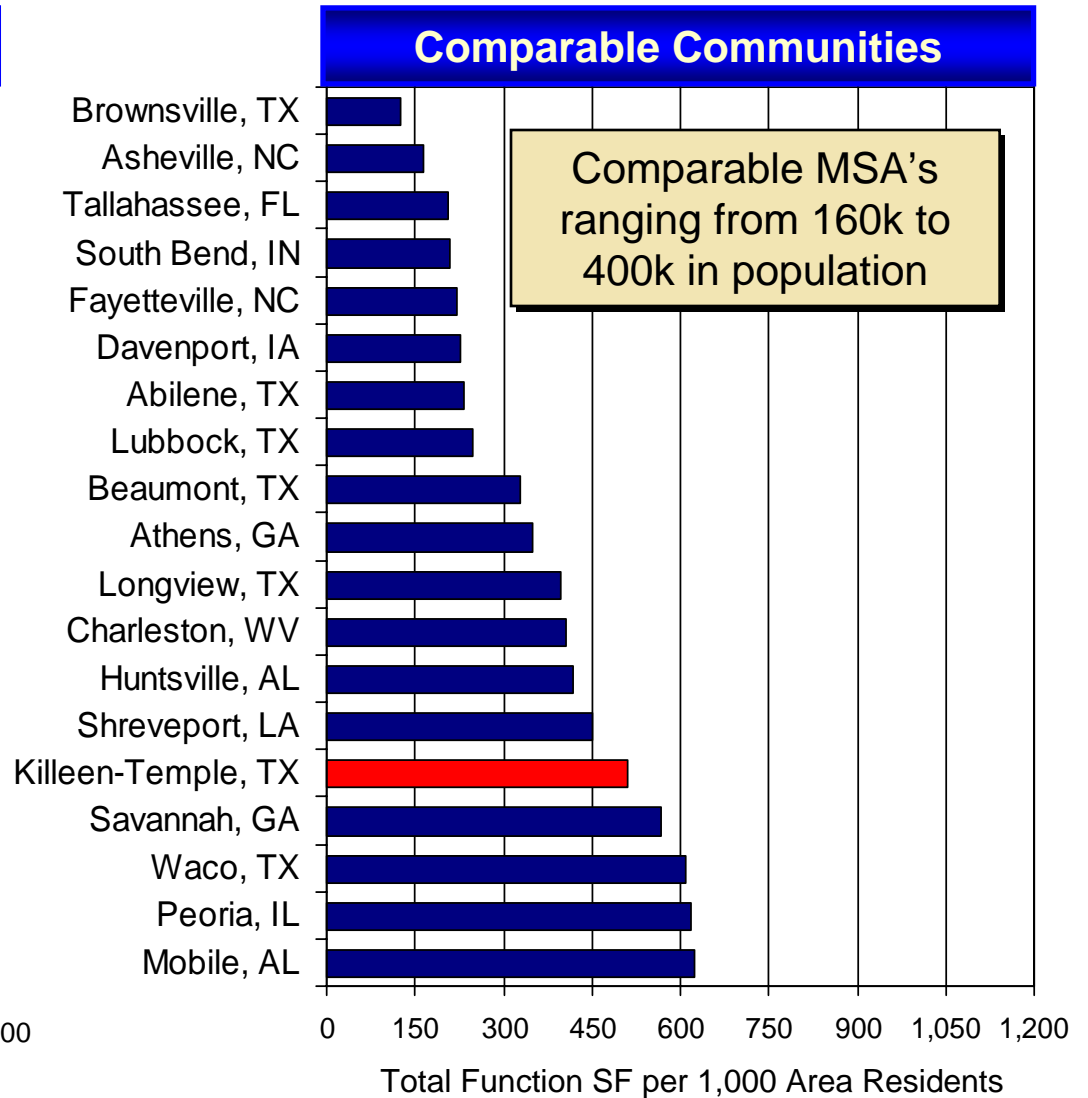
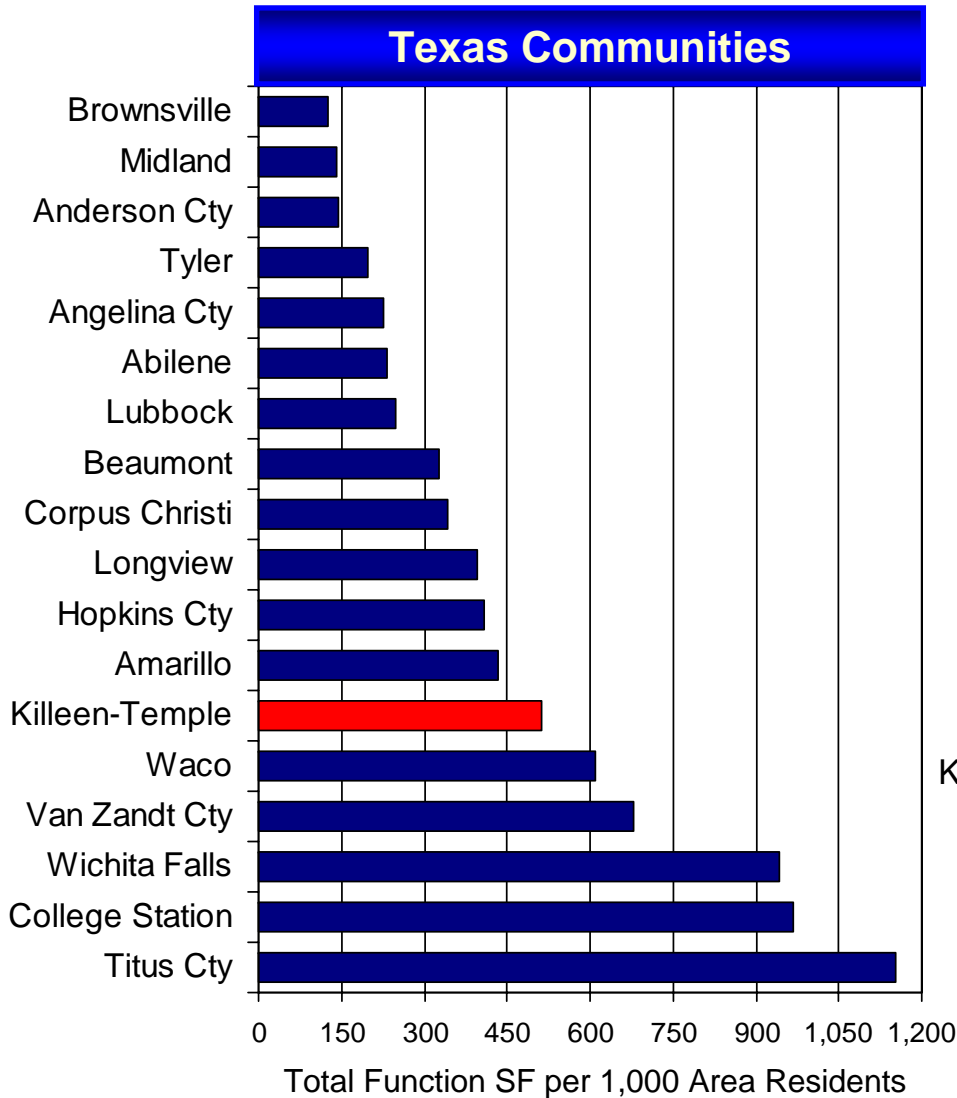
Source: 2006 Meetings & Conventions Meetings Market Report

*Open late this year/early next year.

