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April 14, 2010

Mr. Bruce Zenkel
Valiant Partners LLC
4 New King Street
White Plains, New York 10604

[Via Email to: BZenkel@aol.com](mailto:BZenkel@aol.com)

Dear Mr. Zenkel:

In accordance with our proposal we are pleased to present this letter summarizing our consulting services in connection with the potential development of a conference center ("the Center") to be located in downtown Ann Arbor, Michigan.

As we understand it, you are considering a mixed use development that will include a hotel, condominiums, restaurant and an approximately 30,000-square foot conference center. As requested, we have evaluated the potential for the conference center portion of this project.

The scope of our work included:

- ❖ A review of planning to date for the overall development;
- ❖ A review of similar facilities in comparable markets across the US;
- ❖ A review of trends in the conference centers nationally;
- ❖ An identification of potential users of the facility based upon:
 - Interviews with officials of the local Convention and Visitors Bureau;
 - Interviews with local development agencies;
 - Interviews with University of Michigan representatives;
 - Interviews with operators of local meeting space venues;
 - Interviews with local social event planners; and
 - Interviews with local business interests.

As in all studies of this type, the conclusions reached are based upon our present knowledge of the local area and conference center markets as of the completion of our fieldwork on April 8, 2010. Since our opinions are based on estimates and assumptions that are subject to uncertainty and variation, we do not represent them as results that will actually be achieved.

This letter has been prepared for your use in decision-making with regard to the development of the proposed facility. The letter and its contents, however, may not be quoted in any appraisal, prospectus or other document without our prior written consent.

We would be pleased to hear from you if we can be of further assistance in the interpretation and application of our findings, recommendations and conclusions. We appreciate your selection of PKF Consulting to provide professional services. Thank you again for considering PKF Consulting.

Very truly yours,

A handwritten signature in cursive script that reads "PKF Consulting".

PKF Consulting

Cc: Michael Bailkin
Fritz Seyferth
Thomas Prins

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Identification of Subject Proposed Facility

The proposed conference center's site is located at 319 South Fifth Avenue, within the downtown district of Ann Arbor, Washtenaw County, Michigan. The approximately 1.2-acre site is owned by the City of Ann Arbor and is bordered to the north and east by various improved properties, to the south by the Ann Arbor District Library and to the west by South Fifth Avenue. The site is located approximately two blocks east of the Main Street Business District and three blocks west of the University of Michigan's ("the University") Central Campus and the State Street Business District. The site is approximately 26 miles (30 minutes by car) west of Detroit Metropolitan Airport and 40 miles (40 minutes by car) west of downtown Detroit.

As proposed, the Center is comprised of an approximately 30,000-square foot conference center (of which approximately 22,000 square feet is considered saleable space); a 150 guestroom hotel, 12 condominium units; a fitness center; a 5,000-square foot restaurant; retail space and outdoor open space and landscaping elements. The Center will include a ballroom sufficient in size to accommodate approximately 500 banquet diners (or 1,000 in a plenary session) as well as conference, breakout and boardroom space. The Center is anticipated to be considered "Four Star" in quality and equipped with cutting-edge fiber optic communication media capabilities, such as video-conferencing and telepresence technology.

Trends in the Conference Center Industry

This section presents an overview of the conference center industry, recent historical performance, current trends and outlook for the meetings market.

Overview

Within North America, the earliest conference centers were begun in the 1960's with the adaptive re-use of large manor houses. From that point forward North America experienced a surge of conference center development, which included both new construction and the adaptive re-use of mansions.

By the mid-1980's, it was generally assumed that a world class conference center offered well-designed meeting rooms with acoustics, lighting, and furnishings designed to maximize productivity with technology which focused on facilitating presentations to groups of less than fifty executives. During the last 20 years, the corporate conference center market has experienced significant changes. As the conference center industry has expanded, conference centers have been differentiated based on demand served and location.

According to the International Association of Conference Centers (IACC), a conference center is defined as a "facility whose primary purpose is to accommodate small- to medium-size meetings." The primary difference between a conference center and a hotel or resort with meeting space is its specialized ability to accommodate groups in a self-contained, dedicated meeting environment. Conference centers tailor their facilities and

services to the specific needs of the meeting planner, and provide all the necessary arrangements for a complete schedule of activities from arrival to departure.

While the programming of a conference center's meeting space varies from property to property, conference centers generally differentiate themselves from hotels with meeting space by supporting the central "ballroom" space with "breakout" spaces and "conference" rooms typically ranging from 700 to 1,200 square feet. This program enables central large meetings to split into several more focused, concurrent meetings in surrounding rooms conducive to more personalized and/or specialized discourse. These breakout and conference rooms are characterized by their versatility and high technological capability to catalyze interaction and message absorption.

A summary of the average surveyed conference center facility's components is presented as follows.

Summary of Typical (Average) Conference Center Facility Components					
Type of Conference Center	Average Number of			Meeting Space S.F.	
	Guest Rooms	Dining Room/ Lounge Seats	Meeting Rooms	Total	Per Guest Room
All Residential Centers	219	335/75	35	36,960	168.7
Source: PKF Consulting, <i>Trends[®] in the Conference Center Industry, 2009 Edition</i>					

Recent Historical Performance

PKF Consulting and the International Association of Conference Centers (IAAC) publish *Trends[®] in the Conference Center Industry* each year. This report summarizes the annual survey of physical characteristics, demand segmentation and performance of conference centers throughout North America. Data from the past three years of this report is reproduced and discussed on this and the following pages.

Many residential conference centers utilize the Complete Meeting Package (CMP) pricing structure, which yields a single rate per conferee per day comprised of allocations for lodging, food and beverage, conference services such as meeting room rental and audio/visual equipment services, and other items such as transportation. The overall CMP rate ranges, along with allocation ranges for all surveyed conference centers from 2006 through 2008 (most recent data available) are summarized in the following table.

Historical CMP Rates & Allocations			
CMP Allocation	2006	2007	2008
Overall CMP Rate	\$263 - \$310	\$271 - \$317	\$270 - \$316
Allocated to:			
Lodging	\$144 - \$189	\$146 - \$195	\$142 - \$188
Food and Beverage	\$75 - \$82	\$77 - \$82	\$75 - \$88
Conference Services	\$28 - \$40	\$27 - \$42	\$27 - \$36
Other	\$5 - \$10	\$2 - \$13	\$3 - \$9
Source: PKF Consulting, <i>Trends[®] in the Conference Center Industry, 2007; 2008; and 2009 editions</i>			

As summarized in the previous table, overall CMP rates ranged from \$263 to \$317 during the three year period 2006 to 2008. CMP rates grew from 2006 to 2007 before remaining essentially stable in 2008 as the onset of recession constrained rate growth. The largest allocation within the CMP rate has consistently been to lodging, typically comprising between 50 and 60 percent of the overall CMP rate. From 2006 to 2008 the median lodging allocation has ranged from \$142 to \$195, while the median food and beverage allocation has ranged from \$75 to \$88 and the median conference services allocation has ranged from \$27 to \$42.

Many residential conference centers also utilize a variation of the CMP pricing structure for the accommodation of meetings which do not require overnight lodging. This “day” CMP yields a single rate per conferee per day comprised of allocations for food and beverage (usually lunch and coffee breaks), conference services such as meeting room rental and audio/visual equipment services and planning, and other items such as transportation. The overall day CMP rate ranges, along with allocation ranges for all surveyed conference centers from 2006 through 2008 are summarized in the following table.

Historical Day CMP Rates & Allocations			
Day CMP Allocation	2006	2007	2008
Overall CMP Rate	\$83 - \$109	\$79 - \$106	\$80 - \$112
Allocated to:			
Food and Beverage	\$35 - \$39	\$32 - \$42	\$36 - \$39
Conference Services	\$42 - \$56	\$39 - \$55	\$40 - \$60
Other	\$2 - \$21	\$3 - \$19	\$3 - \$14
Source: PKF Consulting, <i>Trends[®] in the Conference Center Industry, 2007; 2008; and 2009 editions</i>			

As summarized in the previous table, overall day CMP rates ranged from \$79 to \$112 during the three year period 2006 to 2008. Day CMP rates declined slightly from 2006 to 2007 before remaining growing slightly in 2008. The largest allocation within the day CMP rate has consistently been to conference services, typically comprising between 50 and 55 percent of the overall day CMP rate. From 2006 to 2008 the median conference services allocation has ranged from \$39 to \$60, while the median food and beverage allocation has ranged from \$32 to \$42 and the median other services allocation has ranged from \$2 to \$21.

The following table summarizes the sources of meeting demand for all surveyed residential conference centers from 2006 through 2008.

Conference Demand Sources			
Source	2006	2007	2008
Business Organizations	45.8%	34.8%	43.0%
Trade Associations	10.3%	8.3%	10.8%
Academic Institutions	14.2%	31.4%	21.0%
Professional Seminars	9.4%	7.2%	7.5%
Government Organizations	4.1%	3.4%	7.9%
In-House	9.4%	8.5%	6.4%
Other	7.3%	6.4%	3.3%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

Source: PKF Consulting, *Trends[®] in the Conference Center Industry, 2007; 2008; and 2009 editions*

The preceding provides an indication of the market orientation of conference centers. As indicated, conference centers generally derive the majority of their meeting demand from business organizations, trade associations and academic institutions. Combined, these three sources accounted for 70 to 75 percent of meetings accommodated over the three years sampled. Professional seminars, government organizations, in-house and other sources also represent significant, albeit less prevalent, sources of accommodated meetings demand.

Within the conference industry, demand can also be segmented by meeting type. The following figures summarize demand segmentation by meeting type.

Conference Demand By Meeting Type			
Type of Meeting	2006	2007	2008
Training/Continuing Ed.	44.9%	51.9%	43.4%
Management Planning	30.7%	25.6%	27.1%
Professional/Technical	11.0%	9.2%	11.7%
Sales Meetings	10.3%	8.2%	10.5%
Other	<u>3.1%</u>	<u>5.1%</u>	<u>7.3%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

Source: PKF Consulting, *Trends[®] in the Conference Center Industry, 2007; 2008; and 2009 editions*

As indicated in the above table, training/continuing education is the predominant type of meeting accommodated by residential conference centers, followed by management planning. Professional/technical and sales meetings each represent lesser, but significant, types of meetings accommodated.

In an effort to expand sources of revenue and penetrate weekend meetings demand, conference centers typically serve other sources of business, including social events. We have quantified the typical range of social events accommodated at non-corporate residential conference centers (proprietary corporate conference centers typically do not cater to outside groups), as summarized in the following table.

Typical (Average) Number Of Social Meetings Accommodated By Conference Centers				
	2006	2007	2008	Average 2006 - 2008
Number of Social Events	155 - 300	92 - 190	99 - 208	115 - 233
Source: PKF Consulting, <i>Trends[®] in the Conference Center Industry, 2007; 2008; and 2009 editions</i>				

The following table summarizes the scope of attendance at conferences accommodated by residential conference centers from local, regional, national and international sources.

Scope of Conference Attendance By Center Type			
Conference Scope	2006	2007	2008
Local	58.7%	59.6%	66.0%
Regional	17.8%	24.6%	17.4%
National	20.6%	13.9%	13.5%
International	2.9%	1.9%	3.2%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>
Source: PKF Consulting, <i>Trends[®] in the Conference Center Industry, 2007; 2008; and 2009 editions</i>			

As the previous table indicates, residential conference centers predominantly capture demand generated locally, accounting for 59 to 66 percent of accommodated conferences, while regionally- and nationally-generated demand generally represents a combined 30 to 38 percent of conferences. Conferences with an international scope of attendance were relatively minor, accounting for less than five percent of the total.

Trends in the Meetings Market

Reflecting the economic downturn, recent trends in corporate meeting planning in particular indicate a general shift away from higher-profile and accordingly higher-priced meeting venues to more discreet and/ or moderately priced venues. From a locational standpoint, destinations that enable reduced travel costs, such as cities with airports at which low-cost airlines have a significant presence, have become more attractive, especially to incentive-travel planners. In addition to seeking savings on travel, meeting planners are taking advantage of the “buyer’s market” for meetings and events, compelling venues to increasingly compete on price.

In 2008 and 2009, corporate meeting planners became more hesitant to organize meetings at high-profile and expensive destinations—especially at resorts—in response to public criticism of perceived excesses. This trend, colloquially referred to as the “AIG Effect,” is thought to have contributed to sharply weakened meetings demand in the luxury and resort hotel segments, which have been the hardest-hit of all hotel market segments.

While the nature of resort and luxury settings for meetings implies high costs, tighter corporate budgets may impact all segments of the meetings market for hotels and conference centers.

In February of 2009, the U.S. Travel Association issued voluntary conference guidelines for firms receiving federal bailout funding. Significant inclusions in these recommendations were caps on the cost of trips awarded as bonuses to 10 percent of an employee's salary and to ensure at least 90 percent of incentive program attendees be employees other than firm's top executives. More recently, there have been some anecdotal signs that the bias against corporate group travel has begun to wane. However, the relatively weak economic environment will likely continue to constrain the recovery of discretionary corporate group travel in the near term and groups that do travel now enjoy substantial bargaining power to secure discounted rates.

Technological advances in Web-based interfacing and media are also having an impact on the meetings market. A recent survey by the Institute for Corporate Productivity indicates that to reduce expenses, 67 percent of sampled companies indicate they foresee an increase the use of virtual-meeting technology in lieu of physical travel. Companies with more than 10,000 employees especially foresee increased use of Web-conferencing, videoconferencing and teleconferencing, with some 80 percent of those sampled anticipating virtual-meetings growth. However, many meeting planners recognize that the change in medium can, in many instances, negatively affect the message. Long and complex meetings, training sessions that include role playing, and meetings where sensitive information is transferred or training is conducted are inherently poor candidates for online mediums. While it appears that the in-person format will remain a necessity for many types of meetings, the ability of conference centers to "sell" the meeting experience (as opposed to an array of amenities and services) to consumers will be important to the industry moving forward as Web-based and other technological meeting techniques are further refined.