The Temple Area is the 6th Largest in Meeting Facilities in the State



Benchmarks Indicate the Temple Area Offers Sufficient Square Feet Per Capita

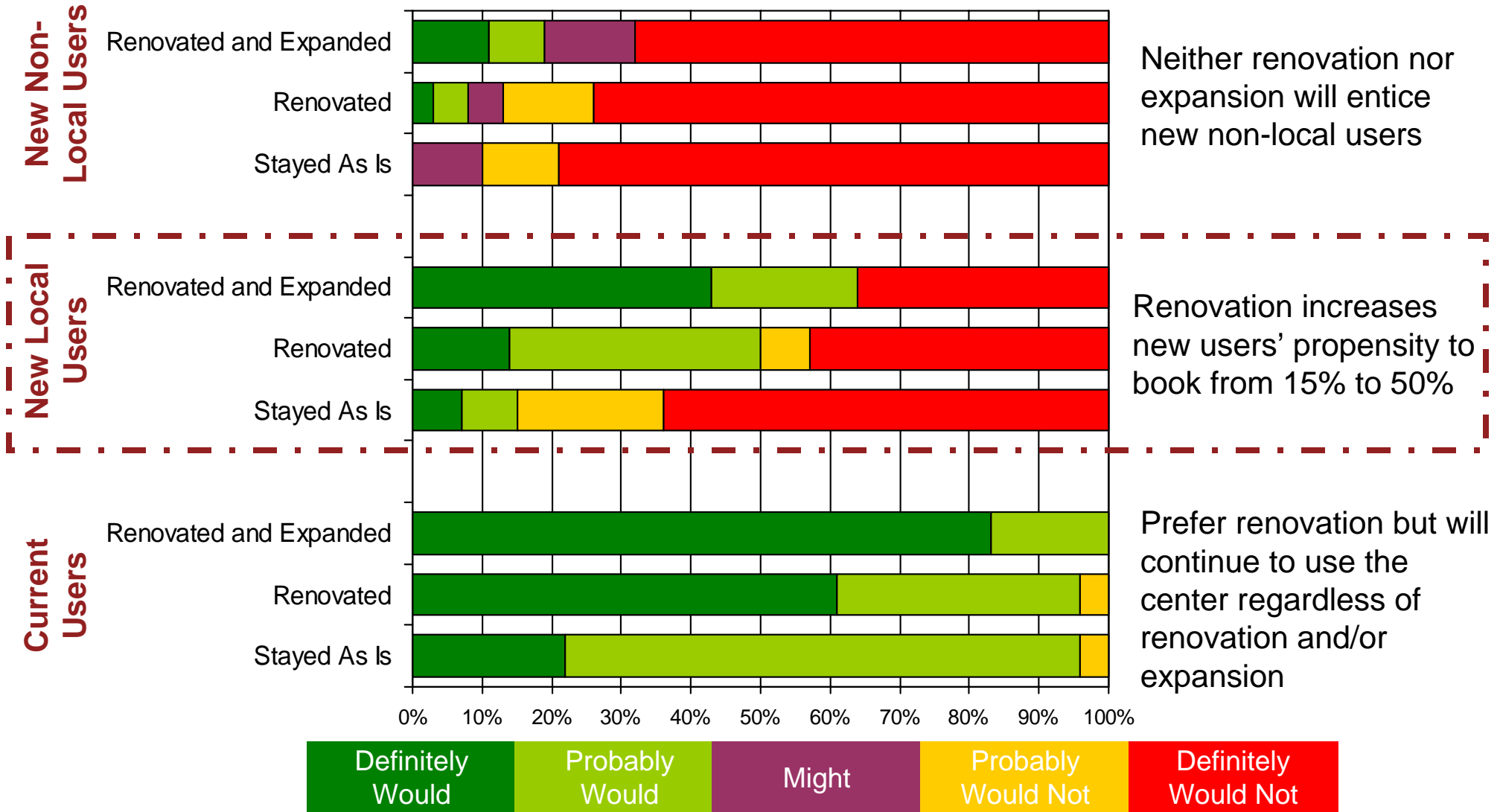


Includes public space only.
Source – Individual facilities.

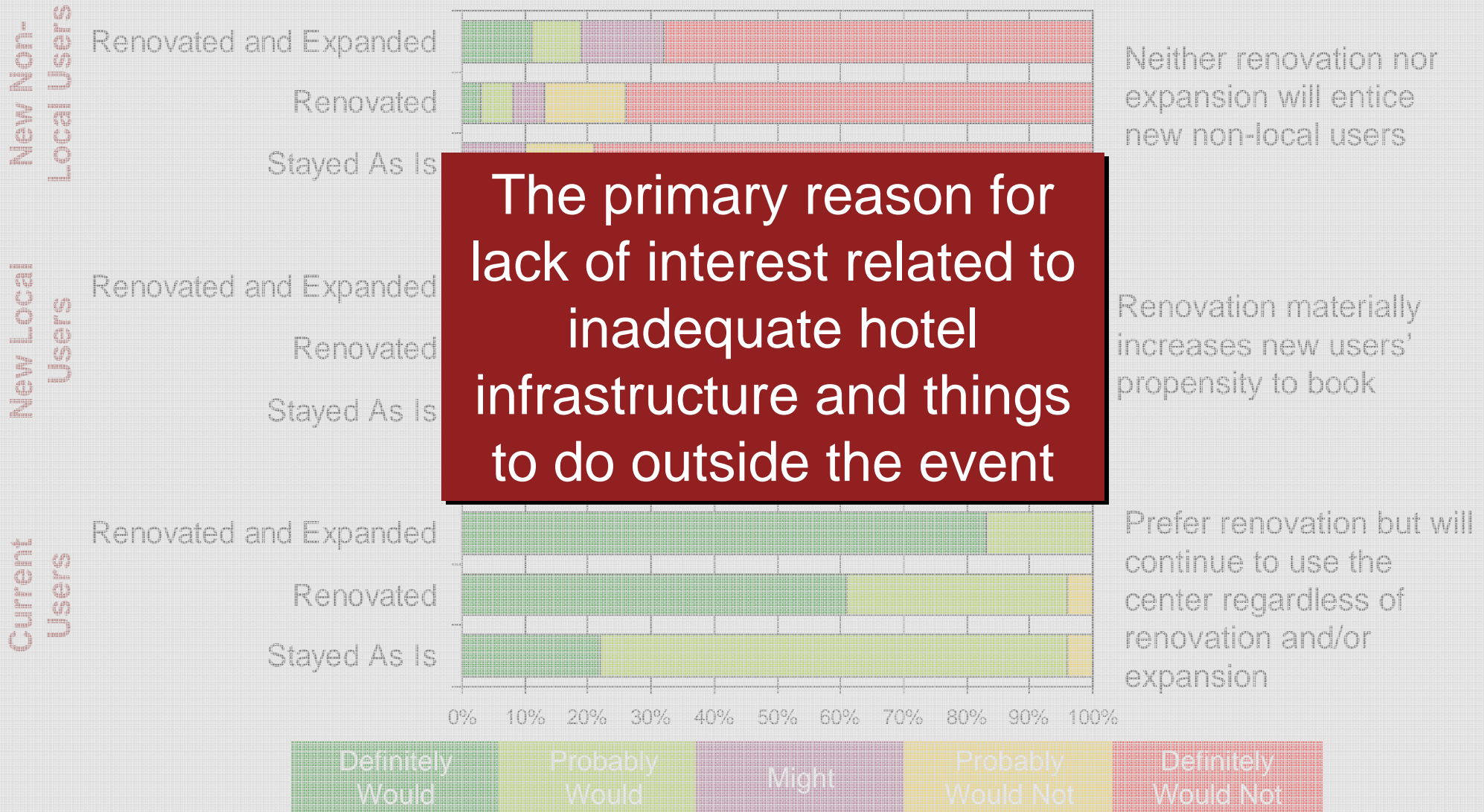
State Associations, Local Corporations and Current Users were Surveyed to Determine their Propensity to Utilize the Mayborn Center

| | | |
|-------------------------------------|---|--|
| Alturas's Taste of the Holidays | Scott & White Spring Party | TX Grain and Feed Association |
| Artco-Bell Corporation | Show and Tell Cat Club | TX Independent Ginners Association |
| Association for Pet Adoption Center | Sons of Confederate Soldiers | TX Irrigation Council |
| Best-Rite Manufacturing | SPJST | TX Licensed Child Care Association |
| Caring Ball | Temple Area Homebuilders | TX Marble Collectors |
| Central Texas 4C Inc. | Temple Bible Church | TX Pharmacy Association |
| Centra-Mod, Inc. | Temple Chamber Award Banquet | TX Physical Therapy Association |
| CTOS/Wildflower Guild | Temple Chamber Business Showcase | TX Police Chiefs Association |
| Day for Women | Temple Chamber Military Luncheon | TX Poultry Federation |
| Edward Jones | Temple College | TX Produce Association |
| Extraco Corporation | Temple Feed & Supply | TX Quarter Horse Association |
| Farmers Mutual Protective | Texas Bird Breeders | TX Rental Association |
| Gulf Coast Paper | Tri-City Gem & Mineral Show | TX Rodeo Cowboy Hall of Fame |
| Holy Trinity Catholic Church | TX Amateur Softball Association | TX Rural Water Association |
| Kings Daughters Clinics | TX Association of Dairymen | TX Seed & Trade Association |
| McLane Advanced Technology | TX Association of Metal Finishers | TX Soil and Water Conservation Districts |
| MTC | TX Association of School Administrators | TX State Technical College |
| NAACP | TX Burglar and Fire Alarm Association | TX Taxidermy Association |
| Optimum Fitness | TX Construction Association | TX Teenage Softball Association |
| Pactiv Corporation | TX Cotton Ginners Association | TX Travel Industry Association |
| Professional Bowling Association | TX Department of Agriculture | TXU Electric |
| Roman Catholic Diocese of Austin | TX Department of Transportation | United Pentecostal Church International |
| Run for the Wall | TX Farmers Union | US Police Canine Association |
| Scott & White Blood Center | TX Feed & Fertilizer Control Service | Wood Turners |
| Scott & White Health Plan | TX Field and Archery Association | Youth Spectacular |

New Local Users Provide the Best Opportunity to Increase Facility Utilization



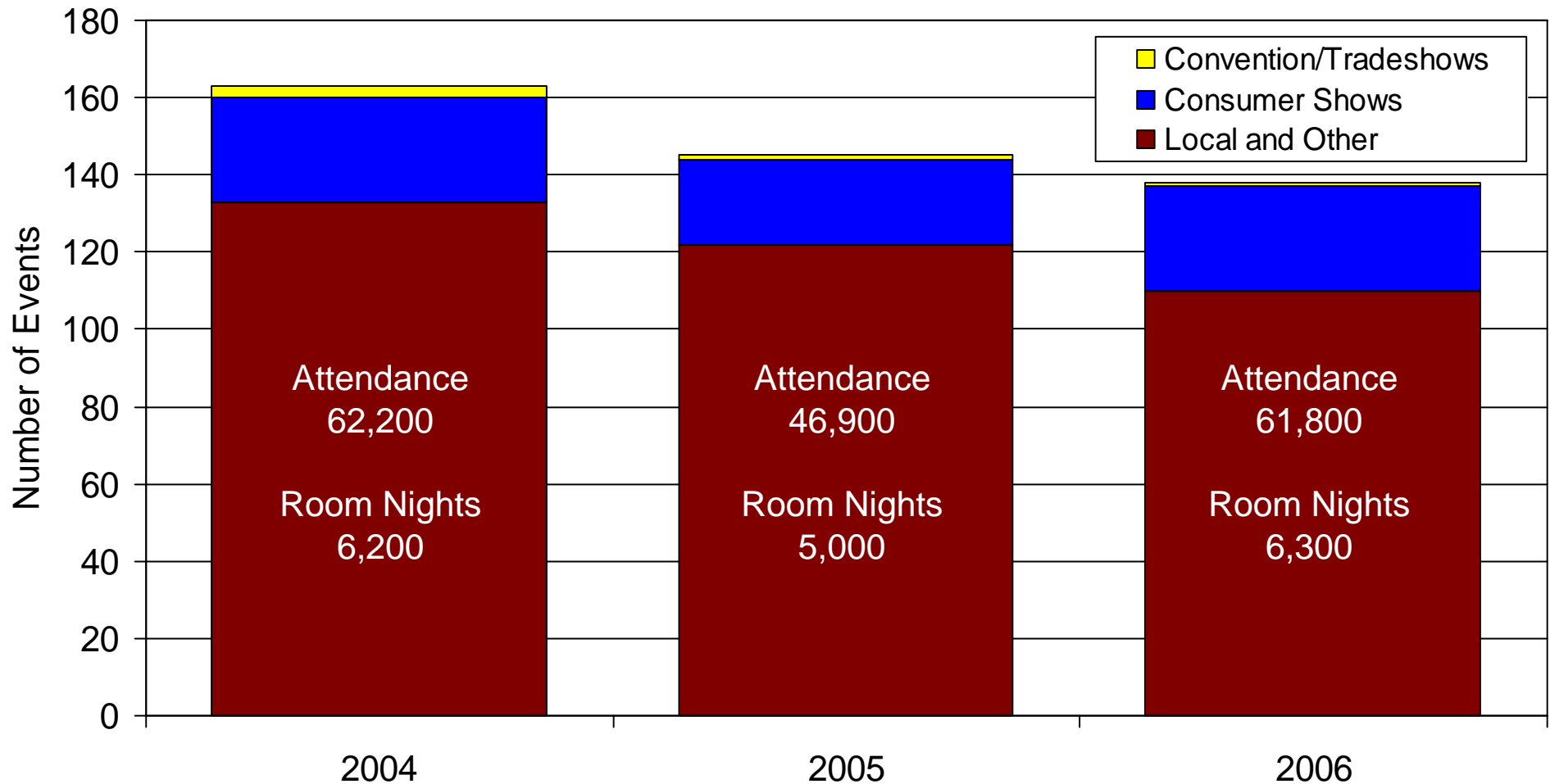
New Local Users Provide the Best Opportunity to Increase Facility Utilization



Historical Utilization



Mayborn Center Events Have Been Declining, Attendance and Room Nights Flat

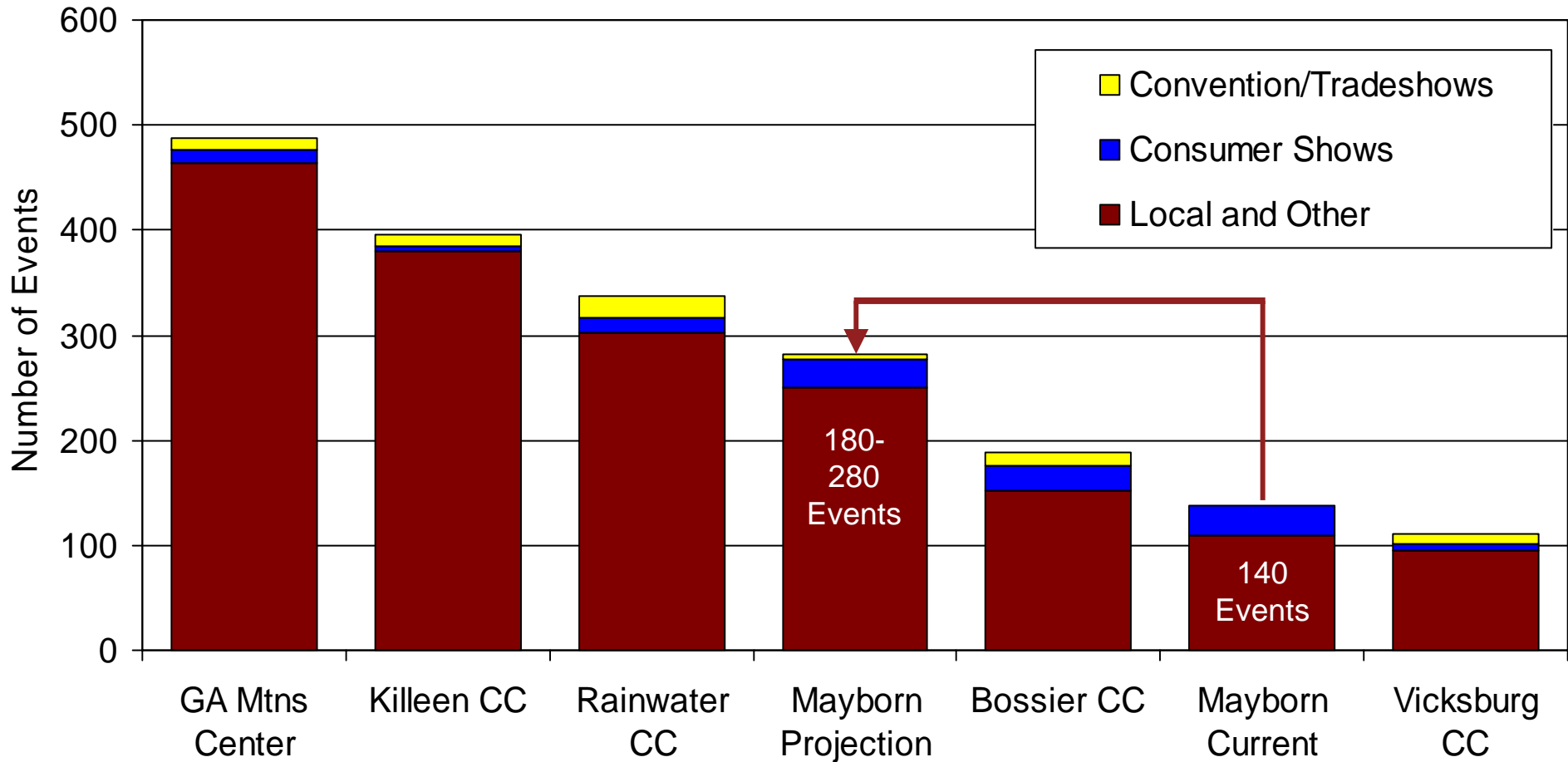


Source: Mayborn Center.