Meeting Professionals International (MPI) publishes *FutureWatch*, an annual report which summarizes results from a survey of MPI members. Survey results over the past several years largely reflected the contemporary economic outlook, suggesting a correlation between economic conditions and the meetings market. From 2004 to 2007, meeting professionals were optimistic about the prospects for growth in meetings market indicators including meeting attendance, meeting planner budgets, meeting length and expenditures per meeting. For 2008, *FutureWatch* survey respondents indicated some concerns about economic slowdown but predicted continuing moderate growth in most indicators and healthy growth in expenditures per meeting. However, by the beginning of 2009, respondents had downgraded their expectations substantially, predicting declines in nearly every meetings market indicator.

Meetings Market Outlook

FutureWatch 2010 respondents indicate expectations of the beginnings of a recovery to take hold in the latter part of this year or 2011. Meeting and event planners predict a 2.8 percent rise in the number of meetings held and 4.5 percent growth in attendance from

2009. However, meetings expenditures and planner budgets are expected to remain at depressed levels for somewhat longer and recover more slowly.

The following points summarize key highlights* of the 2010 survey.

- ❖ Competitive pricing will be one of the main cornerstones of the business relationships that underpin a successful event and effective overall industry.
- ❖ Planners and suppliers will both take a back-to basics approach to meeting and event transactions, in which the importance of core value and quality will exceed frills and extracurricular deals.
- ❖ With more meetings located closer to home, fewer participants will travel long distances to meet.
- ❖ The return on investment that organizations receive from the meetings they host will continue to be a major preoccupation for meeting and event planners. Over 70 percent of organizations report using some sort of objective benchmark to track the value of their meetings.
- ❖ Corporate social responsibility (CSR) will be a continuing interest for meeting and event professionals' organizations, and a potential differentiator for companies and associations that can demonstrate a strong commitment to effective CSR programs.
- ❖ Technology providers will find an enthusiastic market for affordable Internet access at meeting facilities, and for virtual- and Web-based technologies that are becoming an increasingly important part of the meetings mix.

Overall, the *FutureWatch* 2010 outlook anticipates the meetings market to track the economic cycle, with a bottoming-out of corporate and association meetings demand in the near-term preceding the beginnings of recovery.

Comparable Conference Centers

This section identifies and discusses conference centers we have determined are comparable to the subject proposed facility. We also summarize the recent historical performances of these comparable properties.

Primary and Secondary Comparable Conference Centers

We have identified 10 conference centers in a variety of locations in the United States we consider generally representative of the comparable array of conference centers to the subject proposed conference center. We have divided these comparable properties into a "primary" comparable group and a "secondary" comparable group.

No two properties can be considered perfectly comparable. However, when examined on the whole, these conference centers can be considered generally comparable to the proposed facility. The properties and their respective universities are identified and described in the table on the following page.

*Points appear in the document: *Futurewatch 2010 Executive Summary*

Conference Center Comparison							
Property			Institution				
Conference Center Facility	Meeting Space Total S.F.	Location	Neighboring Institution	Institutional Control	Research \$ 2006 ¹ Millions	Research \$ Rank 2006 ¹	Total Student Enrollment
Subject Proposed Conference Center	22,000	Ann Arbor, MI	University of Michigan-Ann Arbor	Public	800.5	4	41,000
Primary Comparables							
Hilton Hotel & Conference Center College Station	23,939	College Station, TX	Texas A & M University	Public	493.0	22	45,858
Heldrich Hotel & Conference Center	25,000	New Brunswick, NJ	Rutgers, The State University of New Jersey-New Brunswick	Public	281.0	57	37,400
Marriott Inn & Conference Center	33,388	College Park, MD	University of Maryland-College Park	Public	354.2	41	36,800
The Chattanooga	22,876	Chattanooga, TN	University of Tennessee-Chattanooga	Public	n/a ²	n/a ²	10,500
Hotel Roanoke & Conference Center	40,902	Roanoke, VA	Virginia Polytechnic Institute and State University	Public	321.7	50	30,700
Average	29,221				362.5	35	32,252
Secondary Comparables							
Mission Bay Conference Center	12,500	San Francisco, CA	University of California-San Francisco	Public	796.1	6	3,000
Georgia Tech Hotel & Conference Center	20,300	Atlanta, GA	Georgia Institute of Technology	Public	440.9	31	18,700
University Place Conference Center & Hotel	25,000	Indianapolis, IN	Indiana University-Purdue University	Public	213.0	79	29,800
Fluno Center	40,000	Madison, WI	University of Wisconsin-Madison	Public	831.9	2	42,000
The Hotel at Auburn University and Dixon Conference Center	22,000	Auburn, AL	Auburn University	Public	126.5	112	24,100
Average	23,960				481.7	23	23,520
(1) <i>The Top American Research Universities 2008 Annual Report</i> - The Center for Measuring University Performance							
(2) Not ranked in top 200 universities nationally in terms of annual research expenditures							
Sources: Facility and University websites; <i>The Top American Research Universities 2008 Annual Report</i> - The Center for Measuring University Performance							

The primary group includes five residential conference centers that are located nearby public university campuses, but not proprietary entities of a university. These five properties have an average of 29,221 square feet of meeting space, ranging from 22,876 square feet at The Chattanooga to 40,902 at the Hotel Roanoke. The proximate universities have an average student enrollment of 32,252, ranging from 10,500 at the University of Tennessee-Chattanooga to 45,858 at Texas A&M. The proximate universities had an average 2006 total research expenditure (most recent data available) of \$362.5 million, equivalent to an average national research expenditure ranking of 35th. By comparison, the subject proposed conference center will have 22,000 square feet of meeting space and is proximate to the public University of Michigan, with enrollment of approximately 41,000 and 2006 research expenditures of \$800.5 million, ranking fourth nationally.

The secondary group includes one day conference center (Mission Bay) and four residential conference centers. Four of the five conference centers (excluding the Hotel at Auburn) are directly university-owned or affiliated. These five properties have an average of 23,960 square feet of meeting space. The proximate universities have an average student enrollment of 23,520 and average 2006 total research expenditures (most recent data available) of \$481.7 million, equivalent to an average national research expenditure ranking of 23rd.

Thus, the primary and secondary comparable groups are closely comparable to the subject proposed conference center from a physical plant standpoint, with very similar average meeting space inventories. However, the University of Michigan has a significantly higher enrollment and substantially greater research expenditures than the average comparable property's neighboring institution.

Further insight into the comparability of the subject market and proposed property with those identified conference centers can be understood by examining market population, airport access and relationship of the property to the proximate university, as summarized in the following table.