Incremental Utilization



Renovation Could Potentially Double the Number of Events and Attendance



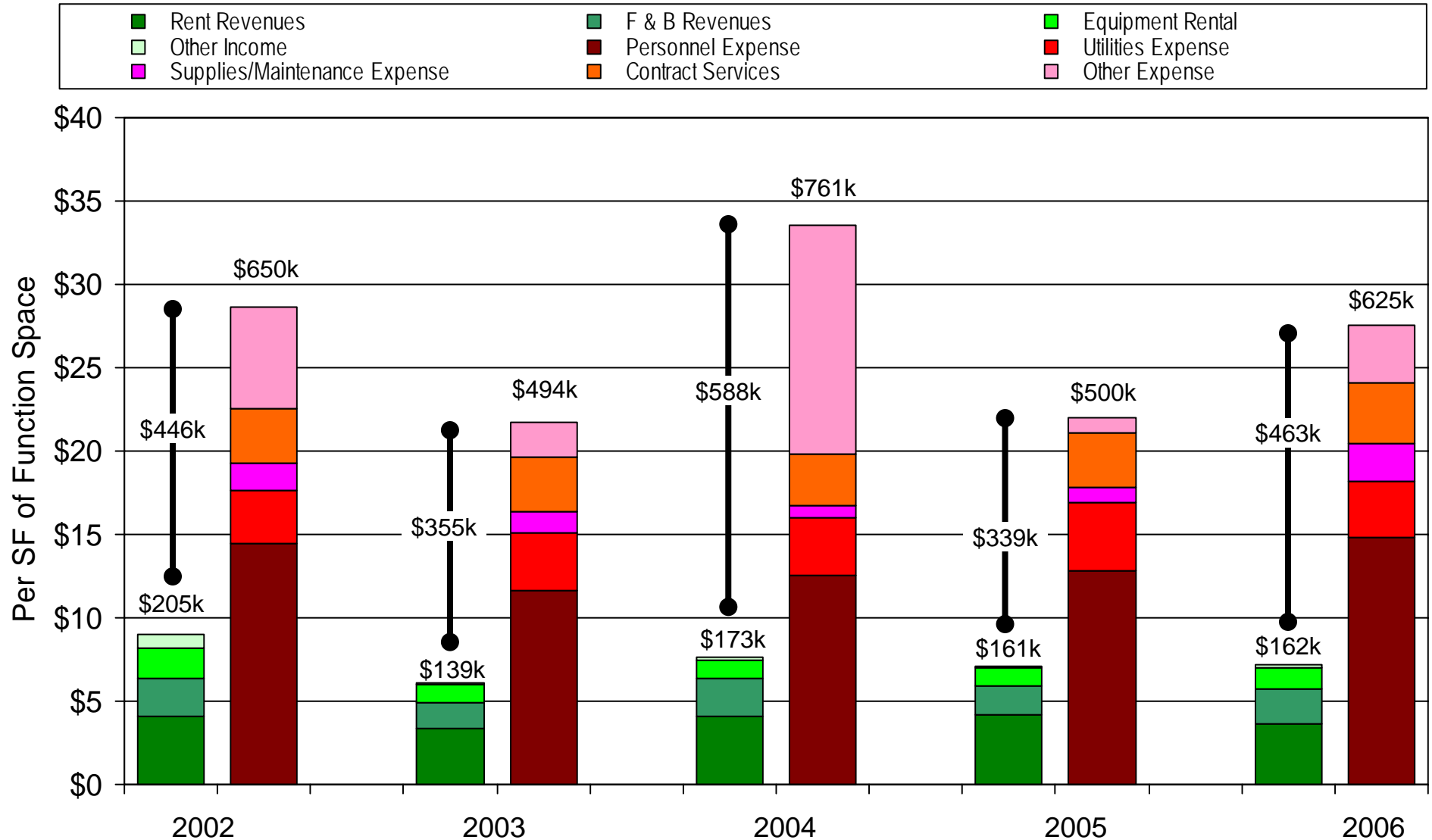
| | | | | | | | |
|-------------|--------|--------|--------|---------|--------|--------|--------|
| Function SF | 26,400 | 31,700 | 16,100 | 22,700 | 42,700 | 22,700 | 25,500 |
| Attendance | 269k | n/a | 43k | 90-120k | 102k | 62k | 57k |
| Population | 173k | 351k | 126k | 351k | 387k | 351k | 55k |

Source: Individual facilities.

Historical Operating Revenues and Expenses



Over the Past 5 Years, Mayborn Center's Operating Support Has Averaged \$438,000



Source: Mayborn Center.

Example Mayborn Center Capital Expenditures

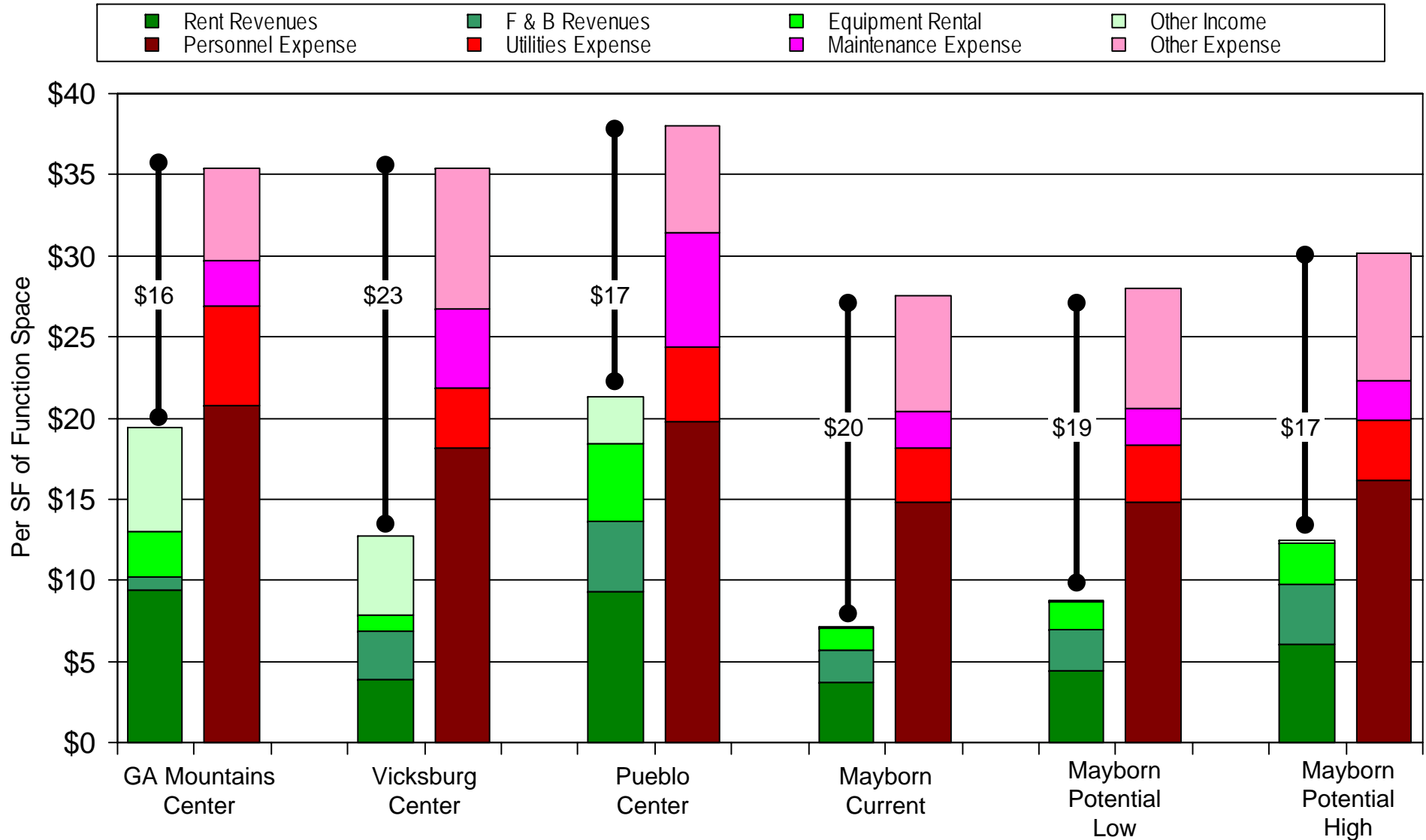


| | <i>Fiscal Year</i> | <i>Amount</i> |
|---------------------------------|--------------------|-----------------|
| Roof Replacement | 2001 | \$144,900 |
| Carpet & Paint | 2001 | 62,000 |
| Curtains & Blinds in South Room | 2002 | 8,300 |
| Paint Partition Walls | 2002 | 8,800 |
| Restrooms | 2003 | 41,000 |
| HVAC | 2004 | 172,000 |
| Landscaping | 2004 | 36,000 |
| Main Hall Audio/Video | 2006 | 28,000 |
| Tile Floor in Breezeway | 2006 | 5,000 |
| Divider Walls - Main Hall | 2007 | 124,000 |
| <i>Average</i> | | <i>\$90,000</i> |

Operating Support



A Renovated Facility Could Lower the Operating Subsidy from \$30,000± to \$60,000±



Source: Individual facilities.