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Market Area Comparison			
Property	Municipal Population	Dist. To Major Airport (Miles)	Dist. To University (Miles)
Subject Proposed Conference Center	114,386	26	0.2
Primary Comparables			
Hilton Hotel & Conference Center College Station	74,125	99	0.7
Heldrich Hotel & Conference Center	50,172	25	0.2
Marriott Inn & Conference Center*	24,657	30	0.0
The Chattanooga	170,880	113	1.0
Hotel Roanoke & Conference Center	92,967	6	42
Average	82,560	55	11
Secondary Comparables			
Mission Bay Conference Center	808,976	14	n/a
Georgia Tech Hotel & Conference Center	537,958	15	n/a
University Place Conference Center & Hotel	798,382	14	n/a
Fluno Center	561,505	6	n/a
The Hotel at Auburn University and Dixon Conference Center*	56,088	102	0.0
Average	552,582	30	--
*Property located directly adjacent the campus Source: Microsoft MapPoint 2006; U.S. Census			

Relative population levels provide a rough benchmark by which locally-generated demand may be gauged. As the table indicates, the subject Ann Arbor market is somewhat more populous than the average city in which the primary comparables are located, but far less populous than the average secondary comparable city.

Accessibility via major airports is a very important factor in site selection for conferences of a national and international scope. The subject proposed conference center's site is much more accessible than the average primary comparable property, though the Hilton College Station and Chattanooga skew this average significantly high. The subject's major airport accessibility is similar to properties in the secondary comparable set, though the Hotel at Auburn is a far outlier.

With the exception of the Hotel Roanoke, all of the comparable properties and the subject are located either directly on their respective university campuses or within one mile. Thus, the properties' relationship to their university demand generators are essentially equivalent.

Recent Historical Performance

The following table summarizes meetings revenues per square foot of meeting space (MRSF) experienced by the primary and secondary comparable sets of conference centers from 2007 to 2009. Note the secondary set excludes the Mission Bay Conference Center and Hotel at Auburn University, as these properties do not contribute to the PKF Trends® database. To preserve the anonymity of PKF Trends® participants, individual

performances have been aggregated to reflect annual averages and ranges for each comparable set.

Meetings Revenue* Per Square Foot of Meeting Space 2007 - 2009						
Comparable Conference Center Set	2007		2008		2009	
	Avg.	Range	Avg.	Range	Avg.	Range
Primary	\$140	\$105 - \$201	\$165	\$111 - \$217	\$141	\$103 - \$202
Secondary	\$132	\$34 - \$341	\$123	\$33 - \$328	\$77	\$24 - \$183

* Derived from banquet food & beverage; room rental; audio visual rental; service charges; and other ancillary sources
Source: Property data from PKF Trends® with some data points estimated

As indicated in the previous table, the primary comparable set consistently outperformed the secondary comparable set, experiencing higher average MRSF in each of the three sampled years. While both comparable sets have properties which experienced a significant range of revenue variability, the annual revenue ranges for properties in the primary comparable were narrower.

The primary comparable set experienced average MRSF ranging from \$140 to \$165 over the three year period, with individual properties ranging from \$103 to \$217. Average MRSF grew by \$25, or 17.9 percent, in 2008, before declining \$24, or 14.5 percent, in 2009. While the healthy growth experienced in 2008 was better than the overall conference center industry, the decline in 2009 is similar to the wider industry experience.

The secondary comparable set experienced average MRSF ranging from \$77 to \$132 over the three year period, with individual properties ranging from \$24 to \$341. Average MRSF declined by \$9, or 6.8 percent, in 2008, before again declining \$46, or 37.4 percent, in 2009. While the decline experienced in 2008 was comparable to the overall conference center industry, the sharp decline in 2009 was far greater than the wider industry experience.

The 2007 to 2009 historical sample is particularly insightful given the changing economic climate experienced during this time. The sample includes a year of performance reflecting favorable economic conditions (2007), a year of mixed economic conditions (2008) and a year of extremely adverse economic conditions. Together, these three years exemplify what is generally considered to be the full spectrum of economic environments within which conference centers operate.

Existing Meetings Market Supply

This section discusses those properties which we have identified as representing the local meetings market competitors for the subject proposed conference center. We also discuss other local meeting venues which, in our opinion, represent competition for a narrow section of the market within which the subject proposed facility will operate, though warrant mention nonetheless. We will also opine on the potential for the introduction of new competition in the local market in the future.

Local Competitive Supply

The proposed conference center may compete to varying degrees with a number of other meeting venues, including hotels with meeting space and free-standing venues such as restaurants and banquet halls. However, we have selected a group of four hotels, identified in the following table, which we believe represent the most relevant potential competition to the subject. All of the competitive hotels are full-service in nature (offering an on-site restaurant and significant meeting space inventory) and are considered most competitive due to the availability on on-site lodging, location, amenities and facilities, market orientation and/or price levels.

Local Meeting Space Competitors						
Property	# of Guest Rooms	Year Opened	Meeting Space - Square Feet			Max. Banquet Capacity ⁽³⁾
			Total ⁽¹⁾	Largest	Per Guest Room	
Marriott Ypsilanti at Eagle Crest	235	1989	27,244	9,880	116	640
Kensington Court Hotel	200	1967	13,860	5,568	69	390
Sheraton Four Points	197	1981	13,689	6,300	69	550
Weber's Inn	158	1968	9,409	4,554	60	380
Campus Inn	208	1969	8,708	2,028	42	300
Holiday Inn Near The University	225	1971	6,404	4,600	28	320
Average	204	1974	13,219	5,488	65	430
Subject Proposed Conference Center	150	n/a	22,000	8,000 ⁽²⁾	147	500
(1) Not including prefunction and outdoor space						
(2) Based on PKFC assumption of 500-banquet diner capacity at 16 S.F. per diner						
(3) In the main ballroom						
Source: Smith Travel Research; property websites						

As the previous table indicates, these primary competitors have meeting space per guestroom ranging from 28 to 116 square feet, averaging 65 square feet. While our market research concludes that these properties are most competitive in the local area for the group meetings market, only the Marriott Ypsilanti can be considered a "conference center." Each of the identified properties can accommodate between 300 and 640 diners in their respective main ballrooms; however, the lack of supporting conference and breakout spaces limit the ability of all but the Marriott to effectively market their facilities to true conference groups.

The Marriott's meeting space program, with a relatively large inventory of conference and breakout rooms in support of ballroom gatherings, is most consistent with the conference center concept. Notably, the Marriott also operates the adjacent Eagle Crest Conference Center, a facility owned by Eastern Michigan University and utilized as a venue for training and other meetings generated by the university. As part of the management agreement, the Marriott may market the roughly 13,000 square feet of meeting space in the conference center as part of its overall inventory. Thus, the Marriott effectively controls an overall meeting space inventory of up to some 40,000 square feet at most times. The

Marriott's main ballroom is the largest in the competitive supply, giving this property the advantage in accommodating the largest of meetings.

According to management at the property, the Marriott does accommodate a significant degree of meetings business generated by the University of Michigan. The majority of University meetings demand is reportedly academic or business-related in nature, as opposed to purely social events.

The Sheraton Four Points has three ballrooms, including a junior ballroom with banquet capacity of 150, along with four smaller rooms ranging in size from 272 to 864 square feet. Aside from the Marriott, this property's facility programming is most oriented to the group segment and groups account for an estimated 50 percent of business. Each ballroom is divisible, enabling the property to—in theory—accommodate concurrent breakout sessions in support of a central gathering. However, the lack of purpose-built conference rooms limits the competitiveness of this facility for the conference market. However, the meeting space possessed by this property is very suitable to gatherings of a social orientation, such as weddings, banquets and receptions.

The Campus Inn and Kensington Court each have two ballrooms, though lack the surrounding conference and breakout rooms that best enable the accommodation of conference groups. Thus, from a facility programming standpoint, these properties are less competitive for true conferences. However, the meeting spaces possessed by these properties are very suitable to gatherings of a social orientation, such as weddings, banquets and receptions. The Campus Inn's close proximity to the University's Central Campus enables it to be highly competitive for group demand generated by the University.

The Holiday Inn Near The University, located near the University of Michigan's North Campus, possesses 6,404 square feet of meeting space, including a 4,600 square foot ballroom with a banquet capacity of 320. Amongst other groups, this property accommodates meetings generated by the University and by Domino's corporate headquarters. The meeting spaces possessed by this property are very suitable to gatherings of a social orientation, such as weddings, banquets and receptions. However, this property's location away from area amenities such as restaurants, retail and other diversions makes it less attractive to groups staying for two to five nights, as is typical of conference groups. Further, the property's three other meeting rooms range from 368 to 736 square feet, constricting its ability to compete in the group conference market.

Weber's Inn, located approximately 2.4 miles west of the University of Michigan's Central Campus, has approximately 9,400 square feet of meeting space including two ballrooms, the largest of which is approximately 4,550 square feet with a banquet capacity of 380. The meeting spaces possessed by this property are very suitable to gatherings of a social orientation, such as weddings, banquets and receptions. However, the property's three other meeting rooms range from 432 to 725 square feet, constricting its ability to compete in the group conference market.

In summary, the present local supply of competitive meeting space venues does not, other than the Marriott Ypsilanti, include a true residential conference center. These identified venues are well positioned to accommodate a variety of social events such as weddings and banquets, as well as small and/or less complex business-oriented meeting needs. However, no single property within the supply is positioned competitively to accommodate multi-day group conferences in downtown Ann Arbor.

In the context of the subject proposed facility's market position as a conference center, we note the facility will also compete for conference and group meeting demand to varying degrees with conference centers and other meeting venues in the greater region. The proposed conference center may also enter the competitive pool for rotating conferences currently attended by local constituencies within the University of Michigan and other organizations, who may be motivated by the introduction of the conference center to bid for such conferences to come to Ann Arbor. While too nebulous a market to directly quantify here, meeting venues at which these regional conferences and rotating academic conferences are currently accommodated are considered a major component of the overall competitive supply. Conference and other group meetings accommodated by the proposed facility within this greater competitive supply will represent induced demand not previously present in the local market.

Strengths and Weaknesses of the Local Competitive Supply

Within the competitive meeting space supply, venues vary in terms of location and subsequent relationship to demand generators, facilities and amenities, quality level, pricing, physical condition and market orientation. These factors yield competitive strengths and weaknesses attributable to each property that, in sum, give an indication of the overall competitive positioning of a market. The following points briefly summarize our opinion of the overarching strengths and weaknesses of the local competitive market.

Competitive Supply Strengths

- ❖ The competitive supply's total of 12 ballrooms enables it to accommodate a large volume of concurrent large-scale events, such as weddings, banquets and other social events, and large-scale theater-seating meetings.
- ❖ The competitive supply's proximity and excellent ease of access to Detroit Metropolitan Airport supports its ability to attract group demand from outside the region.
- ❖ The competitive supply's overall relatively good physical condition supports competitiveness despite its advanced age. The average age of the competitive local supply is 34 years, with individual properties ranging in age from 21 to 43 years.

Competitive Supply Weaknesses

- ❖ The lack of conference and breakout space at most properties impedes the competitive supply's overall ability to effectively compete in the conference market.
- ❖ The lack of a downtown Ann Arbor residential conference center presence decreases the supply's competitiveness for multi-day conferences, especially those of a national

or international scope, whose attendees may desire area amenities such as food and beverage, retail and other diversions within walking distance of the venue.

- ❖ The lack of sizeable exhibition space suitable for the accommodation of tradeshow and large-scale symposia essentially precludes the supply from competing for such demand.

Other Meeting Venues

In addition to the aforementioned meetings market competitors, the Ann Arbor area has many other venues that accommodate meetings. These venues include other hotels with meeting space and venues which are not supported by on-site lodging. However, in our opinion, these facilities may be considered, at most, tangentially competitive with the subject proposed conference center, due to differences in location, quality, product offering, governance and/or target market.

Several of these venues warrant mention here, including the following:

Washtenaw Community College (WCC): This institution allows the use of meeting space in seven campus classroom buildings by outside groups, provided the use aligns with the college's mission of education and community enrichment. Within these parameters, WCC accommodates training- and education-oriented meetings and non-profit group meetings, including non-profit group fundraisers. However, uses such as weddings and other purely social events, profit-generating events and private and management planning uses are prohibited. While WCC Conference Services offers a full catering program, there is no available on-site lodging. As such, this facility predominantly accommodates locally attended, single-day meetings.

Michigan Information Technology Center (MITC): Designed to showcase the advanced technology industry, the MITC has a 7,781 square foot, non-residential conference center marketed to the public. The conference center consists of five conference rooms ranging from 360 to 930 square feet, 6 breakouts ranging from 170 to 540 square feet, one 1,575 square foot multipurpose room, one 1,136 square foot tiered-seating room and one 540 square foot boardroom. The single-largest capacity space is the 140-seat multipurpose room. The lack of a central space with greater capacity, combined with the lack of on-site lodging, limits this facility's competitiveness for non-local, multi-day conference groups.

University of Michigan-Michigan Union: This facility, located on the University's Central Campus, consists of 22,052 square feet of saleable indoor meeting space, including the 6,325 square foot Rogel Ballroom, the 2,508 square foot Anderson Room, the 3,780 square foot University Club and the 2,460 square foot Pendleton Room, along with 16 smaller rooms ranging in size from 224 to 1,512 square feet. The Rogel Ballroom can accommodate banquets of up to 420 diners. The Michigan Union is predominantly utilized by student, faculty and administrative University groups for single-day meetings, though the facility is also available to non-University users at premium rental rates.

University of Michigan-Michigan League: Located on the University's Central Campus, the Michigan League consists of 21,751 square feet of saleable indoor meeting space,

including the 5,238 square foot Ballroom and the 5,492 square foot Underground Room, along with 15 smaller rooms ranging in size from 220 to 1,722 square feet. The Ballroom can accommodate banquets of up to 350 diners. The Michigan Union is predominantly utilized by student, faculty and administrative University groups for single-day meetings, though the facility is also available to non-University users at premium rental rates.