A Renovated Facility Could Lower the Operating Subsidy from \$30,000± to \$60,000±

| Budget | Current | Potential Low | Potential High |
|----------------------|--------------------|--------------------|--------------------|
| Revenues | | | |
| Rent | \$83,000 | \$100,000 | \$137,000 |
| F & B | 47,000 | 58,000 | 85,000 |
| Equipment Rental | 29,000 | 38,000 | 57,000 |
| Other | 3,000 | 4,000 | 5,000 |
| Total Revenues | <u>162,000</u> | <u>200,000</u> | <u>284,000</u> |
| Expenses | | | |
| Personnel | 337,000 | 337,000 | 367,000 |
| Utilities | 76,000 | 79,000 | 84,000 |
| Supplies/Maint. | 51,000 | 53,000 | 56,000 |
| Contract Services | 83,000 | 86,000 | 92,000 |
| Other* | 78,000 | 80,000 | 86,000 |
| Total Expenses | <u>625,000</u> | <u>635,000</u> | <u>685,000</u> |
| Profit (Loss) | <u>(\$463,000)</u> | <u>(\$435,000)</u> | <u>(\$401,000)</u> |

*Includes Capital Outlay.

Renovation Benchmark – Plano Centre



Building-Wide Systems

- New lighting controls
- New AV system
- WiFi and wired voice/data in event space
- Upgrade security and add CCTV
- Electrical rewiring
- New interior signage

Public Circulation

- Re-carpet
- New ceiling
- Upgrade wall finishes
- Re-paint existing walls
- New lighting
- Additional power outlets in lobby

Existing Kitchen

- New kitchen equipment

New Kitchen

- New kitchen construction
- New kitchen equipment

Main Hall

- Add operable walls to create new divisions
- Refurbish operable walls
- New entrance doors to new divisions
- New dimmable lighting
- Upgrade wall finishes
- Re-paint existing walls
- Carpet floor
- Add finished ceiling
- Add 400-amp/208-volt service

Meeting Rooms

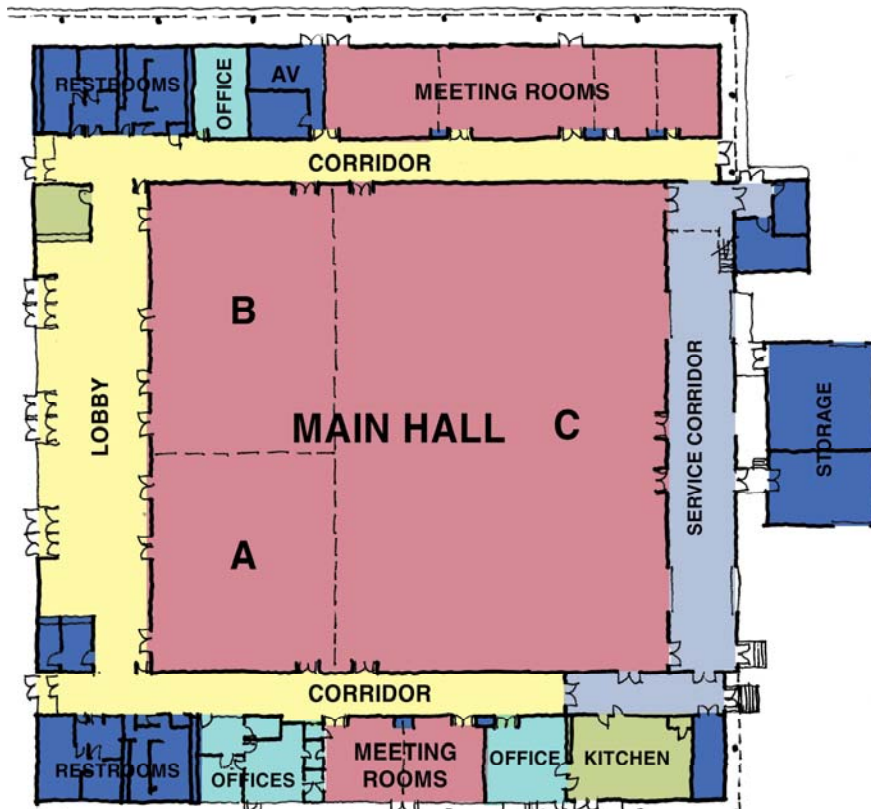
- Re-carpet
- Refurbish operable walls
- Upgrade wall finishes
- Re-paint existing walls
- New ceilings
- New lighting

Miscellaneous

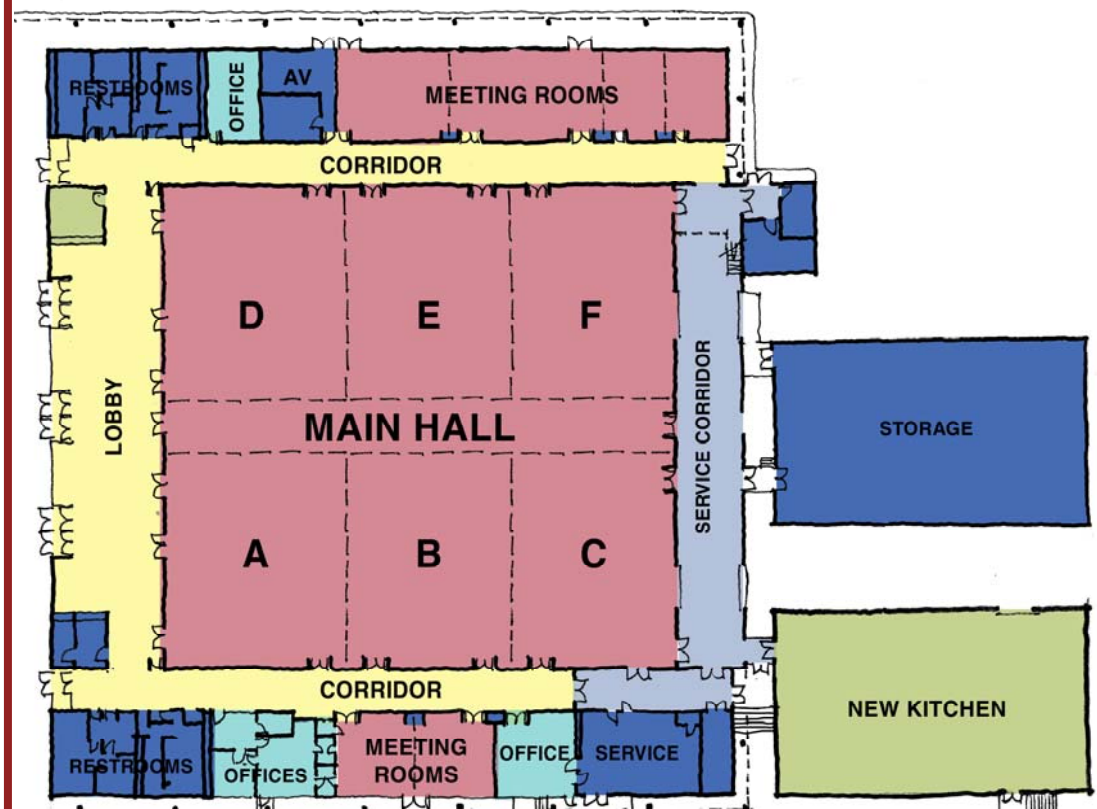
- Upgrade public restrooms
- Upgrade concession areas
- New storage building

Source: Thompson, Ventulett, Stainback & Associates.