University of Michigan Towsley Conference Center: This facility, located on the University's Medical Center Campus, consists of the 415-seat Dow Auditorium, the 144-seat Sheldon Auditorium, the 3,500 square foot Towsley Lobby and the Towsley Dining Room with a banquet capacity of 160 diners. The facility is associated with the University of Michigan department of Medical Education and is designed, in part, to accommodate medical-related continuing education programs. The facility is available for University-related functions, as well as non-University academic or professional meetings at premium rates. However, purely social events are not permitted. Furthermore, continuing medical education events and half- and whole-day conferences are given explicit scheduling priority.

University of Michigan-Palmer Commons: Located on the University's Central Campus, Palmer Commons consists of approximately 6,400 square feet of meeting space including the 3,200 square foot Great Lakes Room, the 140-seat Forum Hall auditorium, six other meeting rooms and three reception atriums. The Great Lakes Room can accommodate banquets of up to 224 diners. Palmer Commons is predominantly utilized by student, faculty and administrative University groups for single-day meetings, though the facility is also available to non-University users at premium rental rates.

University of Michigan- Ross School of Business Executive Education Center: This facility, located on the University's Central Campus, consists of approximately 3,500 square feet of meeting space divided into flat- and tiered-seating classroom and amphitheatre space. The facility was designed expressly to accommodate the instructional needs of the Ross School of Business' Executive Education program and is adjacent to the Executive Residence, constructed to lodge executive education students. While originally planned exclusively for Business School use, it is our understanding that ARAMARK, the facility's operator, has been authorized to market the Executive Education Center to other University users. We also note the presence of a banquet room located on the top floor of the adjacent Business School building which has a maximum banquet capacity of approximately 230 diners.

In general, our impression of the usage of on-campus meeting venues was that these venues are intended first and foremost to accommodate the day-to-day meeting space needs of the University community. In practice, the meetings most often held in these venues are inherently best suited for on-campus venues, and these groups would be unlikely to seek accommodation elsewhere except on occasions when all on-campus alternatives are exhausted. Furthermore, our interviews with University representatives left the impression that the University does not consider these venues as material "competitors" for the meetings market that off-campus venues cater to. To any extent that

these on-campus venues compete in the greater meetings market, the competitive effort remains subordinate to day-to-day demand generated by the University community.

Potential Future Competitive Supply Additions

We are aware of two other projects currently in planning which could potentially impact the competitive conference and group meetings market if realized.

We are aware of a group who reportedly intends to develop a mixed-use project to include a hotel with significant meeting space inventory, amongst other possible components. This project's site is located west of the subject proposed project's site, west of Main Street and is reportedly currently comprised of parcels owned by the City of Ann Arbor and several private residents. While we note the existence of this proposed project, it is our understanding the project is speculative in nature and its realization remains largely uncertain at this time.

We also note conjecture surrounding a potential renovation of meeting space in the former Pfizer complex, now known as the North Campus Research Complex (NCRC), to result in the development of a "conference center" or otherwise significant meeting venue. Our interviews and research yielded mixed opinions on the probability of NCRC meeting space to be used as a "conference center" by the University and the extent to which such a venue could be considered competitive with the subject proposed facility. Given the infancy of master planning for the NCRC—at least in the public forum—we consider any potential plans for a "conference center" improvement to be speculative in nature at this time and that to opine on the impact of such a project would be premature. However, we note inherent drawbacks to the NCRC site's potential as a conference center at present include its remoteness and the scarcity of on-site lodging, though several hotels are nearby such as the Holiday Inn Near The University and Hampton Inn. In sum, we believe developments surrounding the NCRC, in particular the prospective meeting venue, should continue to be monitored for potential impact.

Existing Meetings Market Demand

This section discusses those sources of meetings demand currently present in the competitive market. We identify major demand generators and illuminate the nature of demand generated based on our market research.

The foremost generators of conference and other meetings demand and be classified into three generalized segments, including:

- ❖ The University of Michigan
- ❖ Corporate and association groups
- ❖ Weddings and other social events

We discuss these segments separately in the paragraphs on the following pages.

The University of Michigan

Meetings demand generated by the University of Michigan is diverse and diffuse, ranging across spectrums of size, duration and nature.

Conferences generated by the University range in format from student group causes to continuing adult education. University of Michigan's Conference Services reports organizing 40 to 70 conferences annually, with an average duration of two to five days and attendance ranging widely. Roughly 90 percent of these conferences are accommodated on-campus, though lodging needs are typically accommodated by local hotels. Additionally, the University administers continuing-education and other seminars that are held throughout the year which in many cases are accommodated in local hotels. At present, conferences with attendance of over 200 reportedly tend to exhaust the downtown hotel lodging supply. Not all conferences are organized through the Conference Services office, however, and many departments organize conferences and other meetings independently as well.

Many meeting spaces possessed by the University of Michigan Medical Center have been converted to other uses in recent years, resulting in increased difficulty in the execution of retreats and other internal programs. The Medical School's continuing education programs are often accommodated at Towsley Conference Center, though are also accommodated at Kensington Court and the Marriott Ypsilanti.

Alumni-related events are most often related to class, fraternal, or other affiliation reunions and are typically social in nature, peaking during fall football weekends, and tend to be accommodated at on-campus venues. Alumni event planners prefer on-campus venues as a means of reinforcing alumni-University connectedness. During these peak-demand fall weekends, however, it becomes increasingly difficult to secure on-campus reception and/or banquet space, at times resulting in "overflow" demand accommodated at off-campus meeting venues.

University faculty members belong to industry and professional associations which hold annual or semi-annual conferences. The locations of these conferences tend to rotate through a cycle of hotels, corporate or executive conference centers and university conference centers, with a given location hosting a conference every three to five or more years. It is possible that these faculty members would be interested in bringing conferences to Ann Arbor if a purpose-built downtown conference center such as that proposed were made available.

Business and Association Groups

Dominos® Farms, the company's headquarters, generates group meeting business accommodated both in the local market and elsewhere. The headquarters has an on-site conference room with "classroom" style seating capacity of approximately 60 that is reportedly utilized for internal meetings on a daily basis. Use of this space results in roughly 12 times per year when "overflow" meetings demand is accommodated elsewhere, reportedly most often at the Marriott Ypsilanti due to the quality of facilities.

Social receptions for roughly 450 to 550, such as the annual holiday party, are accommodated in the headquarters' F Lobby, which is ideal for convenience.

Dominos® holds off-site quarterly meetings with 500 to 600 attendees. These meetings are typically one day in duration and most often accommodated at full-service hotels. "Road Show" meetings, where new products are introduced, are held periodically throughout the country, with attendance ranging widely by region. The Ann Arbor region's most recent meeting was held in Minneapolis, with an attendance of approximately 300. These meetings require more than one ballroom, for presentations and subsequent receptions

The Toyota Technical Center reports holding off-site management meetings once or twice per year at either the Marriott Ypsilanti or the Inn at St. John's in Plymouth, Michigan. Historically, off-site meetings were more common until the opening of the Technical Center's new facilities, which includes meeting space suitable for up to 300 persons, in 2008. Toyota also hosts supplier conferences in the region with attendance ranging from roughly 1,000 to 1,500. Social meetings demand generated by the Technical Center is reportedly negligible.

Google's Ann Arbor AdWords office reportedly has minimal need for off-site meeting space. Most meeting needs are administered by event planners at Google's corporate headquarters in Mountain View, California. Meeting needs generated by Google's Ann Arbor office are almost exclusively accommodated within the five-story building the office occupies. However, there is reportedly some potential for use of the proposed facility by a corporate Google sales conference which rotates on a three- or four-year cycle through venues across the nation.

Group meetings business generated by Borders Group has reportedly been in decline. However, Borders has historically been a significant generator of meetings demand in the local area. The outlook for meetings demand generated by Borders is uncertain at the present time.

Three large-scale association groups have recently held or will hold major annual meetings in Ann Arbor:

- ❖ The National Joint Apprenticeship and Training Committee held its annual training conference at the University of Michigan in August 2009 and reportedly plans to continue to hold the event in Ann Arbor. The seven-day event drew roughly 2,000 attendees.
- ❖ The United Association of Plumbers and Pipefitters in holds its annual Instructor Training Program at Washtenaw Community College in August. The eight-day event draws roughly 2,000 attendees.
- ❖ The International Association of Bridge, Structural, Ornamental and Reinforcing Iron Workers will hold its annual Ironworker Instructor Training Program at Washtenaw Community College in July of this year. The five-day event is anticipated to draw roughly 600 attendees.

These events generate millions of dollars in positive economic impact on the Ann Arbor area, and reflect the effectiveness of the local Convention and Visitors Bureau's relationship with local educational institutions. Due to the large attendance, these institutions are the only local venues possessing the meeting space inventory to accommodate such associations.

Weddings and Other Social Events

Weddings and other social events generated by the general public (as opposed to the University) are an important source of business in nearly all meetings markets. Demand for social events typically falls on weekends, thus providing a means for meeting venues to "smooth" their weekly demand patterns and support profitability.

Weddings occur throughout the year, but tend to peak in the late spring and summer months from May through September. Weddings typically fall on weekends and range widely in terms of attendance, price sensitivity and space requirements. In the local market, some meeting venues are unable to compete effectively for weddings due to capacity constraints, programming constraints, or authorized use. For example, Washtenaw Conference Services reports turning away roughly six wedding inquiries per week, on average, because wedding functions are determined to lie outside the mission of the College. However, we note the Michigan Union and League do accommodate weddings and are popular. There is reportedly a significant market for weddings with over 300 attendees, with one individual we interviewed reporting approximately 40 percent of weddings planned having attendance of over 300 attendees. In general, the availability of on-site lodging and the ability of a venue to host both the wedding ceremony and subsequent reception and banquet are reportedly important factors for wedding planners.

Other social events not generated either directly or indirectly by the University are less common and impactful than weddings. However, bar mitzvahs and other infrequent social events are present in the local market.

Proposed Conference Center Potential

This section opines on the potential for the proposed facility to attract conference and other meeting demand. We identify the proposed conference center's various competitive strengths and weaknesses; opine on its ability to compete in the existing competitive meetings market and ability to induce new demand into the market; and briefly comment on the potential corollary benefits to the surrounding community.

Competitive Strengths and Weaknesses of the Proposed Conference Center

The proposed conference center will generally compare favorably with the local competitive supply. The points on the following page summarize the advantages and disadvantages the facility is anticipated to have within the conference and meetings market.

Competitive Strengths

- ❖ Upon opening, the Center will represent the newest meeting venue in the competitive market. The existing competitive supply, as discussed earlier, is largely comprised of properties with advanced ages. The facility's contrasting newness should amplify its attractiveness, especially to the upper tier of the meetings market.
- ❖ The Center's downtown location and proximity to the University of Michigan's Central Campus will be highly attractive to most groups, especially those whose duration of stay lasts several days, as attendees will have easy walking access to the campus and to downtown food and beverage, retail and other area amenities.
- ❖ The Center's proximity to Detroit Metropolitan Airport should support its competitiveness for meetings, especially conferences, for which attendances are of national or international scopes.
- ❖ The Center's cutting-edge communication media capabilities, such as video-conferencing and telepresence technology should enhance its competitiveness for academic and business-oriented conferences and other professional meetings.
- ❖ As a purpose-built downtown residential conference center, the Center will represent a product significantly differentiated from the other hotels and meeting venues in the local supply. This market position should enable the facility to compete effectively both inside and outside of the local competitive market for conference demand.

Competitive Weaknesses

- ❖ The demands of servicing construction and finance debt may necessitate positioning the conference center at the top of the local competitive market in terms of price. This necessity would weaken the conference center's competitiveness for the more price sensitive segments of demand. We have been made aware that certain bond financing instruments may be available to the project which could help alleviate debt servicing burdens and thus enable the Center to position itself more competitively in terms of price. However, we have not evaluated details of the financing plan for the project and therefore submit this solely on a hypothetical basis.
- ❖ The facility's downtown location, farther from I-94 than the Marriott, Kensington Court and Four Points hotels, may weaken its competitiveness for some single-day group meetings whose attendees originate from outside the local area. These groups may prefer the directness of access from I-94 that these other properties provide.
- ❖ The Center's supporting hotel's guestroom count, at 150 guestrooms, may weaken its competitiveness for larger multi-day group meetings, including conferences, for which the importance of lodging the entire group in one location is at a premium. However, we note the proximity of other downtown hotels at which larger groups could accommodate "overflow" demand may mitigate this weakness.

Competitive Market Penetration

Market penetration is a term used to evaluate a property's ability to compete within its defined competitive market, and within various pre-existing demand segments, and is based on a "fair share" analysis. In this context, fair share is simply the ratio of the square

footage of meeting space in a particular property to the square footage of meeting space in the defined primary competitive supply. The proposed conference center's fair share in the competitive local market will be 21.7 percent (22,000 square feet/101,314 square feet) of occupied meeting space upon opening. Market penetration is the ratio of captured meeting space demand to fair share of meeting space demand. Factors indicating competitive advantages are typically reflected in penetration above a property's fair share, while, conversely, competitive disadvantages are reflected in penetration below a property's fair share.

It should be noted that the actual penetration of each market segment by the subject may deviate from fair market share for the following reasons:

- ❖ The competitive advantages or disadvantages of the conference center versus the competition taking into consideration such factors as age, location, meeting space programming, price positioning, quality of management, marketing efforts, and image;
- ❖ The characteristics, needs, and composition of each demand segment;
- ❖ The restraint on demand captured due to capacity constraints during certain periods of the week or times of the year; and,
- ❖ Management decisions concerning target markets.