Existing Facility



Renovated/Expanded Facility



Renovation Cost Estimate



| | <i>Minimum Scenario</i> | <i>Complete Scenario</i> |
|-------------------------------|-----------------------------|------------------------------|
| Hard Costs | | |
| Building-Wide Systems | \$363,000 | \$527,000 |
| Public Circulation | 80,000 | 196,000 |
| Existing Kitchen | 159,000 | 0 |
| New Kitchen | 0 | 1,032,000 |
| Main Hall | 296,000 | 1,150,000 |
| Meeting Rooms | 47,000 | 138,000 |
| Restrooms/Concessions/Storage | 242,000 | 587,000 |
| Subtotal | <u>1,187,000</u> | <u>3,630,000</u> |
| Soft Costs (10%) | 119,000 | 363,000 |
| Contingency (10%) | 119,000 | 363,000 |
| Escalation (10%) | 119,000 | 363,000 |
| Total Cost | <u>\$1,544,000</u> | <u>\$4,719,000</u> |

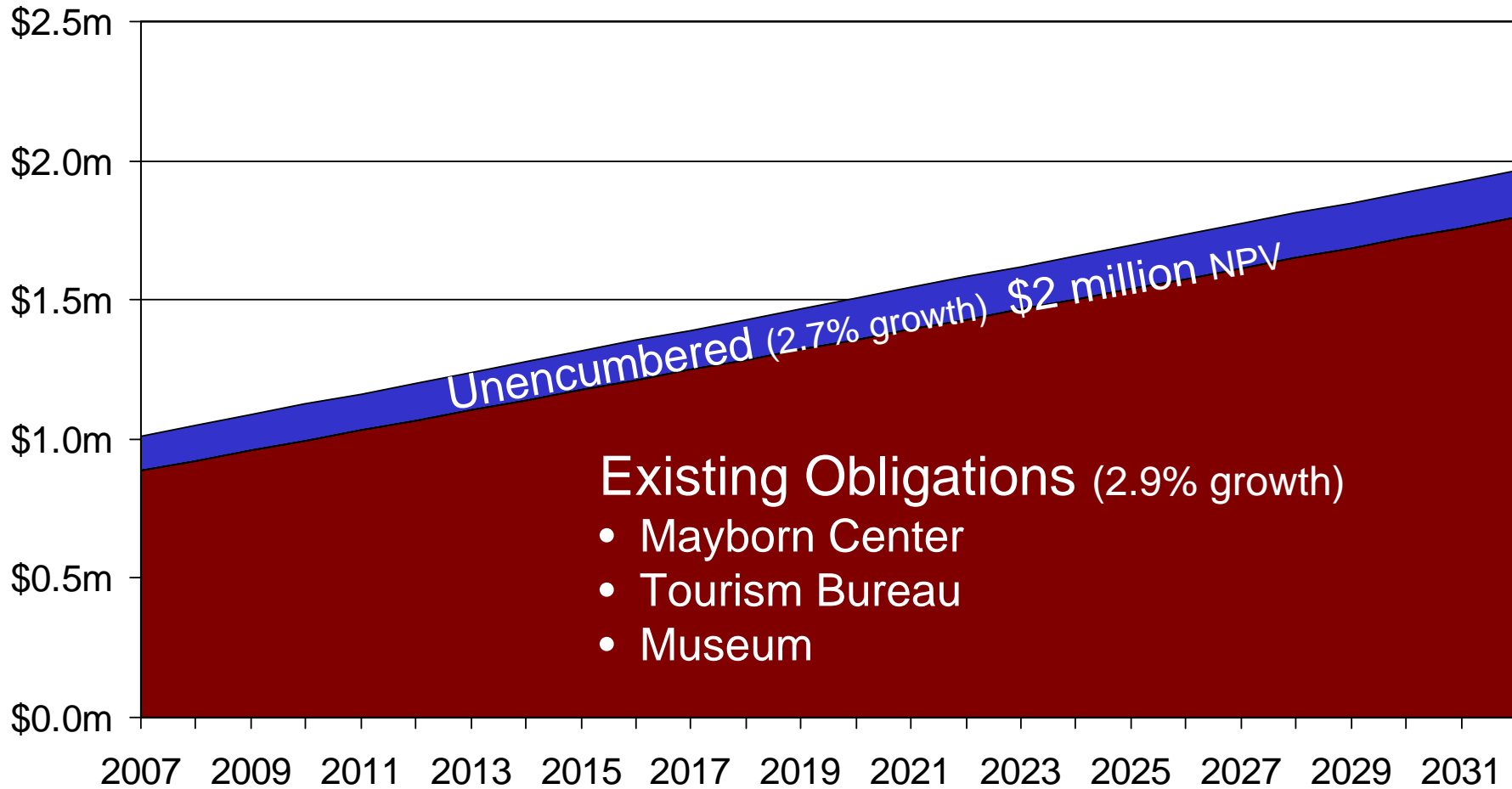
Source: Thompson, Ventulett, Stainback & Associates.

Common Convention Center Funding Sources



| | |
|--------------------------------|--|
| Food & Beverage Tax | <ul style="list-style-type: none">• Utilized in several cities• Not enabled in State |
| Liquor by the Drink Tax | <ul style="list-style-type: none">• Enabled by State• City's portion allocated to General Fund |
| Car Rental Tax | <ul style="list-style-type: none">• Enabled in State• State receives all funds |
| Local Sales Tax | <ul style="list-style-type: none">• Rate at maximum• Funds allocated to General Fund |
| Hotel Tax | <ul style="list-style-type: none">• Currently utilized for Mayborn Center, Tourism Bureau and Museum funding• Excess/growth in revenues could be used |
| Property Tax | <ul style="list-style-type: none">• Would require increase in tax rate |

Unencumbered Hotel Tax Revenues Total \$2m (NPV)



Does not incorporate any potential Mayborn Center operating support reduction.

Minimum Renovation Scenario **\$1.5m**

- Unencumbered Hotel Tax 1.5m
- or -
- 0.46 Property Tax 1.5m

Complete Renovation Scenario **\$4.7m**

- 1.39 Property Tax 4.7m
 - or -
 - 0.88 Property Tax 2.7m
 - Unencumbered Hotel Tax 2.0m
-
- \$4.7m**

- The Temple Area offers **sufficient square feet** of meeting space
- The Mayborn Center is in **need of renovation**
- Current users **desire renovation**; however are not leaving
- Renovation increases new local users' propensity to book from **15% to 50%**
- Renovation could potentially **double** the number of events and **decrease** operating support
- Renovation costs range from **\$1.5m to \$4.7m**
- Unencumbered **hotel taxes** could fund minimum scenario
- Unencumbered **hotel taxes** and **0.88 property tax** required to fund complete renovation scenario

Appendix I

Thompson, Ventulett, Stainback & Associates

Assessment of Existing Facility and

Renovation Recommendations



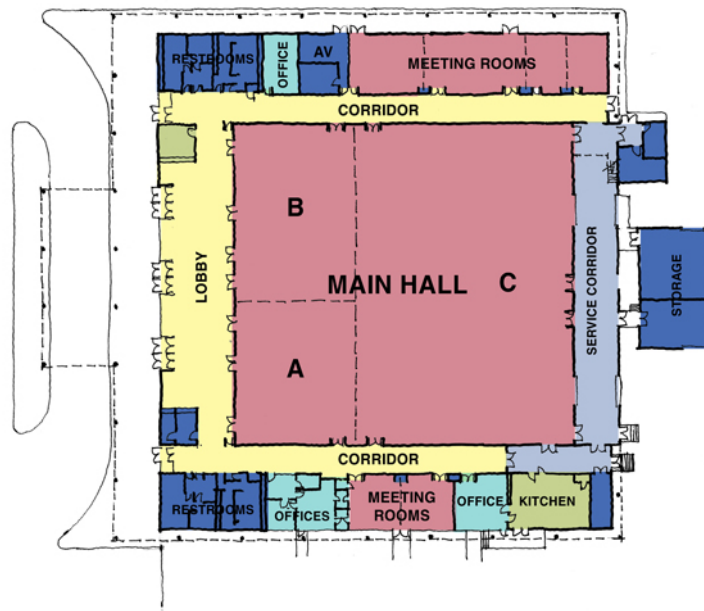
ASSESSMENT OF EXISTING FACILITY AND RENOVATION RECOMMENDATIONS

History

The Frank W. Mayborn Civic Center was built in the early 1980's to provide a facility to serve a wide variety of events for the Temple, Texas community and the surrounding area. The facility contains approximately 41,000 gross square feet of enclosed area, including two small later additions, and provides 18,500 square feet of multipurpose space in its Main Hall along with approximately 3,700 square feet of meeting space in its current configuration. The current meeting room configuration has been reduced from the original design to accommodate additional office space needs over the years, taking approximately 1,200 square feet of space originally designed as meeting space out of service.