We opine on the subject's anticipated relative penetration of several segments of local meetings demand that we have identified as significant in the following paragraphs:

The University of Michigan

Of meetings demand generated by the University that is accommodated in the local competitive market, the proposed conference center should penetrate this segment healthily. The Center's proximity to Central Campus should be attractive to nearly all off-campus University meeting groups and its newness and quality level should be especially attractive to the upper tier of this segment.

During the fall football and reunion season, the proposed conference center should be able to effectively market its meeting space to alumni and other social receptions on weekends, especially those that cannot secure meeting space on-campus. The site's convenience to Michigan Stadium should facilitate above-fair share penetration of this segment.

As a purpose-built conference center, the subject should be able to penetrate the market for off-campus academic conferences very effectively. Again, the proximity to Central Campus should aid in the penetration of this segment, especially the portion of this segment comprised of multi-day conferences. We also note the potential for induced conference demand with the introduction of this facility, which will be discussed later in this report.

Business and Association Groups:

The proposed conference center should also effectively penetrate the market for business meetings. The subject's location downtown and its proximity to the Main Street and State Street business districts position it relatively well from the standpoint of local business demand generators. The growing importance of demonstrating a strong return-on-investment from meetings makes those venues which can best facilitate fruitful, on-budget meetings most attractive. In this respect, well appointed and efficiently managed conference centers can provide a very competitive product.

Given the relatively high attendance typical of association meetings and their meeting space necessities, the proposed facility would be less competitive for most association meetings. Venues on the Washtenaw Community College and University of Michigan campuses will continue to be the most suitable locations for association groups. The proposed facility will also not be materially competitive for state-wide association conferences, generally requiring meeting space for roughly 1,000 attendees, which are currently accommodated in other Michigan markets.

The Center's inventory of meeting space should allow for the programming of smaller-scale exhibit and symposia space in a "junior ballroom." Such space, at approximately 4,000 square feet, could support and compliment central meetings in the main ballroom. This programming would be most suitable for smaller to mid-sized gatherings that require exhibit space.

Weddings and other social events:

As the newest and highest-quality meeting venue in the local market, the proposed conference center should penetrate the upper-tier of this segment healthily. The proposed facility should also effectively penetrate the market for larger weddings in excess of 300 diners, though the depth of this market in the local area cannot be reliably quantified. Given the relatively large local supply of ballrooms capable of accommodating up to 300 banquet diners, the market for wedding groups of up to 300 diners is highly competitive. Further, price sensitivities incentivize the local market to aggressively compete on the basis of price. As such, the subject facility will likely be challenged in penetrating this demand segment overall, though should be highly competitive for the segment's upper-tier.

Overall, we anticipate the Center will capture roughly its fair share, or slightly below its fair share, of demand from the wedding and other social event segment. The Center should capture more than its fair share of demand from the upper-tier of the market, and somewhat less than its fair share of the lower-tier.

Induced Demand

As a new, differentiated product from that currently present in the local market, the proposed conference center has the potential to induce new demand. Given its market orientation, the proposed conference center will be best positioned to induce conference demand currently accommodated outside the local market. Upon introduction, the Center

will represent a 27.2 percent increase in the defined local competitive supply of meeting space. This new meeting space inventory will need to induce a significant degree of meeting demand in order to minimize pressures on the local competitive supply. As is the case with most conference centers, the management team's ability to market to groups outside the local area will be a key factor determining the degree of demand induced from the group meetings market in general and conferences in particular. As such, competent, efficient and experienced management by the management firm is an important assumption underlying our opinion of viability.

One potential source of induced demand includes academic conferences sponsored by or otherwise associated with University of Michigan faculty. The new availability of a purpose-built conference center with proximity to Central Campus may motivate faculty to bid for academic conferences now accommodated elsewhere. Our interviews with various University representatives left a general impression that faculty would indeed react to the availability of a facility like that proposed by working to bring conferences to Ann Arbor. However, the certainty of this prospect cannot be validated without an extensive survey of University faculty.

Corollary Benefits

To the extent that the Center generates visitation from outside the local area, this visitation should result in increased patronage of local consumer businesses. The most likely businesses to benefit include those located in the downtown district and elsewhere within walking distance of the proposed site. Last year's August conventions held by the National Joint Apprenticeship and Training Committee and the Plumbers and Pipefitters Union generated an estimated economic impact of roughly \$10 million from one week of visitation by roughly 2,000 attendees at each convention. While the subject proposed conference center cannot be expected to compete for such large-scale meetings, it should be able to compete on a national scale for smaller conferences throughout the year.

* * * *

Based on the foregoing contents of this report, we therefore conclude the proposed conference center development appears viable. However, we note we do not express an opinion which quantifies accommodated demand or which projects actual operating results or financial feasibility.

Addendum: Interviewee Listing

- Josie Parker – Director, Ann Arbor District Library
- Kenneth Nieman – Ann Arbor District Library
- Mary Kerr – President & CEO, Ann Arbor Area Convention & Visitors Bureau
- Greg Stephens – Business Manager, International Brotherhood of Electrical Workers Local 252
- Michael Finney – President and CEO, Ann Arbor SPARK
- Jessie Bernstein – Former President, Ann Arbor Chamber of Commerce
- Jim Koen – General Manager, Sheraton Four Points Ann Arbor
- Michael Harman – General Manager, Campus Inn
- Mark Stevens – Director of Sales, Marriott Ypsilanti at Eagle Crest
- Bruce Brownlee – Senior Executive Administrator, External Affairs, Toyota Technical Center
- Littany Supka – Event coordinator, Dominos®
- Carolyn Hefner – Owner, The China Closet (an event planning firm)
- Doris Sanford – Owner, Events by Sanford (an event planning firm)
- Paul Metler – Director of Catering Sales, Zingerman's Catering and Events
- Kathy Hentschel – Michigan Occasions (an event planning firm)
- Dennis Doyle – Director of Sales and Marketing, Ann Arbor Area Convention & Visitors Bureau
- Pamela Staton – Director, University of Michigan Marketing & Conference Services
- Bill Vlisides – Conference Manager, University of Michigan Marketing & Conference Services
- Steve Grafton – President, University of Michigan Alumni Association
- Robert Johnston – Director of Facilities & Operations, University of Michigan College of Literature, Sciences and the Arts
- Patrick Downey – Director, Washtenaw Community College Office of Conference Services
- Jim Kosteva – Director, University of Michigan Community Relations
- David Munson – Robert J. Vlasic Dean of Engineering, University of Michigan College of Engineering
- Laura Gray – Assistant Director of Special Events, University of Michigan Law School
- Lara Furar – Director, Alumni Relations & Reunion Program, University of Michigan Law School
- Janice Glander – Director of Annual Giving, University of Michigan Law School
- Van Harrison – Director, Office of Continuing Education, University of Michigan Medical School
- Stephen Forrest – Vice President for Research, University of Michigan