Dressing rooms and a metal building used for storage have been added to the rear of the facility to provide for additional function area for these services. Wood platforms have also been added at both the north and south ends above the service corridor area behind the Main Hall to provide for additional storage. Space originally designated as a cloakroom adjacent to the main lobby has been converted to box office and space for voice/data and audiovisual equipment.

Recent upgrades to the facility have included new ballasts for all light fixtures and new HVAC equipment within the last two to three years. Limited internet service has been installed, primarily for the facility's own offices.



Condition

After meetings with facility and City staff, facility users, and our own comparisons with competitive facilities, there are a number of areas in which the facility could be improved. These include systems and other upgrades to bring functionality up to current market expectations.

Systems

Recent upgrades to the facility's HVAC system have resulted in that system being in excellent condition. No issues were raised by staff or by facility users relative to this system.

Lighting in the Main Hall was mentioned in several sessions, both by staff and users. The main comments focused on the ability to control the lighting in the Main Hall to create the proper mood for various events. According to facility staff, the lighting control system in the Main Hall was put together by a previous employee of the facility and is considered non-functional by current staff. No dimmable lighting is provided in the Main Hall nor is a dimming control system, creating difficulty for banquet-style or wedding events, which represent a high percentage of the facility's event mix, to create the proper environment for an elegant event. The only lighting system in the space is high-bay metal halide fixture, suitable for exhibit use and some other special events, but not dimmable.

New ballasts were recently installed on light fixtures throughout the facility. Existing fixtures in all areas appear to be in reasonable condition; however the existing lighting contributes to a general ambiance that is dated and of less quality than competitive facilities such as Plano and Waxahachie particularly in meeting rooms and concourse / lobby spaces.



Facility staff reported a need for a general re-wiring of the facility to respond to ongoing maintenance and operational issues.

In the Lobby space, additional power should be provided to allow for event registration and other uses. Compared to competitive facilities, this area is under-served for power for these functions. This power should consist of two 30-amp, 208-volt outlets located at each end of the lobby.

Staff and users commented on the lack of WiFi coverage and wired data service in the Main Hall and meeting rooms. This service has come to be expected in the industry, and the lack of full service in this area is viewed in the marketplace as a significant negative.

Audiovisual systems were mentioned by several users as a consistent weakness of the facility. Both flexibility and quality were viewed as issues. Related to these comments, many users commented on the poor acoustics of the Main Hall. This was attributed to the lack of sound absorptive surfaces and finishes in the space.

Staff commented on and we observed a need for improved wayfinding and room identification signs throughout the facility.

Kitchen

Both staff and users express strongly the existing kitchen is inadequate. Based on industry standards and competitive facilities, the kitchen is approximately 20% of the size required to provide high quality food service to the Main Hall space. At a minimum, users and staff agreed that new kitchen equipment should be installed in the existing space.

Main Hall

In addition to the issues identified in the Systems discussion above, there are several other areas in which the Main Hall is below market standards. While a few events prefer the exhibit hall-like environment, for the event mix currently attracted and desired by the facility, the majority would prefer a more highly finished space. Hotel quality finishes, which include carpet, articulated walls with wood or other upgraded finishes, and a finished ceiling are expected in a space like the Main Hall, and are provided in competitive facilities in the area, and similar facilities around the country.

According to facility staff, and compared with competitive facilities, an additional 400-amp, 208-volt service would be desirable in the Main Hall to accommodate event related theatrical lighting and audiovisual equipment. This should be located in the service corridor area.

Staff and some users expressed a desire for additional division options in the Main Hall. Presently the space can be divided into three rooms: Room A, 2,925 sf; Room B 3,700 sf; and Room C, 11,925 sf. Additional divisions would allow for greater flexibility of booking and permit the space to be "right-sized" for events that do not require the entire hall or the larger subdivisions.

Meeting Rooms

The main issue raised with meeting rooms was inadequate space. The quality of finishes in the meeting rooms was also mentioned frequently. New carpet, upgraded wall finishes, better lighting and the systems upgrades discussed above were all mentioned as needs. Compared with regionally competitive facilities, the Mayborn Center is on the low end of the scale for finishes.

Public Circulation Spaces

As a part of the general ambience of the facility, all parties felt that these spaces were in need of general upgrade. Lighting and other systems items have been mentioned earlier. A general finish upgrade was also viewed as important.

Miscellaneous Spaces

Two other spaces were observed as needing attention. The public restrooms would benefit from a finish upgrade at a minimum. In addition, upgrades and reconfiguration to meet Americans with Disabilities Act (ADA) standards may be needed. For example, it does not appear that the required five foot turning circle cannot be accommodated in the current condition. The extent to which reconfiguration is feasible will require

further analysis and discussion with local authorities to determine the degree to which ADA compliance is feasible.

The concession area in the Lobby will need to be upgraded to be consistent with the upgrades performed on the adjacent Lobby space.

Recommendations

As with many facilities of the age of the Mayborn Center, many of the items noted in the condition of the facility are the result of long-deferred maintenance as well as recent technological developments. In addition, changing market expectations have left the facility looking dated and less attractive than newer competing facilities. The following is a summary of our recommendations for upgrades to address the issue raised in the facility assessment. This includes a brief description of the individual recommendations as well as a summary of estimated budget for each item. These have been organized by space, and two scenarios have been outlined, giving the full range of costs related to the items. Obviously a variety of combinations in between can be developed by mixing the line items differently.

Design fees for the items are not included in the costs given. Fees could range from 10 to 15 percent of the cost, depending on the item. This higher percentage is driven by the low cost of some individual items. All the costs given are estimates for budgeting purposes based on similar projects. Unit costs include General Contractor Overhead and Profit. We recommend that for each project undertaken that a Construction Contingency of 10 percent, to respond to unanticipated conditions in the field, and an overall Project Contingency of 10 percent be included in the budgets for whatever combination of items is undertaken. This factor is higher than usually recommended for new construction due to the greater risk of unexpected conditions in renovation work. The recent unusual volatility in the construction market, while moderating to some extent, is still a significant unknown. Costs will require review when the work is undertaken, and may be higher than stated here.

Systems

A new, whole building lighting control system should be installed allowing central control of the lighting system via PC. Modern systems allow for features such as preprogrammed scenes, scheduling of lighting scenes to relate to the event schedule, control of various divisible room configurations, and a variety of other maintenance related features depending on the price of the system. The cost identified in the table that follows assumes a good quality, basic system.

Both wired and wireless internet service needs to be provided in all meeting room divisions and in the Main Hall. Density of service for wired connections should be six Category 6 or higher standard 4-pair cable terminated in RJ-45 outlets in each meeting room division and for each 900 square feet in the Main Hall. Wireless service should provide at least 801.11g service (54Mb rated connection speed) and should have hot-spots to cover the entire facility. In the Lobby, provide six Category 6 or higher standard 4-pair cable terminated in RJ-45 outlets paired with each of the 30-amp power outlets described above. The cost includes equipment and wiring.

A new house audiovisual system should be provided for all the meeting spaces and the Main Hall with a single PC-based control system. In addition, zones should be included for the public circulation spaces to allow for background music as well as event programming to be routed to these areas. The audio section of the system should provide for high-quality voice and music reproduction. Video capability should include a Distributed Television (DTV) system, which will permit the routing of video programming from cable or satellite television sources to any room in the facility. Remote video conference capability would be provided by rented equipment via the data network. System components would include the control PC, head end equipment such as amplifiers, digital signal processors, media players (DVD, CD, etc.), speakers, and room control panels.

For meeting rooms, the new system should provide two microphone inputs (XLR) and two tie lines (XLR) in each meeting room division. In the Main Hall, similar capability should be provided for each division of the space.

New signage should be provided for the interior of the facility. The budget figure given will include finds for a static building identification sign, but will not accommodate electronic signage.

Kitchen

Two options are presented here. Option 1 is construction of a new kitchen at the southeastern corner of the facility as shown on the diagram that follows. Based on industry standards, we recommend 4,300 sf new space with associated new kitchen equipment. This size is calculated based on 80% of the total meal seating capacity of the facility using an anticipated, industry standard typical seating density. For this facility, the kitchen is sized to serve 1,100 meals, at approximately 4 square feet per meal. Under this scenario, we recommend converting the existing kitchen to storage or other service use. The two budget figures shown are for the shell and fit-up of the new kitchen space and the equipment and hook-ups. Shell and fit-up figures assume a metal panel exterior, membrane roof, slab-on-grade construction, tile floor, epoxy painted walls, and a lay-in ceiling system suitable for kitchen use with appropriate lighting fixtures.

Option 2 would be to refurbish the existing kitchen and purchase and install all new equipment

Main Hall

The addition of new Main Hall dimmable lighting assumes the addition of an incandescent system in addition to the existing high-bay metal halide system, which would remain.

In order to maximize the flexibility of the Main Hall, we recommend providing additional operable walls as shown on the diagram below to create additional divisions. The price given includes new partition panels, track, bulkheads, and support steel. This scenario will require cutting new door openings in the Main Hall walls to provide access to the new divisions. At a minimum, the existing operable walls should be refurbished and refinished.

The cost included in the table would provide for upgraded finishes comparable to the spaces shown below, including some new furred gypsum board walls, carpet and painting. A cost for only repainting the existing space is also given as an option. A budget estimate for a finished ceiling is also included.



Meeting Rooms

Individual budget costs are given for carpet, upgraded finishes similar to the Main Hall, and refurbishing the existing operable walls. New lighting cost assumes new fixtures using existing wiring or new wiring provided by the general building re-wiring. The new ceiling figure assumes replacement of the existing lay-in system with new grid and tiles. A line item for repainting without the full set of upgrades is also included as an option.

Public Circulation

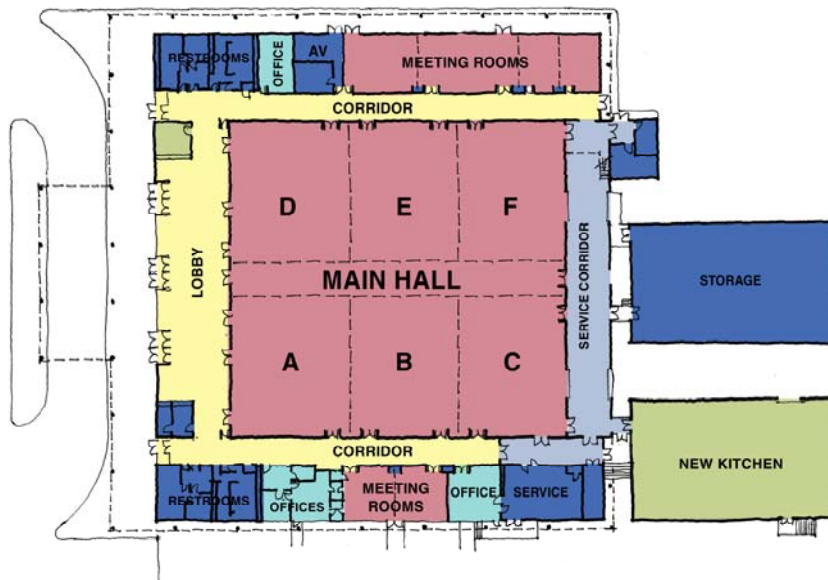
The finish upgrades in this section are similar to those included with the Meeting Rooms.

Miscellaneous

Two scenarios have been included for renovating the public restrooms. Relative to the requirements of the 1997 Standard Plumbing Code that is currently in force in Temple, TX, the facility is short a net total of five toilet fixtures. Specifically, the number of fixtures provided for men is eleven greater than required, while the number of fixtures provided for women is fifteen short of the code requirement. In addition, the restroom reconfiguration would provide for full ADA compliance. The Maximum Scenario assumes that the restrooms are entirely reconfigured to resolve the imbalance in the arrangement and shortfall of fixture count. The existing spaces appear to provide adequate area for this reconfiguration. In the Minimum Scenario, the finishes would be upgraded and the partitions rearranged to allow for an ADA compliant stall in each restroom at the expense of one water closet in each. This presumes approval of a reduction in fixture count by local building officials. These costs include general finish upgrades, new lighting, and new fixtures and toilet partitions in the restrooms.

For the concession area, the costs included assume general finish upgrades, new lighting, and new fixtures.

In order to provide adequate storage for Furniture, Fixtures & Equipment (FF&E) inventory, a new, 4,500 square foot storage building is included in the maximum scenario. The budget cost includes replacement of the existing structure with a similar pre-engineered metal building with the addition of an HVAC system to provide temperature and humidity control to protect the stored FF&E items.



| | | | | | |
|--|------------------|----------|-----------|--------------------|--------------------|
| New Lighting Controls | 41,000 sf | \$1.50 | \$61,500 | \$61,500 | \$61,500 |
| New AV System | 41,000 sf | \$1.50 | \$61,500 | \$61,500 | \$61,500 |
| WiFi and Wired Voice/Data in Main Hall and Meeting Rooms | 22,200 sf | \$2.50 | \$55,500 | \$55,500 | \$55,500 |
| Upgrade Security and Add CCTV | 41,000 sf | \$3.00 | \$123,000 | \$123,000 | \$123,000 |
| Electrical Rewiring | 41,000 sf | \$4.00 | \$164,000 | | \$164,000 |
| New Interior Signage | 41,000 sf | \$1.50 | \$61,500 | \$61,500 | \$61,500 |
| NEW KITCHEN | | | | | |
| New Kitchen Construction/Fit-up | 4,300 sf | \$105.00 | \$451,500 | | \$451,500 |
| New Kitchen Equipment | 4,300 sf | \$135.00 | \$580,500 | | \$580,500 |
| EXISTING KITCHEN | | | | | |
| Refurbish Kitchen Space | 860 sf | \$50.00 | \$43,000 | \$43,000 | |
| New Kitchen Equipment | 860 sf | \$135.00 | \$116,100 | \$116,100 | |
| MAIN HALL | | | | | |
| Add Operable Walls to Create New | 7,600 sf of wall | \$85.00 | \$646,000 | | \$646,000 |
| Refurbish Operable Walls | 3,800 sf of wall | \$35.00 | \$133,000 | \$133,000 | |
| New Entrance Doors to New Main Hall Divisions | 12,000 sf | \$5.00 | \$60,000 | | \$60,000 |
| New Dimmable Lighting | 18,500 sf | \$2.50 | \$46,250 | \$46,250 | \$46,250 |
| Upgrade Wall Finishes | 18,500 sf | \$8.00 | \$148,000 | | \$148,000 |
| Repaint Existing Walls | 18,500 sf | \$1.30 | \$24,050 | \$24,050 | |
| Carpet Floor | 2,056 sy | \$45.00 | \$92,500 | \$92,500 | \$92,500 |
| Add Finished Ceiling | 18,500 sf | \$7.00 | \$129,500 | | \$129,500 |
| Add 400-amp/208-volt service | 18,500 sf | \$1.50 | \$27,750 | | \$27,750 |
| MEETING ROOMS | | | | | |
| Re-Carpet | 411 sy | \$45.00 | \$18,500 | \$18,500 | \$18,500 |
| Refurbish Operable Walls | 1,152 sf of wall | \$35.00 | \$40,320 | | \$40,320 |
| Upgrade Wall Finishes | 3,700 sf | \$8.00 | \$29,600 | | \$29,600 |
| Repaint Existing Walls | 3,700 sf | \$1.30 | \$4,810 | \$4,810 | |
| New Ceilings | 3,700 sf | \$7.00 | \$25,900 | | \$25,900 |
| New Lighting | 3,700 sf | \$6.50 | \$24,050 | \$24,050 | \$24,050 |
| PUBLIC CIRCULATION | | | | | |
| Re-Carpet | 822 sy | \$45.00 | \$37,000 | \$37,000 | \$37,000 |
| New Ceiling | 7,400 sf | \$7.00 | \$51,800 | | \$51,800 |
| Upgrade Wall Finishes | 7,400 sf | \$8.00 | \$59,200 | | \$59,200 |
| Repaint Existing Walls | 7,400 sf | \$1.30 | \$9,620 | \$9,620 | |
| New Lighting | 7,400 sf | \$4.50 | \$33,300 | \$33,300 | \$33,300 |
| Additional Power Outlets in Lobby | 7,400 sf | \$2.00 | \$14,800 | | \$14,800 |
| MISCELLANEOUS | | | | | |
| Upgrade Restroom Finishes | 2,100 sf | \$115.00 | \$241,500 | \$241,500 | |
| Renovate Restrooms for Code Compliance/Finishes | 2,100 sf | \$160.00 | \$336,000 | | \$336,000 |
| Upgrade Concession Area | 225 sf | \$115.00 | \$25,875 | | \$25,875 |
| New Storage Building | 4,500 sf | \$50.00 | \$225,000 | | \$225,000 |
| TOTALS | | | | \$1,186,680 | \$3,630,345 |